



Unpeel the layers of trust! A comparative analysis of crowdfunding platforms and what they do to generate trust



Valeria Ferreira*, Eleni Papaoikonomou, Antonio Terceño

Faculty of Business & Economics, Universitat Rovira i Virgili, Av. de la Universitat 1, Reus, 43204, Spain

KEYWORDS

Crowdfunding;
User trust;
Entrepreneurship;
Cybersecurity;
Reputation management

Abstract Crowdfunding can prove to be a crucial alternative financing method, especially for microentrepreneurs, new ventures, and nonprofit associations. But trust needs to be built before prospective users decide to use crowdfunding, and we still lack an in-depth understanding of how crowdfunding platforms make users trust them. We analyzed 50 crowdfunding platforms of different types, from investment and lending platforms to reward and donation platforms. Within the sample, we included successful and consolidated platforms, such as Kickstarter, Crowdcube, and Indiegogo, as well as lesser-known and less active platforms, such as Crowdfunder, Zank, and Fundeen. A comparative analysis of these platforms reveals a diversity of organizational practices that aim to generate trust on four levels: trust toward the platform, toward the project, toward the users, and toward the notion of crowdfunding overall. We suggest guidelines for best practices for crowdfunding platforms and a checklist of points for prospective users searching for the right crowdfunding platform.

© 2021 Kelley School of Business, Indiana University. Published by Elsevier Inc. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

1. In crowdfunding we trust?

Crowdfunding is an online source of financing that allows raising funds from large audiences through an open call on the internet (Belleflamme et al., 2014). The main idea behind crowdfunding is to bring

together the users—that is, those who need funds—with those who wish to contribute by presenting their projects through online crowdfunding platforms. There are two parties involved in crowdfunding platforms: the campaign organizers who request financing (e.g., entrepreneurs, nongovernmental organizations, noncommercial entities) and the supporters who finance the projects.

Crowdfunding and other types of alternative financing are considered the “next big investment trend” (Kang et al., 2016, p. 1800) that will

* Corresponding author

E-mail addresses: valeria.ferreira@urv.cat (V. Ferreira), eleni.papaoikonomou@urv.cat (E. Papaoikonomou), antonio.terceno@urv.cat (A. Terceño)

eventually displace more traditional forms of financing (Bulchand & Melián, 2018). They are seen as a path to financial inclusion for different entrepreneurs and a way to democratize finance by providing investment opportunities to people at large who want to be part of a project (Brown et al., 2017; Kim & De Moor, 2017; Mollick, 2014). But despite crowdfunding's potential, its popularity and uses vary. Crowdfunding is still sometimes seen as a risky financing option. Many crowdfunding campaigns fail to convince potential supporters, and entrepreneurs may avoid crowdfunding for fear of copycats (Cowden & Young, 2020). After all, crowdfunding is based on the interaction between strangers through a technological platform, so trust is a key foundation for engaging both potential supporters and campaign organizers.

Certain elements are significant in trust generation, including the type of project, the crowdfunding platform's various rules, accreditations, and third-party seals, the campaign organizer's reputation and expertise, and the supporters' disposition to trust (Kang et al., 2016; Liang et al., 2019). But what do crowdfunding platforms do to generate trust in their users? How are they strategically designed, and what organizational practices do they employ? Are there differences between more and less consolidated crowdfunding platforms? We still lack a clear understanding on these aspects. To achieve this goal, we employ a practice-based approach, in which practices refer to "the infrastructure through which micro strategy and strategizing occurs, generating an ongoing stream of strategic activity that is practice" (Jarzabkowski, 2003, p. 24).

The present study is qualitative and exploratory and focuses on a comparative analysis of 50 crowdfunding platforms. Our suggestions include guidelines for best practices for crowdfunding platforms that want to generate trust in prospective users. Also, we provide a checklist for users searching for the right crowdfunding platform.

2. The problem of trust for crowdfunding

Trust is defined as the willingness to believe in and depend on another party's ability, integrity, and benevolence (Mayer et al., 1995). In marketing and management, trust has been traditionally perceived as a construct of utmost importance preceding consumer commitment and loyalty (Morgan & Hunt, 1994). With the growth of

e-commerce platforms and online marketplaces, the issue of trust has been raised with more intensity because of a greater perceived risk in the transactions carried out. These transactions take place between strangers with few opportunities to evaluate transaction partners and goods upfront (Ba & Pavlou, 2002; Boon et al., 2015; Zhang et al., 2018). In other words, trust becomes more of an issue in exchanges when uncertainty, risk, and information asymmetry between exchange partners are higher (Swan & Nolan, 1985).

Strohmaier et al. (2019) argue for the importance of putting in place institutional mechanisms of trust in relation to crowdfunding platforms' rules, monitoring, and security. In fact, one of the main concerns of platforms is to ensure risk prevention related to cybersecurity so as to protect individuals' data (e.g., personal or payment information; Kirby & Worner, 2014).

Others highlight the significance of crowdfunding platforms' due diligence (Cumming et al., 2019; Cumming & Zhang, 2016) and of the services provided to support the user during the investment period (Rossi & Vismara, 2018). As aforementioned, crowdfunding takes place in an online environment, and the interaction between users is affected by information asymmetries (Ahlers et al., 2015; Courtney et al., 2017). This means that the generation of trust also involves a process of information verification on the part of platforms. In fact, the perceived quality of information in platforms has been found to facilitate trust building (e.g., Ahlers et al., 2015; Moysidou & Hausberg, 2020; Zhang et al., 2018). The risks of fraud, of misleading the supporters, and of inappropriate use of funds have been found to rank highly among the reasons against crowdfunding use (Baucus & Mitteness, 2016; Cowden & Young, 2020; Daskalakis & Yue, 2017; Kang et al., 2016; Stemler, 2013). Information regarding campaign organizers, such as background studies, qualifications, capabilities, and professional experience, can ease these worries and increase supporters' trust in them (Barbi & Mattioli, 2019; Kirby & Worner, 2014; Moysidou & Hausberg, 2020). Reputation mechanisms like ratings, reviews, recommendations, or other such scores or distinctions can likewise facilitate online trust (Jøsang et al., 2007; Moysidou & Hausberg, 2020; Resnick & Zeckhauser, 2002; Zhang et al., 2018).

