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The copycat conundrum: The double-edged sword of crowdfunding

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Abstract Crowdfunding has proliferated over the past decade, creating various platforms on which new entrepreneurs signal their value to potential backers in order to attract funding. The boons of crowdfunding have blinded both practitioners and scholars alike, leaving potential negative unintended consequences underexplored. Copycats, for example, are a potential problem for crowdfunding ventures. In this article, we examine the consequences of signaling to these ill-intentioned, opportunistic audiences on crowdfunding platforms and propose a solution to aid novice entrepreneurs in making a more informed decision on platform selection. Specifically, we provide guidance on when to select an open, semi-open, or closed crowdfunding platform to reduce the impact of copycats. We conclude with prescriptive advice to novice entrepreneurs.

1. You don't know "Jack"

Crowdfunding occurs when an entrepreneur directly solicits funds from a large number of individuals without personal or historical ties to the entrepreneur, often "through an open call on the internet" (Belleflamme, Lambert, & Schwienbacher, 2014, p. 585). While examples exist of established firms using crowdfunding to seek capital (Robles, 2017), most users are considered novice entrepreneurs (Frydrych, Bock, Kinder, & Koeck, 2014). Perhaps this is why 60% of crowdfunding campaigns fail (Hogue, 2017). Many sources discuss how to complete successful crowdfunding campaigns, the majority of which focus on five key themes: (1) type of backer needed, (2) high-quality marketing creation, (3) funding tiers and goals, (4) campaign promotion, and (5) communication frequency with backers (e.g., Agrawal, 2018; Entrepreneur Staff, 2017; Hogue, 2015). However, these resources for novices fail to mention the threat posed by the "Jacks" of the world.

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Who is Jack, you ask? "Jack" is an opportunistic entrepreneur whose success stems from stealing ideas from fruitful crowdfunding campaigns (Guzman, 2017), highlighting how reaching or exceeding funding goals can have negative consequences (Schwienbacher, 2018). Jack's first effort involved copying KAISR's inflatable lounge chair from its Indiegogo campaign. He found a Chinese manufacturer via Alibaba that could produce something similar, branded it Cozy Bag, and sold $100,000 worth of chairs at concerts and festivals, gaining a first-mover advantage over KAISR. Jack is not the only copycat out there. Many copycat entrepreneurs make a living by "borrowing" popular ideas from open crowdfunding sites. When asked about this issue, one startup patent attorney said (Key, 2018):

> The scope of the problem is enormous. The way dealing with copycats works right now is a losing proposition, especially for smaller companies starting up. The cost of attending to every instance [of infringement] is so burdensome, they'll never be able to attend to the real work of growing a business.

While not all cases are documented, many of the known copycat cases come from the more popular platforms like Kickstarter and Indiegogo, perhaps because of their popularity and their strategy to showcase products before they are ready for market (Livingston, 2016). Examples include Pluck N' File (a grooming Swiss army knife) on Indiegogo (Alois, 2015), and Stikbox (a phone case/selfie stick; Livingston, 2016) and the TikTok Lunatik watch kit (Smith, 2013) on Kickstarter. Unfortunately, many novice entrepreneurs discover too late that a copycat is already selling their idea on Amazon or Alibaba (Bercovici, 2019). This problem can cost new ventures millions (Bethmann & Frieden, 2019; Burgess, 2016).

As research and practice mature past initial insights on crowdfunding, we look to the risk associated with new ventures promoting a product/service on crowdfunding platforms. To attract the attention of potential backers, novice entrepreneurs signal the value of their idea to the crowd. However, they are often unaware—or ignore the possibility—that some individuals in the crowd might have ulterior motives. Some crowdsourcing platforms are extremely open (i.e., the degree to which the crowd can see details about posted ideas), allowing anyone with an internet connection to view an entrepreneur's concept, while other platforms have more selective viewer criteria. No matter the platform, opportunists can observe signals of value and success to use to their advantage, but there is a trade-off: a more open platform allows wider viewership and the potential for more funding yet a greater likelihood for copycats, while a closed platform limits an entrepreneur's options but provides greater protection of their idea.

To address this problem, we employ signaling theory to introduce our solution, one in which novice entrepreneurs must assess (1) their ability to protect their idea legally, (2) the ease of imitation for their product or service, and (3) their capacity to get their product or service quickly into the hands of customers. Based on an entrepreneur's possession of one or a combination of these three items, they must choose whether to select an open, semi-open, or closed crowdfunding platform. To aid entrepreneurs in this important decision, we offer eight guidelines for selecting the most appropriate platform to diminish the impact of potential copycats.

We contribute to the literature in three ways. We address the needs of novice entrepreneurs—an underserved audience—with practical advice against the threat of copycats. Then, we look at crowdfunding platforms' varying degrees of openness and how copycats can use signals of quality against the entrepreneur. Finally, we contribute to theory by first challenging and then extending signaling theory to address the copycat conundrum and show how quality signals can lead to success despite the presence of copycats. First, however, we must introduce the copycat conundrum.

2. The conundrum

Copycats in business are not a new phenomenon (Luo, Sun, & Wang, 2011; Shenkar, 2010). For existing firms, imitators will typically purchase a product, reverse-engineer it, and produce something similar, often more cheaply (Luo et al., 2011). Existing businesses are aware of this problem and can apply capital and human resources to countering copycat activity (Livingston, 2016), but novice entrepreneurs typically do not have the same resources. In addition, novice entrepreneurs pursuing crowdfunding are primarily focused inwardly on their idea and the logistics of the campaign (Hogue, 2015). Entrepreneurs also tend to think their idea is unique and are overconfident about their odds of winning (Baron, 2000). Thus, awareness of the need to protect the idea from imitation by copycats tends to be low or not prioritized sufficiently.

Crowdfunding platforms interact with the market differently than existing businesses for which copycats have to wait on the product to hit the market to witness demand (Luo et al., 2011). Instead, crowdfunding requires entrepreneurs to provide vast amounts of observable information about the company and its founder(s), the product, the state of the business, and their vision for the future in the hopes of getting funding from potential backers (Ahlers, Cumming, Günther, & Schweizer, 2015). Copycats get unparalleled access to product design, the latent value of the product—including the number of backers, how quickly the campaign goal is met, and any additional amount raised—and the venture's ability to bring it to market.

Research on the acquisition of crowdfunded capital often employs signaling theory (Short, Ketchen, McKenny, Allison, & Ireland, 2017), which explains how differing amounts of information can be reduced between two parties. One party sends a positive signal of quality to the less knowledgeable party in the hopes of gaining something from them (Spence, 1973). Entrepreneurial ventures signal to potential backers that they are worthy of investment (Busenitz, Fiet, & Moesel, 2005; Certo, 2003). A crowdfunding crowd is heterogeneous, and diverse recipients are likely to interpret signals differently (Perkins & Hendry, 2005). Thus, an entrepreneur's signals must be clear if they want to engage interested backers (Certo, 2003).

The key tenet of signaling theory is that for such signals to be successful, they need to be both observable and costly to imitate (Spence, 1973). In the crowdfunding realm, the platforms' main function is to make an entrepreneur's signal of a valuable idea observable to backers. However, while entrepreneurs are signaling to gain the attention of potential backers, they have little control over whom else may be receiving these signals and what these unintended viewers intend to do with that information. Some platforms have a greater degree of openness, which increases the observability of the project. While novice entrepreneurs may welcome the increase in observability because of the potential to increase the number of backers, the downside is that it also allows opportunistic economic actors to observe how they may recreate that value for themselves.

Because crowdfunding projects that signal a higher level of quality are more successful (Mollick, 2014), entrepreneurs are incentivized to signal the quality of their ideas to attract funding (Ahlers et al., 2015). Three such signals involve the (1) details of the product or service, (2) the crowd interest level in the project, and (3) the schedule of project completion communicated to backers.