But distrust toward crowdfunding equally involves potential supporters or campaign organizers seeking funding. Several issues, such as the

negative reception of the product and the copycat conundrum, have been raised before about entrepreneurs (Baucus & Mitteness, 2016; Cowden & Young, 2020). As Schwienbacher (2018, p. 850) explains:

Campaign organizers need to be able to trust supporters that they will not walk away with the idea after disclosure, but supporters need to be able to trust campaign organizers that they are willing to disclose enough information so that they can properly evaluate the investment opportunity.

Moreover, Kang et al. (2016) provide a calculus for determining relationship trust in crowdfunding, showing that affective/relational and cognitive/utilitarian aspects both play their parts in generating trust in crowdfunding platforms. Chen et al. (2016) demonstrated that campaigns are more likely to be funded if they include an emotional message, whereas Li et al. (2018) argued for the use of pictures and videos in the project's campaign. Also, Zheng et al. (2016) found evidence that interactions between campaign organizers and supporters were more effective in establishing trust than, for instance, championing past successes in fundraising. Such interactions can take place in different ways, including through updates and comments on the project page, through online chats, and through social media engagement. Particularly for supporters, informing them about the development of the project and interacting with them allows for a sense of participation in the campaign (Lagazio & Querci, 2018).

But to understand the concept of trust and how to foster it, it is important to explore its multidimensionality. Trust is a complex construct with multiple bases and levels (McKnight & Chervany, 2001). In the case of crowdfunding, trust should be generated on three different levels: the users, the intermediary/crowdfunding platform, and crowdfunding. All these levels are interrelated. Obviously, distrust toward crowdfunding affects crowdfunding platforms and has implications for prospective users (see Table 1). At the same time, lack of trust in the intermediary diminishes trust in online sellers or in the project, since crowdfunding platforms are seen as facilitators for the formation of trust (Moyssidou & Hausberg, 2020; Strohmaier et al., 2019).

3. A comparative study of crowdfunding platforms

By 2025 crowdfunding may reach over US \$300 billion in transactions (Meyskens & Bird, 2015). But

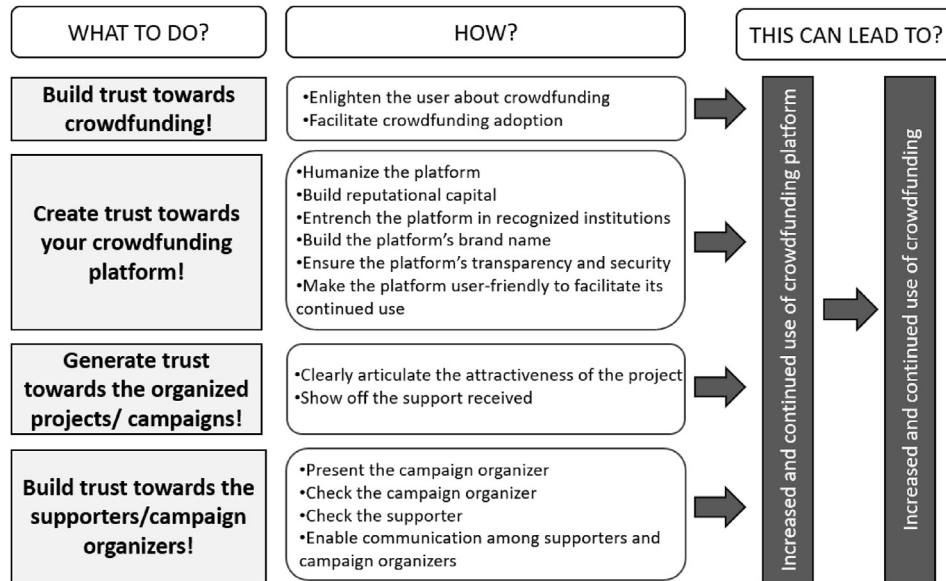
Table 1. The problem of trust in crowdfunding

The problem of trust in crowdfunding	Problems?	
	If you want to finance your project	If you want to invest in projects
Distrust toward crowdfunding in general may lead to:	You search for alternative financing options, which may be limited or inaccessible.	You prefer alternative investment options or avoid investment altogether.
Distrust toward certain crowdfunding platforms may lead to:	You are afraid of copycats, security breaches, etc. You may choose a crowdfunding platform that seems safe or avoid crowdfunding altogether.	You are afraid of fraud, inappropriate use of funds, etc. You may choose a crowdfunding platform that seems safe or avoid crowdfunding altogether.

it remains to be seen how different crowdfunding platforms will grow over time. Crowdfunding regulations define both the development and function of crowdfunding and platform characteristics (Di Pietro & Buttice, 2020). For example, in countries such as Spain or the U.S., platforms need to be registered and to classify their supporters as either accredited or nonaccredited, although the criteria of classification vary from country to country. In the U.S. much emphasis is placed on information disclosure when publishing the crowdfunding campaign (Bradford, 2018). Also, there is much debate about issues related to authorization, registration, rules of conduct, control, inspection, and sanctioning of crowdfunding in Europe and in the U.S. (Stemler, 2013; Zunzunegui, 2015). This concerns particularly the lending and equity models of crowdfunding since reward and donation models need to comply with existing regulations on commerce.

In other words, the broader institutional context and regulations and the particular business model of crowdfunding platforms certainly affect what these platforms do to instill trust in their prospective users. So what do crowdfunding platforms do to generate trust? A comparative analysis of 50 crowdfunding platforms allowed us to identify 14 organizational practices that aim to generate trust in users toward the project, toward the platform, and toward crowdfunding generally. In the

Figure 1. How to design crowdfunding platforms that could generate trust on various levels



following sections, we suggest best practices for trust generation for crowdfunding platforms.

We initially identified 86 crowdfunding platforms, of which we excluded 36 owing to limited activity or because they did not have active projects. The final sampling frame included 50 platforms. Most of them have an international scope, particularly the reward and donation platforms. There were more limitations for crowdfunding investment and lending platforms, some of which operate mainly in the EU market, while others operate in the U.S. Also, some of the platforms, such as Kickstarter, GoFundMe, Crowdcube, Dozen Investments, and Ulele, are already consolidated, while others are less known. We employed maximum variation or heterogenous sampling, which “aims at capturing and describing the central themes that cut across a great deal of variation” (Patton, 2002, pp. 234–235). The identified platforms present different characteristics, including the model of crowdfunding used and the timeframe for campaigns. Once the final sample was defined, we carried out a thematic analysis—employing open, axial, and selective coding—to identify how these diverse platforms intend to generate trust in their users, including both supporters and campaign organizers (Strauss & Corbin, 1990). We reviewed previous literature to gain theoretical sensitivity and to identify relevant practices. All authors carefully reviewed the sections of the platforms to check whether the design and contents of the platforms were strategically oriented to generate

trust and in what ways. All the authors contributed to coding.

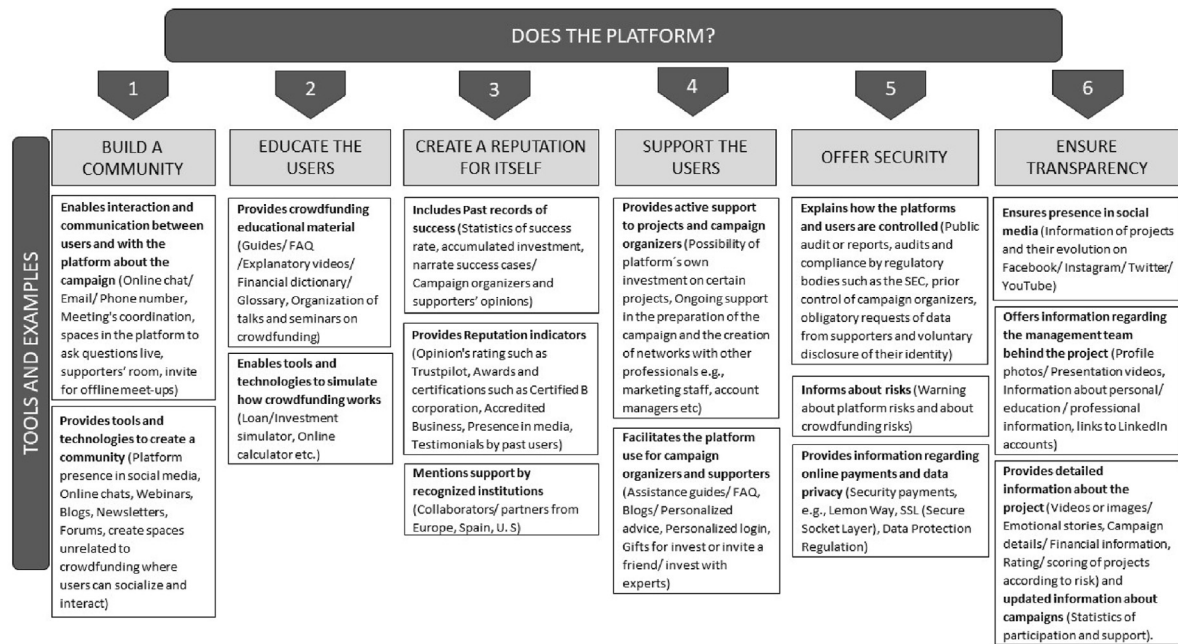
4. Lessons for crowdfunding platforms

Crowdfunding platforms act as intermediaries, and their role is crucial in generating trust in their current and future users. But it is important to understand on what levels trust needs to be built. These insights can be used by crowdfunding platforms that wish to improve their design and increase their competitiveness. Overall, we identify 14 best practices that seek to generate trust on four levels: trust toward the platform, toward the users, toward the project, and toward the overall notion of crowdfunding (Figure 1). Building trust on all four levels can increase the continued use of the platform and of crowdfunding overall. Also, prospective users may find useful the various tips, tools, and devices explained here prior to choosing any specific platform (Figure 2). In Figures 3–8, we include some examples of tools and resources used by the most successful and active platforms within our sample.

4.1. Build trust overall toward crowdfunding

This would be the first step to make. The most successful crowdfunding platforms in our sample try to build overall confidence toward crowdfunding as a viable financing/investment option. In that sense, they intend to enlighten users about

Figure 2. Six tips for generating trust when it comes to crowdfunding platforms



crowdfunding and to facilitate crowdfunding adoption. Distrust toward crowdfunding is widespread, so platforms need to explain what crowdfunding is and to facilitate its use, often serving a pedagogical function. For instance, they can provide clear information about crowdfunding and the risks involved. Examples may vary from the inclusion of financial glossaries and practical guides to videos about how crowdfunding works generally and the risks involved for users (Figures 3–8).