First, as part of the crowd on many crowdfunding platforms, viewers can see the solution displayed as a mock-up, prototype, or demonstration video. When entrepreneurs fail to provide such information, potential backers may infer that the venture is below average in quality and choose not to invest (Grossman, 1981; Milgrom, 1981). While detailed product/service information is necessary to gain the trust of backers, it also provides a winning game plan for opportunistic observers looking to copy the idea.

Second, crowdfunding platforms display the success of a campaign by noting the level of interest in the project. In essence, the early adopters of the project signal their endorsement to others, signaling value that brings in additional funding for the project (Courtney, Dutta, & Li, 2017). The platform itself may even highlight the project on its homepage to share its success stories. When the platform denotes the total funded amount and number of backers involved, it provides key strategic metrics about latent demand for a given market (Shenkar, 2010) that acts as a clear signal to copycats that there is low-risk money to be made.

Third, most platforms make entrepreneurs provide a timeline of project completion. Communication from entrepreneurs to backers is paramount; lack of updates can result in an unsuccessful campaign as it signals unprofessionalism and lack of legitimacy (Courtney et al., 2017). Data show that entrepreneurs who update their backers a minimum of every 5 days raises three times more funds, and those who share less than two updates are 97% likely to fail (Fundly, 2019). Thus, backers should know when to expect to see the results of their funding, and if there are any delays in this process. This information also provides copycats competitive insights on how quickly they need to enter the market. Longer production times or delays can likewise signal that the entrepreneur(s) are novices, and will likely have fewer resources to protect the idea or otherwise legally stop copycats.

As opportunistic economic actors—not consumers or investors—copycats observe and intercept these signals for personal gain. Due to the inexperience of novice entrepreneurs, not only can copycats imitate the idea, they may implement it faster than the crowdfunding entrepreneurs. In essence, copycats become first movers in a category created by the original entrepreneurs (Lieberman & Montgomery, 1988). This is often seen with Chinese manufacturers with the capability to manufacture just about anything; all they need is a good idea for a desirable product, which is exactly what crowdfunding provides (Livingston, 2016).

3. Copycat speed bumps

The quality signal the novice entrepreneur emits during the campaign, which is necessary to obtain funding, can be intercepted by opportunistic others. The entrepreneur needs to find ways to negate the importance of the strength of the signal for copycats yet keep the signal clear for the intended audience: potential backers. We have identified three ways for entrepreneurs to mitigate the infringement problem. We labeled them *speed bumps*, as they are obstacles to place before copycats to slow down their efforts at imitation. These speed bumps can serve to increase the cost of the signals that copycats are observing, yet discourage them from engaging in imitation. However, our three speed bumps were carefully chosen because they also simultaneously serve to increase the quality and cost of the signal for backers. Specifically, we recommend that novice entrepreneurs consider patents, inimitability, and speed to market (e.g., Luo et al., 2011)—all resources that the entrepreneurs can conceivably control unlike the actions of copycats.

3.1. Intellectual property protection

For some ventures, one remedy is to patent the idea and engage in litigation for any intellectual property (IP) infringement. Without a known brand to protect, novice entrepreneurs might choose to protect their idea with a patent, which provides the inventor property rights to that invention, prohibiting others from making, using, or selling that invention (USPTO, n.d.). Patents are valuable firm resources (Barney, 1991) that can provide a clear signal of quality to potential investors, indicating innovative proficiency (Ahlers et al., 2015). Patent ownership can increase the firm's ability to attract funding (Baum & Silverman, 2004; Silverman & Baum, 2002), signal the entrepreneur's belief in the product or service, and can also signal other aspects of the firm's quality such as a strong management team and market potential for the product in question (Cohen & Lemley, 2001). All of these patent-related indicators of quality increase the cost of the signal and demonstrate the value of the idea.

Though patenting appears to be a practical solution and is one of the first steps an existing firm takes when launching something new (Brouwer & Kleinknecht, 1999), the patenting process comes with its own set of problems. Patents can be expensive to obtain and protect, they can take time—especially if filing in multiple countries—and their systems differ and are differentially enforced around the world (Burgess, 2016; Cohen & Lemley, 2001; Gervais, 2009; Kerstetter, 2012; Key, 2017). These problems are heightened for resource-strapped novice entrepreneurs.

The first issue is the actual cost to file a patent, which can run between \$7,000—\$16,000 or even more (Quinn, 2015). Many new entrepreneurs opting to crowdfund do not have the capital to invest in a patent before a crowdfunding campaign. As entrepreneurs tend to think their idea is unique (Baron, 2000), they may elect to spend their limited funds on perfecting the campaign and wait to address legal issues once they have the crowdfunded capital. In addition, even if the nascent venture can afford to file a patent, they may not be able to afford its defense. Estimates show the median cost for a patent lawsuit for a smaller company is \$5 million (Kerstetter, 2012). Finally, even if a venture did have the legal recourse to pursue patent infringement by copycats, the time investment necessary may make this impractical, as the lawsuit will likely take several years (Lemley, 2010).

There is an international problem with patents as well. Crowdfunding by its nature is typically not limited to the entrepreneur's home country, and patent problems multiply when entrepreneurs take their business abroad. For one thing, patent systems differ across the world. In some countries, regulations dictate that patents are held by those who are first-to-file while others maintain a first-to-invent standard (Kotabe, 1992). Second, patents are not necessarily enforced beyond the home country. In some countries, formal and informal institutions do not align with or favor protecting an outsider's rights (Massey, 2006), meaning most ventures are unable to take effective legal action against copycats coming from countries with under-enforced IP protection. China, in particular, is notable for not upholding international patent rights (Zhu, Wittmann, & Peng, 2012). China is also a first-to-file system; Chinese copycats can register IP before the original entrepreneur. This happens often to novice entrepreneurs, who typically do not consider their initial target market to be in China (Livingston, 2016). While existing firms may have levers to counter this, novice entrepreneurs often have little recourse.

Obtaining patents can thus present the novice entrepreneur with both financial and logistical challenges. Copycat firms can interpret patents as a signal of quality, encouraging them to imitate, especially if they know legal recourse may be ineffective. Further, the patent itself can be a design blueprint that copycats can follow to duplicate the product. Thus, though patents appear to be the ideal answer to copycats, they may be an insufficient solution.

3.2. Inimitability

Inimitability refers to how difficult it is for someone else to copy an entrepreneur's idea. Simple, observable solutions tend to be the most imitable, while those that are complex, causally ambiguous, and requiring unique inputs are less imitable (Dierickx & Cool, 1989). Copycats can take advantage of the groundwork laid by the original venture (Rogers, 1962/1995). Products that are highly imitable likely do not take a manufacturing firm long to copy and produce. Imitators' costs are approximately 35% to 40% less than those of the original firm, a distinct advantage for a copycat (Mansfield, Schwartz, & Wagner, 1981; Schwartz, 1978). Copycats can benefit in other ways, including ease of financing. It is easier for them to attract financing because they are adopting a proven business model and the desired product; therefore, their backers have a lower risk (Shenkar, 2010).

An example of a novice entrepreneurial endeavor with a highly imitable product is FinalStraw, a venture from the U.S. that used Kickstarter to raise nearly $1.9 million in 2018 for a reusable, collapsible drinking straw that can be carried on a key chain (Cohen & Pepper, 2018). While the campaign was successful well beyond the venture's goal of $12,500, its viral success also signaled copycats. Chinese manufacturers took the basic idea, copied it, and launched a knockoff product much faster for half the price on platforms like Amazon (Mettler, 2018). Adding insult to injury, these copycats used FinalStraw's marketing images in their knockoff efforts (de Guzman, 2018) while the crowdfunding campaign was ongoing.