MytripleA is one of the platforms offering more resources and information about crowdfunding. In fact, the company publishes articles on diverse finance topics ranging from crowdlending to fintech and factoring, which shows their intention to educate users not only about crowdfunding but about financial management overall. By using this strategy, they also make their platform attractive because of its broader educational function. Platforms can become involved in the organization of events, talks, and seminars in collaboration with other institutions (e.g., chambers of commerce, business incubators). One example is the Socio-sinversores platform's webinar on how to present projects to an investor. Moreover, platforms should include an FAQ or blog with generic topics of interest on crowdfunding. Some U.S. investment platforms, such as Wefunder and Republic, also propose as a strategy the possibility of joining a club to learn from other, more expert investors about crowdfunding. In addition, platforms can

offer tools, such as online calculators for the simulation of loans or tax deductions, and present real testimonies of users, as in the following example:

Crowdfunding is one of the scariest but most rewarding things we've done. It was a great exercise in making sure our pitch was completely watertight and distilling our vision to be as compelling as possible (Testimonial of campaign organizer).¹

4.2. Create trust toward your crowdfunding platform

We have identified six organizational practices here. First, *humanizing the platform* means putting a human face on the platform to make it less impersonal to prospective users. Supporters may choose a particular project because they want to feel part of a community (Gerber & Hui, 2013). For instance, platforms may provide personal information of the management team behind the platform. This was common for all types of platforms in our sample. They tend to provide information regarding the prior education, work experience, or even hobbies of the management team. That information tends to be accompanied by a smiling photo. Although research on crowdfunding has not delved

¹ <https://www.crowdcube.com>

Figure 3. Educational tools offered by the MytripleA platform: Guides, simulators, dictionaries



Source: MytripleA <https://www.mytriplea.com/>

Figure 4. How to facilitate interaction and build a community: The cases of Fellow Funders and StartEngine



Source: Fellow Funders <https://www.fellowfunders.es/en/como-funciona>

Source: StartEngine <https://www.startengine.com/>

Figure 5. The platform Sociosinversores builds a reputation on its awards and distinctions

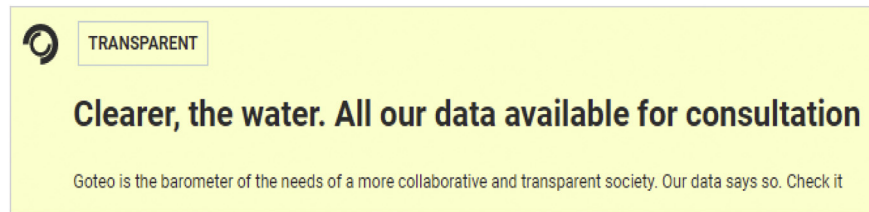


Source: Sociosinversores <https://www.sociosinversores.com/>

into the use of such mechanisms, previous research on accommodation platforms has explored the use of personal photos to generate trust, not only for identification purposes but also to emphasize the sense of community and human contact (Ert et al., 2016). Still, we observed certain differences between the crowdfunding platforms we analyzed. Reward and donation models tend to have more

informal photos with personal information provided, as well as links to social networks like Facebook. Debt and investment models provide links to professional social networks like LinkedIn and point out the professional experience of the management team, and the photos are also more formal. Donation platforms focus more on their social orientation and present through videos, often emotionally

Figure 6. Goteo emphasizes the transparency of its platform



Source: Goteo <https://www.goteo.org/>

charged ones, different examples of causes or projects that have benefited from collective financing. Messages are direct and invite supporters to participate: “Dreams can become reality and they need you for a happy ending” or “Find out how to be solidary thanks to social crowdfunding.” This means that all crowdfunding platforms should make the platform more personal and human, but the way to achieve that depends on the type of platform.

Moreover, platforms can provide ways of interacting and communicating with the management team (see Figure 4). Previously, Zhang et al. (2018) found that response behavior patterns, which refer to the provider’s response rate and response speed, were also found to affect trust. So faster means of interaction are recommended. Online chats are a good option and are very common in the investment and debt platforms of our sample, as they allow interested parties to solve doubts as soon as possible. Also, some of the investment platforms examined provide various tools to facilitate interaction in their online chat, such as ways to attach screenshots or to leave comments, in order to head off any questions that may come up. Finally, some investment platforms, such as Fellow Funders, offer the possibility to arrange for a coffee between platform advisors and users (whether supporters or campaign organizers), and others, like Capital Cell, provide means to ask questions or to request a meeting.

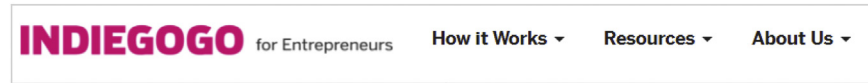
Second, platforms should *build their reputation capital*. This involves showing how different external stakeholders value and trust the platform. Different reputation indicators can be used in that regard. In our sample, some platforms mention their B Corporation certifications, awards, and consumer reviews, as well as press articles that praise the platform. Although online reviews and rating systems are common in other online marketplaces (Jøsang et al., 2007; Resnick & Zeckhauser, 2002), rating systems are rare in the examined crowdfunding platforms. When found, they are mainly used to evaluate either the experience with the

platform or the interaction through existing communication channels. They may be numerical, star-based, or even emoji-based. The Trustpilot evaluation and reviews system has been identified on some platforms (e.g., October, Crowdcube, Funding Circle). Including some type of review and rating system can help to build trust in prospective users. Some platforms also highlight any awards they may have obtained, such as for best website, best internet company, best investment platform, or the most innovative enterprise (see Figure 5). Press articles that praise the platform are commonplace in all types of crowdfunding platforms, and they are placed in the most visible parts of the website with links to the full article: “New ‘crowdfunding’ system means almost anyone can invest in startups” (Boston Globe; Woodward, 2016), or “A new era in America’s securities markets” (The Economist, 2015).