Thus, it is beneficial to make it difficult for the copycat to imitate in the first place. Inimitability can come from several sources. If the genesis of the idea came from unique historical conditions or its source is causally ambiguous or socially complex (Barney, 1991), it can be difficult to easily imitate. Unique historical conditions can involve rare resources or locations used in the development of the idea (Ricardo, 1926), a distinctive R&D team (Burgelman & Maidique, 1988), or an exclusive firm culture (Barney, 1991) that copycats cannot reproduce. Causal ambiguity, where the source of the firm's competitive advantage is not easily understood by outsiders (Barney, 1991; Demsetz, 1973), can make it difficult for copycats to know the actions they need to take in order to duplicate the success of the venture's product. Social complexity stems from the fact that a firm is a social unit made up of individuals that can extend beyond the boundaries of the firm into social networks upon which entrepreneurs often rely (Anderson & Jack, 2002; Birley, 1985). How these individuals come together to interact and bring the venture's idea into being can be complex and difficult to copy, and involve relationships between managers or the entrepreneurial team (Hambrick, 1987), supplier networks, and the venture's relationship with its customers (Klein, Crawford, & Alchian, 1978; Yli-Renko; Autio, & Sapienza, 2001). A crowdfunding venture that possesses one of these sources of inimitability linked to firm resources may more easily stave off opportunistic copycats, yet also provide a costly signal of quality to potential backers.

As part of a crowdfunding campaign, entrepreneurs have to give enough information for potential backers to understand the product and get involved in the campaign. This frequently involves a detailed description of the product as part of the marketing effort and may be enough for the copycat to steal the idea. FinalStraw's primary problem was that its product was not technologically challenging, was thoroughly described in the Kickstarter campaign, and therefore, easy to imitate. More technically complex products like software—for example, those containing unknown algorithms or requiring specific inputs or deep expertise—would be more difficult to duplicate and less attractive to copycats. The uniqueness caused by the inimitability of the idea, plus the likelihood that the entrepreneur will be the only source for the product, increases the cost of the quality signal and thus makes the venture more attractive to potential backers.

3.3. Speed to market

Many advantages come from being first in a market, especially for the originator of the idea. First-mover advantages can arise from several sources: preempting rivals in the acquisition of scarce resources including plants and equipment, setting the technological standard for a product, establishing switching costs for early adopting customers, or being first in a geographical or product space in the market (Lieberman & Montgomery, 1988). First-mover advantage tends to take priority for crowdfunding ventures, though the others may play a role.

However, this depends on how quickly the entrepreneur can get an idea to market following a successful crowdfunding campaign. A crowdfunding campaign is not always about financing; sometimes nascent ventures use crowdfunding to see if their idea will get any traction before pursuing more traditional financing routes (Mollick, 2014). A successful campaign may come as a surprise, and these ventures may find themselves ill-prepared to deal with this success. Entrepreneurs testing the waters with an idea must design the product, manufacture it, and distribute it to customers. For any company, this process can be costly and time-consuming, which may result in the loss of first-mover advantage. In particular, research has shown that overfunded projects are especially susceptible to delay in fulfilling obligations to funders (Mollick, 2014). This delay may give copycats the time needed to act first.

By waiting for the original venture to prove the validity of the concept, copycats—by jumping into the market with knockoffs before the original venture has released a product to customers—can enjoy reduced uncertainty, which is typically the purview of late-movers. Late-movers are often considered free loaders of the original venture's efforts (Lieberman & Montgomery, 1988). With copycats and crowdfunding ventures, however, copycats can both enjoy late-mover benefits while being first to market, gaining monopoly profits in the short term while the crowdfunded venture struggles to get its product to market.

It is also not farfetched for a nascent venture to initially partner with a corrupt, low-quality, or slow manufacturer—as experienced by Antsy Labs, which further delays final shipment (Guzman, 2017). After his success copycatting KAISR's inflatable lounge chair, Jack struck again. He noted how the Fidget Cube by Antsy Labs went viral, raising over \$6.4 million on Kickstarter (Stone, 2016). The Fidget Cube is a handheld cube with different things to fidget with on each side. This campaign signaled to Jack that there was a market if he moved quickly, especially as Antsy Labs indicated that it was having manufacturing issues and the shipments would be delayed. Using his existing resources and network from his Cozy Bag experience, Jack began producing and selling his knockoff, the Stress Cube (Guzman, 2017). Unfortunately, Jack was not alone in noticing this production delay, and other knockoffs created unforeseen headaches for Antsy Labs as a result of its successful crowdfunding campaign.

The crowdfunding process—via the entrepreneur's provision of information regarding speed to market, product design, and campaign popularity—signals potential copycats there is a prospective idea stealing opportunity. When the campaign provides a specific timeline for product production and delivery, or, as with Antsy Labs, signals delays in production and delivery, the potential backers are not the only ones paying attention. Antsy Labs considered the specifics of its go-to-market strategy too late in the campaign, extending the projected timeline and allowing others with the needed resources and connections to gain first-mover advantage.

A venture with existing ties to a trustworthy manufacturer that is ready to go shortly after confirmation of a successful campaign is more likely to have a high speed to market and benefit from first-mover advantage. Therefore, another way to signal to potential funders is communication with backers—through a specified timeline, an established manufacturing plan, and frequent updates—on the crowdfunding venture's ability to establish speed to market after the campaign. Though such preparation can be time-consuming, it increases the cost of the quality signal and thus makes the venture more attractive to potential backers.

These three signals—IP protection, inimitability, and speed to market—clearly have high costs in their own right; the patent process and any ensuing lawsuits against imitation are expensive, and developing a unique and inimitable idea and establishing the necessary logistics before acquiring funding can cost an entrepreneur time, money and sweat equity. These actual costs become valuable resources for the firm (Barney, 1991) and as such are both an observable and costly signal to observers of the quality of the idea (Spence, 1973) as well as the entrepreneur's belief in its success. Thus, such signals serve two functions that address the copycat conundrum: they encourage potential backers to invest in the idea, and they discourage copycats by providing formidable barriers to imitation (Barney, 1991).

An entrepreneur that can signal all three speed bumps to observers is in a strong position against the threat of copycats. However, as highlighted by our examples, novice entrepreneurs might possess as many as all of these speed bumps or none at all. Without the right speed bumps, they cannot protect themselves from copycats. This is further exacerbated if they select open platforms that broadcast the entrepreneur's idea to all types of viewers. The consequences of selecting an inappropriate platform come to light only after the campaign starts and copycats rush in. Therefore, these novice entrepreneurs need more information about platform selection to minimize the threat of copycats.

4. Selecting the right platform

To date, there are 191 crowdfunding websites based in the U.S. alone (Fundly, 2019), all with varying degrees of openness to the public. We consider three different levels of openness: open, semi-open, and closed.

- *Open platforms* such as Kickstarter and Indiegogo are completely open to anyone with an internet connection and projects reach ultimate observability.
- Platforms like Crowdfunder, MicroVentures, or SeedInvest are *semi-open platforms* on which anyone can see basic information about active campaigns, but they must actively sign up as a member to see the full campaign and become a backer. Semi-open platforms moderate observability of entrepreneurs' signals, providing some protection against the threats of copycats.
- Funding Circle and CircleUp are *closed platforms*. Past examples of completed campaigns are typically available to anyone who visits the platform but to explore current campaigns, interested parties must pay to subscribe to the platform. In some instances, backers must validate their identity and intent to gain membership. Closed platforms restrict the observability of the projects to a select few, allowing the entrepreneur to have a greater knowledge of observers' intent.