Entrenching the platform in recognized institutions shows how consolidated the platform is in existing institutional structures and whether it is externally controlled. This would be particularly useful for investment and lending platforms, as authorization and official registry to entities such as the U.S. Securities and Exchange Commission or the Financial Industry Regulatory Authority are sine qua nons for their operations. Also, other official accreditations and past audits by recognized companies can be foregrounded. Furthermore, platforms of all types can mention that they are “partners with,” “supported by,” “financed by,” or “guaranteed by” well recognized financial and political public and private institutions, both at the national and international level. For example, the MytripleA platform highlights that it offers a line of loans that are endorsed by the Spanish government and that it collaborates with the public Official Credit Institute.

Building the platform’s brand name centers on presenting the platform as an experienced market player. Previous showcase accounts can be presented with numerical information about success

Figure 7. Platform design examples to facilitate use: The cases of Indiegogo and Crowdcube



Source: Indiegogo <https://entrepreneur.indiegogo.com/how-it-works/>



Source: Crowdcube <https://www.crowdcube.com/>

rates, the number of successful campaigns, daily visits, accumulated investment, interest rates, and registered users. For example, some platforms have included previous success stories of funded campaign organizers and supporters, and these are presented in the website front page through transcribed interviews or through videos. For example, one entrepreneur states: "Through Goteo we have increased our community and our number of partners. We would have never gotten there using other financing options."² In a similar line, an investor explains: "I really enjoy connecting to the company directors, who are very approachable, knowledgeable and make considerate time and effort to educate and listen to the crowd."¹ Kickstarter (2021), one of the most successful platforms of the sample, issues the Kickstarter Magazine, with "stories about how sponsors and creators bring creative projects to life." Finally, some platforms emphasize that they were first movers (e.g., "First crowdfunding platform in Spain," "First real estate crowdfunding in Europe").

Individuals' perceptions of trust largely depend on feelings of safety and security when using a crowdfunding platform (Strohmaier et al., 2019). Therefore, *ensuring the platform's transparency and security* is critical in reducing uncertainty for users, especially supporters who carry out transactions using the platform (see Figure 6). The platforms need to show that they are resistant to cyberattacks and to reassure users about online payments and the use of personal data. Many platforms focus on personal data security, using technologies like the Secure Socket Layer or the Ecommerce Europe Trustmark. Regarding payment

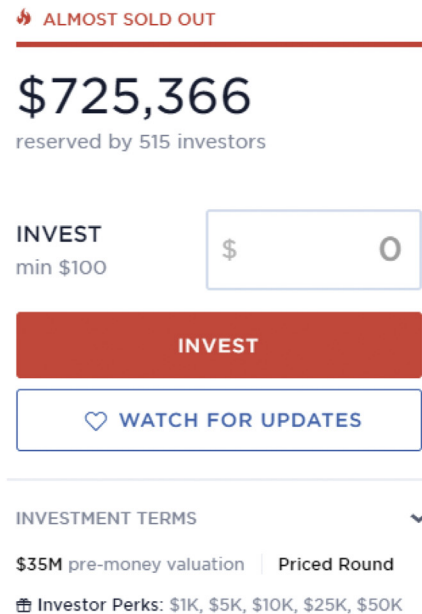
security, investment-based and debt-based crowdfunding platforms often use Lemonway or other payment entities approved by commercial banks. Donation and reward platforms normally use PayPal, credit card payment, and other out-sourced payment companies. Some of the mechanisms used here are reminiscent of those traditionally used in peer-to-peer marketplaces and in online transactions (Ba & Pavlou, 2002; Pavlou & Gefen, 2004; Zhang et al., 2018). But despite the risks posed to users, intellectual property protection was only mentioned in platforms operating in the U.S. market. Measures to protect intellectual property could incentivize more entrepreneurs to use crowdfunding (Cowden & Young, 2020).

Platforms can increase their transparency if they clearly point out the potential risks of using the platform. Investment and debt platforms tend to warn about the risks involved and how they intend to minimize them, mainly for supporters. They urge supporters to read all available information, to diversify their investments, and not to invest beyond their financial capacity. Greater transparency can also be gained through the assistance of guides, FAQs, or tutorial videos that explain how to use the platform, and some firms may be able to offer more personalized advice. In the case of donation platforms, ensuring transparency and security also involves checking the veracity of campaign organizers. For instance, some platforms only accept accredited nongovernmental organizations, and one platform offers a guarantee that investment shall be reimbursed in case of improper use of funds.

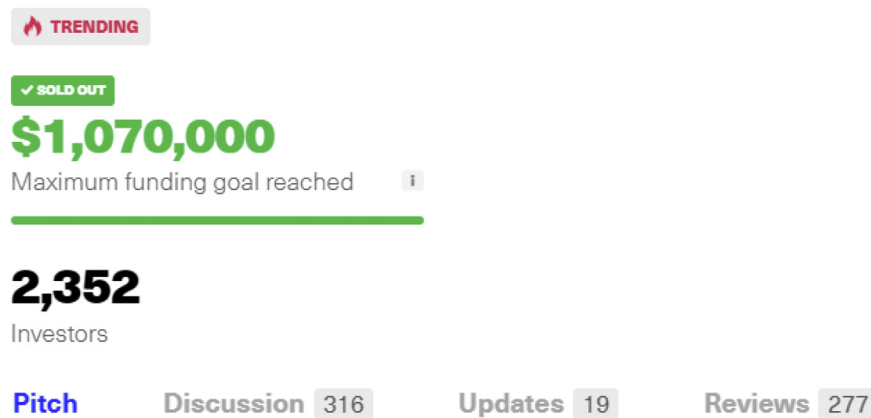
Finally, platforms need to have a user-friendly design in order to *facilitate the platform's continued use*. They can assist past supporters by

² <https://en.goteo.org>

Figure 8. Examples of tools used to show the attractiveness of the project



Source: Wefunder <https://wefunder.com/selfdecode>



Source: Republic <https://republic.co/akua>

offering them personalized logins with their saved preferences, as well as historical transactions. The platforms analyzed typically distinguish between information offered to investors and that offered to companies seeking to raise funds. Indiegogo, for example, redirects the entrepreneur to a section exclusively for them (see Figure 7). Platforms can also send newsletters and emails with updates and information about new investments. Other incentives may include promotions for investing, inviting friends, or vouchers in online marketplaces. Some platforms also feature investor

rooms via which existing investors can interact. For campaign organizers it is particularly important that platforms facilitate easy access to all required information.