A logical assumption is that the more limited the access to the idea and the better known the audience, the less likely the idea will be stolen. This logic has also held up in practice. An online search of stolen crowdfunding ideas will overwhelmingly show that examples are from open platforms like Kickstarter and Indiegogo. There is a tradeoff, however. The more closed the platform, the better an entrepreneur can protect her idea. But this also limits exposure to the number of potential backers. Alternatively, an entrepreneur can obtain greater exposure to potential customers and backers on a more open platform, raising the overall possible dollar amount of the campaign but also increasing the risk of their idea being stolen.

Nevertheless, the benefits of openness may outweigh potential negatives. An open platform allows ideas to spread beyond existing members of a crowd, further increasing the marketing and financial benefits a venture could receive. As entrepreneurs share their campaigns on various social media platforms, a campaign can become viral or spread rapidly to individuals not actively looking at crowdfunding platforms (Dawson, 2014). Many ventures may choose a higher degree of openness because of the potential to go viral, and the allure of more money may outweigh the threat of potential copycats.

While others have provided insight on platform selection through other criteria (e.g., Paschen, 2017), we focus on minimizing the copycat conundrum. We provide a list of questions for novice entrepreneurs to consider regarding their potential speed bumps: IP protection, inimitability, and speed to market. Specifically, Table 1 provides eight questions every entrepreneur should consider in order to identify which copycat speed bumps they possess. We then provide an answer key to guide the novice entrepreneur in selecting the appropriate level of openness for the prospective crowdfunding platform, seen in Table 2. The optimal choice will maximize the benefits from the size of the crowd while also minimizing the threat of copycats. Next, we discuss scenarios for selecting between open, semi-open, or closed platforms.

4.1. Open platforms

In many instances, speed to market can be more powerful in the marketplace than secured IP or the threat of someone else copying the idea (Key, 2017). Entrepreneurs with the ability to go to market quickly after their campaign ends will most likely wish to select an open platform. However, speed to market alone is insufficient in making this choice fully successful; such entrepreneurs must also have inimitably or IP protection, or both. Copycats prefer ideas that represent easy money, and will likely bypass ventures that are too hard to copy or can put up a fight. Even after Antsy Labs' first experience with Kickstarter, the company elected to use it again for their second product, PIXL. This time, Antsy Labs focused on getting the product to the customers after the campaign and building up its IP protection capabilities, and the PIXL campaign had fewer threats from copycats.

A scenario does exist in which an entrepreneur without market speed can select an open platform. In this scenario, the product is very hard to copy, and the entrepreneur has secured some sort

Table 1. Eight questions to guide crowdfunding platform selection

Questions
Legal considerations
1. Can we obtain or do we have intellectual property (IP) protection?
2. Do we have the capability and/or the legal resources to stop someone from stealing our idea?
Inimitability considerations
3. Can our idea be easily copied?
4. Do any of the following apply to our product: unique historical conditions, causal ambiguity, social complexity?
Market speed considerations
5. If someone can copy our idea, could they bring it to market before/soon after our campaign ends?
6. Do we currently have trusted partners to make and/or distribute our product, no matter the quantity?
7. Is our production and/or delivery timeline realistic?
8. Do we have other options if our manufacturer or other key partners do not or cannot deliver?

Table 2. Crowdfunding platform openness answer key

Type of platform	IP protection	Inimitability	Speed to market	Platform example
Open	✓	✓	✓	Kickstarter, Indiegogo
		✓	✓	
	✓		✓	
	✓	✓		
Semi-open			✓	Crowdfunder, Microventures
		✓		
Closed	✓			Funding Circle, CircleUp

of IP protection with the resources to take legal action if necessary. Examples include entertainment-based ventures such as movies or video games that are typically protected by copyright and unique but take time to develop after funding acquisition. Backers of a novel item have a longer time orientation and are more willing to wait to see the product come to fruition (Pyone & Isen, 2011). With IP and inimitability, the entrepreneur provides a time buffer to work on the product and properly get it to market. Copycats will most likely move on to easier prey.