Some U.S. platforms attempt to provide a more integrated service to their users. This involves not only the usual funding operations but also being part of a community and providing easy access and discounts to other services. For example, Start-Engine suggests campaign specialists, marketers, account managers, and assistants to help tackle paperwork.

4.3. Generate trust toward the organized campaigns

On the level of each particular project, platforms can engender trust to investors through two main practices; they can *articulate the attractiveness of the project* and they can *show off the support received*. Each of these practices can be crucial for successful crowdfunding. To communicate the project's attractiveness, platforms should encourage a complete and detailed overview of the project. Platforms can use several signs of project quality. It is important to include detailed information about the project/campaign, using figures, explanatory videos, or images to describe the project objectives and to express why funds are needed. Different platforms in our sample clearly explain how funds will be used: 28% for national expansion, for example, or 16% for improvements to a webpage. Other campaigns focus on more emotional aspects to convince funders. Donation platforms often deploy emotional stories, videos, and images relating to such issues as environmental protection, homophobia, immigration, or bullying. Furthermore, donation and reward platforms tend to have blogs for each project whereby registered users can show their support and encouragement. Then, when monetary returns are involved, platforms tend to provide financial information such as estimated returns or incomes, interest rates, participation offered, and budget (see Figure 8). For reward platforms, other incentives are sometimes promoted: "10€ for signed CD and extra songs in digital format. 20€ for signed CD, extra songs in digital format and t-shirt. 40€ for vinyl record and extra songs in digital format."³ This strategy is particularly important for platforms operating in the U.S. market. According to U.S. crowdfunding regulations, platforms must disclose detailed information about their projects (Bradford, 2018).

In order to increase their projects' attractiveness, some investment and debt platforms have developed other tools, such as overall project evaluation reports or loan and project classifications according to the risk involved. For example, classification can vary from C to A+ according to the project's profitability, business model, potential marketshare, or competition. These evaluations are carried out either by the platforms themselves or by assigned experts. Some platforms allow registered users to publish opinions and, more rarely, to rate projects using a star rating system or numeral ratings.

Finally, platforms should show off the support received for each of their projects (see Figure 8). This involves sharing information about supporters, such as the number of investors, amount of investments, and the total accumulated investment per project. Updates and comments should also be offered regarding the project's evolution. Platforms operating in the U.S. market provide frequent updates on projects, and they include sections titled "What people say about us." More consolidated platforms often use social media, like Facebook, Instagram, LinkedIn, or Twitter, to provide this type of information. According to Lagazio and Querci (2018), showing the number of shares of the campaign and explaining the campaign's evolution on Facebook can be effective. Platforms show off their support not only to attract new contributors but also to reassure existing supporters about the campaign's success. In fact, we found that some platforms invest themselves in selected projects (e.g., Fellow Funders) or clarify whether the investment is backed by verified invoices or guaranteed by any company or institution (e.g., Colectual), and this information is publicly available in the projects' sections. One investment platform in our sample, Fellow Funders, announces its future support in certain campaigns only if the financial objective is not reached. In this way, platforms get involved actively in a trust transfer process: They act as the third party that publicly vouches for certain campaigns, inviting potential supporters to do the same (Stewart, 2003).

4.4. Build trust toward the supporters and campaign organizers

Crowdfunding platforms involve exchanges between strangers (Schor, 2014). Platforms thus often strive to present their campaign organizers and to highlight the entrepreneurial teams behind projects. Again, photos and videos are used to provide background information about the campaign organizers, as well their *curricula vitae*, LinkedIn profiles, and general professional experience. Investment and debt platforms focus much more on providing the professional information of the campaign organizers and data on the company. Also, certain information can be provided regarding the campaign organizers' past activity in the platform, such as how many projects they requested and managed to fund. Most importantly, platforms should check both the supporters and campaign organizers. Some platforms claim to evaluate the company prior to publishing their project, and sometimes they classify them in

³ <https://www.lanzanos.com>

different categories. Examples include numerical ratings according to various indicators such as solvency, payment capacity, economic sector, and clients. Also, there are classifications according to the company's growth stage (e.g., seed, growth). Platforms may publish company documentation, such as balance sheets, for their registered users. Again, this is commonplace for investment platforms in the U.S. markets owing to their regulatory requirements. For instance, campaign organizers are required to disclose their financial state, liquidity, capital resources, and historical results of operations by attaching various documents, such as audit reports and metrics.

In our sample, less focus has been placed on checking the supporter. As an organizational practice, it mainly involves asking for specific information, such as IDs and bank accounts, of potential supporters. Many platforms require that supporters register prior to any transaction taking place or prior to accessing more confidential information. In Spain and the U.S., individual investments through investment and debt crowdfunding platforms are limited, so registration allows for control to be maintained. In reward and donation platforms, supporters can register through their email or social networks, principally Facebook and Instagram. This can increase campaign organizers' trust toward supporters and indirectly toward crowdfunding as well, since the crowd ceases to be entirely anonymous. Also, in some reward and donation platforms, but rarely in investment platforms, supporters' pledges and their usernames can become visible only if they allow it. Otherwise, pledges are aggregated to preserve the anonymity of the supporters. For example, a platform may state that a project has accumulated 1,290 euros and 67 pledges.

As an alternative, platforms should facilitate tools and spaces that enable frequent interactions among their users. For instance, some platforms allow for "Ask me questions" sections wherein campaign organizers can answer publicly the questions of potential supporters. More recently, platforms like Republic or Sociosinversores organized webinars or webcasts in which the campaign organizers explained their projects and answered questions. Other tools include online chats, forums, blogs, and social networks. Also, even though the response rate is rarely clarified in our sample of platforms, this can help to increase trust, as previous research on online marketplaces has shown (Lagazio & Querci, 2018; Zhang et al., 2018).

5. Conclusion

Crowdfunding seems to have enormous potential. Still, it involves exchanges among strangers, which entails dangers for both parties, or at least it may be seen as dangerous by prospective users (Cowden & Young, 2020; Schor, 2014; Schwienbacher, 2018). Absence of trust will preclude crowdfunding's viability as an alternative financing option, whether for entrepreneurs or for potential microinvestors. We suggest that crowdfunding platforms should work to create trust on four different levels: trust toward the platform, trust toward the users, trust toward the project, and trust toward crowdfunding overall. In fact, we observed that the more successful and consolidated platforms tend to adopt organizational practices on all these levels, whereas smaller and lesser-known platforms focus mainly on creating trust toward the published projects and campaign organizers. For example, less established platforms dismiss their potential to teach prospective users about crowdfunding. Users may not be savvy about financial management, so platforms can become more attractive if they educate users on these issues and on crowdfunding's potential in particular. Also, some of the platforms, especially lending and investment platforms, are concerned only with how to seem trustworthy to microinvestors but not to entrepreneurs. The most successful platforms clearly distinguish among both and segment the platform's design for both types of users (see Figure 7). The case of Indiegogo is particularly interesting, as potential entrepreneurs are redirected to a new site designed specifically for them and for their needs.

We suggest that crowdfunding platforms should adopt a more integrated approach to generate trust that involves all four levels (see Figure 1), especially since these levels are interrelated. Figure 2 offers six tips for success that we address both to platforms looking to redefine their design and to prospective users (e.g., entrepreneurs, nongovernment organizations, microinvestors) trying to choose a platform. These tips allow the user to identify, through tools and examples, different points that the platform must comply with in order to show its trustworthiness. Additionally, Figures 3–8 show examples of tools used by the platforms in our sample.

We wish to emphasize especially that platforms should try to create online communities. We mention two examples for inspiration. Kickstarter lets users sign up to receive bulletins of various

types: "Projects We Love" (weekly updates of selected favorite projects), "Kickstarter Games," "Kickstarter on Film," "Kickstarter Music," "Kickstarter Reads," and so on. And Verkami, like other platforms, has a presence on the main social networks to facilitate interaction with users. On its Facebook page, the company describes itself as a website of society and culture. In both cases, platforms try to establish themselves not only as crowdfunding platforms but also as spaces in which people can socialize and interact on a more constant basis. This can increase users' engagement with the platform and, eventually, their trust toward it.