4.2. Semi-open platforms

Entrepreneurs with high speed to market, ideas that are easy to copy, and unprotected IP—either because they lack the capability or chose not to protect it—should select a semi-open platform. While speed to market provides an advantage, such entrepreneurs may opt for a semi-open platform to gain more control over who has permission to observe details of the idea since they lack recourse to protect it. Both FinalStraw and Antsy Labs fit in this scenario and perhaps should have selected a semi-open rather than an open platform for their crowdfunding campaigns.

Entrepreneurs with an idea that is not easily copied but possess neither the ability to bring it to market quickly nor protect it legally should also select semi-open crowdfunding platforms. An example of this would be a service-based venture, like a consulting practice for a unique field. Even though the idea is presently inimitable, there is potential for future imitation or to spur ideas for simpler substitutes (Porter, 1990). A venture that cannot easily go to market does not want to provide an ambitious copycat time to catch up. It is unlikely that a closed platform is necessary due to the inimitability of the product, but an open platform might present too much exposure and give copycats a head start on market entry. A semi-open platform provides a more controlled setting, permitting entrepreneurs to gain crowd capital and an understanding of latent market value. It also gives the entrepreneur time to appropriately develop the product and bring it to market while minimizing the threat posed by copycats.

4.3. Closed platforms

Finally, whether or not they have the ability to protect their IP, entrepreneurs that have imitable ideas and cannot expeditiously go to market should select closed crowdfunding platforms.

Copycats would find such ideas easy prey on open platforms, because of the potential to gain first-mover advantage by beating the original entrepreneur to market and become the better-known brand. If a venture in this scenario picked an open or semi-open platform, most of its capital would be spent on legal resources to stave off copycats. Slow speed to market would restrict incoming revenue to offset the venture's dwindling capital. Such a strategy is not sustainable, ensuring a victory for the copycats. Entrepreneurs facing these circumstances are best served by selecting a closed platform to protect their idea and attract a more appropriate funding crowd.

5. Practical advice for novice entrepreneurs

According to signaling theory, an entrepreneur's signal to the crowd must be both observable and costly to be successful (Spence, 1973). When the crowd is composed solely of potential backers, this hypothesis works well. However, when the crowd contains both partisans and opportunists (i.e., potential backers and copycats), this hypothesis is less likely to hold. The result is the copycat conundrum, the trade-off between gaining a wider viewership and potentially more funding yet a greater likelihood of revenue loss to copycat activity vs. greater control over viewership but at the risk of less attention and needed capital. Greater observability allows copycats to identify potential opportunities, and a greater cost signal merely reinforces the likelihood of greater profit potential when imitating thus reducing success for the entrepreneur and negating the hypothesis.

While crowdfunding has its benefits, a novice entrepreneur contemplating crowdfunding must consider the potentially detrimental effects of copycat activity alongside the conventional advice given by crowdfunding experts (e.g., Agrawal, 2018; Entrepreneur Staff, 2017; Hogue, 2015). Many entrepreneurs focus on the logistics of setting up their crowdfunding campaign (Condon, 2017) but rarely focus on the logistics needed afterward should the campaign be successful. Though fraught with challenges, entrepreneurs using crowdfunding should consider securing their IP. Patents can be especially helpful in the entrepreneur's home country if there is strong enforcement and can provide legal protection against obvious infractions, giving the entrepreneur the ability to focus more attention on building the venture.

Beyond the logistics of the crowdfunding campaign, entrepreneurs need to consider inimitability and speed to market. Because of the potential threat of imitation, entrepreneurs on crowdfunding platforms need to consider how easily their product or service can be copied. Technology, global marketplaces, and social networks provide many pathways for entrepreneurs and copycats alike to enter nearly any market. Entrepreneurs also need to be ready to go to market quickly post-campaign, as those that may uncover latent demand but cannot act on it are inviting copycats to fill that demand. Thus, part of the campaign process should include selecting a platform with the appropriate level of openness.

If there is money to be made, an opportunistic copycat will soon follow. However, if all novice entrepreneurs considering crowdfunding read this article, then best of luck to all the "Jacks" in the world.

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