References

- Ahlers, G. K., Cumming, D., Günther, C., & Schweizer, D. (2015). Signaling in equity crowdfunding. *Entrepreneurship Theory and Practice*, 39(4), 955–980.
- Ba, S., & Pavlou, P. A. (2002). Evidence of the effect of trust building technology in electronic markets: Price premiums and buyer behavior. *MIS Quarterly*, 26(3), 243–268.
- Barbi, M., & Mattioli, S. (2019). Human capital, investor trust, and equity crowdfunding. *Research in International Business and Finance*, 49, 1–12.
- Baucus, M. S., & Mitteness, C. R. (2016). Crowdfunding: Avoiding Ponzi entrepreneurs when investing in new ventures. *Business Horizons*, 59(1), 37–50.
- Belleflamme, P., Lambert, T., & Schwienbacher, A. (2014). Crowdfunding: Tapping the right crowd. *Journal of Business Venturing*, 29(5), 585–609.
- Boon, E., Pitt, L., & Salehi-Sangari, E. (2015). Managing information sharing in online communities and marketplaces. *Business Horizons*, 58(3), 347–353.
- Bradford, C. S. (2018). The regulation of crowdfunding in the United States. In D. Cumming & L. Hornuf (Eds.), *The economics of crowdfunding* (pp. 185–217). Cham, Switzerland: Palgrave Macmillan.
- Brown, T. E., Boon, E., & Pitt, L. F. (2017). Seeking funding in order to sell: Crowdfunding as a marketing tool. *Business Horizons*, 60(2), 189–195.
- Bulchand, J., & Melián, S. (2018). *La revolucion de la economia colaborativa*. London, UK: LID.
- Chen, S., Thomas, S., & Kohli, C. (2016). What really makes a promotional campaign succeed on a crowdfunding platform? Guilt, utilitarian products, emotional messaging, and fewer but meaningful rewards drive donations. *Journal of Advertising Research*, 56(1), 81–94.
- Courtney, C., Dutta, S., & Li, Y. (2017). Resolving information asymmetry: Signaling, endorsement, and crowdfunding success. *Entrepreneurship Theory and Practice*, 41(2), 265–290.
- Cowden, B. J., & Young, S. L. (2020). The copycat conundrum: The double-edged sword of crowdfunding. *Business Horizons*, 63(4), 541–551.
- Cumming, D. J., Johan, S. A., & Zhang, Y. (2019). The role of due diligence in crowdfunding platforms. *Journal of Banking and Finance*, 108, 105661.
- Cumming, D. J., & Zhang, Y. (2016). *Are crowdfunding platforms active and effective intermediaries* (No. 2882026). SSRN working paper.
- Daskalakis, N., & Yue, W. (2017, January 16). *User's perceptions of motivations and risks in crowdfunding with financial returns*. Available at <https://ssrn.com/abstract=2968912>
- Di Pietro, F., & Buttice, V. (2020). Institutional characteristics and the development of crowdfunding across countries. *International Review of Financial Analysis*, 71, 101543.
- Ert, E., Fleischer, A., & Magen, N. (2016). Trust and reputation in the sharing economy: The role of personal photos in Airbnb. *Tourism Management*, 55, 62–73.
- Gerber, E. M., & Hui, J. (2013). Crowdfunding: Motivations and deterrents for participation. *ACM Transactions on Computer-Human Interaction (TOCHI)*, 20(6), 1–32.
- Jarzabkowski, P. (2003). Strategic practices: An activity theory perspective on continuity and change. *Journal of Management Studies*, 40(1), 23–55.
- Jøsang, A., Ismail, R., & Boyd, C. (2007). A survey of trust and reputation systems for online service provision. *Decision Support Systems*, 43(2), 618–644.
- Kang, M., Gao, Y., Wang, T., & Zheng, H. (2016). Understanding the determinants of funders' investment intentions on crowdfunding platforms: A trust-based perspective. *Industrial Management and Data Systems*, 116(8), 1800–1819.
- Kickstarter. (2021). *Kickstarter magazine*. Available at <https://www.kickstarter.com/magazine>
- Kim, H., & De Moor, L. (2017). The case of crowdfunding in financial inclusion: A survey. *Strategic Change*, 26(2), 193–212.
- Kirby, E., & Worner, S. (2014). Crowd-funding: An infant industry growing fast [Working Paper] IOSCO. Available at <https://www.iosco.org/research/pdf/swp/Crowd-funding-An-Infant-Industry-Growing-Fast.pdf>
- Lagazio, C., & Querci, F. (2018). Exploring the multi-sided nature of crowdfunding campaign success. *Journal of Business Research*, 90, 318–324.
- Li, H., Chen, X., Zhang, Y., & Hai, M. (2018). Empirical analysis of factors on crowdfunding with trust theory. *Procedia Computer Science*, 139, 120–126.
- Liang, T., Wu, S., & Huang, C. (2019). Why funders invest in crowdfunding projects: Role of trust from the dual-process perspective. *Information and Management*, 56(1), 70–84.
- Mayer, R., Davis, J., & Schoorman, F. (1995). An integrative model of organizational trust. *Academy of Management Review*, 20(3), 709–734.
- McKnight, D. H., & Chervany, N. L. (2001). What trust means in e-commerce customer relationships: An interdisciplinary conceptual typology. *International Journal of Electronic Commerce*, 6(2), 35–59.
- Meyskens, M., & Bird, L. (2015). Crowdfunding and value creation. *Entrepreneurship Research Journal*, 5(2), 155–166.
- Mollick, E. (2014). The dynamics of crowdfunding: An exploratory study. *Journal of Business Venturing*, 29(1), 1–16.
- Morgan, R. M., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58(3), 20–38.
- Moysidou, K., & Hausberg, J. P. (2020). In crowdfunding we trust: A trust-building model in lending crowdfunding. *Journal of Small Business Management*, 58(3), 511–543.
- Patton, M. Q. (2002). *Qualitative research and evaluation methods*. Thousand Oaks, CA: Sage.
- Pavlou, P. A., & Gefen, D. (2004). Building effective online marketplaces with institution-based trust. *Information Systems Research*, 15(1), 37–59.
- Resnick, P., & Zeckhauser, R. (2002). Trust among strangers in internet transactions: Empirical analysis of eBay's reputation system. In M. R. Baye (Ed.), *The economics of the internet and e-commerce* (Vol. 11, pp. 127–157). Bingley, UK: Emerald Group Publishing.

- Rossi, A., & Vismara, S. (2018). What do crowdfunding platforms do? A comparison between investment-based platforms in Europe. *Eurasian Business Review*, 8(1), 93–118.
- Schor, J. (2014, October). Debating the sharing economy. *Great Transitions Initiative*. Available at <http://www.greattransition.org/publication/debating-the-sharing-economy>
- Schwiebacher, A. (2018). Entrepreneurial risk-taking in crowdfunding campaigns. *Small Business Economics*, 51(4), 843–859.
- Stemler, A. R. (2013). The JOBS Act and crowdfunding: Harnessing the power—and money—of the masses. *Business Horizons*, 56(3), 271–275.
- Stewart, K. (2003). Trust transfer on the World Wide Web. *Organization Science*, 14(1), 5–17.
- Strauss, A., & Corbin, J. (1990). *Basics of qualitative research*. Thousand Oaks, CA: Sage.
- Strohmaier, D., Zeng, J., & Hafeez, M. (2019). Trust, distrust, and crowdfunding: A study on perceptions of institutional mechanisms. *Telematics and Informatics*, 43, 101252.
- Swan, J. E., & Nolan, J. J. (1985). Gaining customer trust: A conceptual guide for the salesperson. *Journal of Personal Selling and Sales Management*, 5(2), 39–48.
- The Economist. (2015, June 6). *New rules for IPOs in America*. Available at <https://www.economist.com/finance-and-economics/2015/06/04/open-season>
- Woodward, C. (2016, May 16). Relaxed rules allow anyone to invest in online startups. *Boston Globe*. Available at <https://www.bostonglobe.com/business/2016/05/15/new-crowdfunding-system-means-almost-anyone-can-invest-startups/hqYLv26bCQ15UrxXVAzZPJ/story.html>
- Zhang, T., Yan, L., & Yang, Y. (2018). Trust evaluation method for clustered wireless sensor networks based on cloud model. *Wireless Networks*, 24(3), 777–797.
- Zheng, H., Hung, J. L., Qi, Z., & Xu, B. (2016). The role of trust management in reward-based crowdfunding. *Online Information Review*, 40(1), 97–118.
- Zunzunegui, F. (2015). Shadow banking, crowdfunding, y seguridad jurídica. *Papeles de Economía Española*, 14, 145–159.