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**DRIVERS AND BARRIERS FOR CROSS-BORDER CROWDFUNDING:
EVIDENCE FROM BELGIAN STAKEHOLDERS.**

NON CONFIDENTIAL

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FOREWORD

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Introduction

The phenomenon of crowdfunding took off a few years ago. This funding alternative, where many people provide certain amounts of money, was very localized at first, but it rapidly expanded to other countries. Starting in the United States, the practice is now present on the five continents, America and Europe concentrating the most of it. It also diversified in terms of design, type and model. Big campaigns and funding successes are making headlines throughout the world, such as Pebble, a smartwatch project, that raised over \$10 000 000 through Kicksarter (Kickstarter, 2014b). Large platforms, such as Indiegogo and Kickstarter, are known worldwide. Besides, smaller portals are created locally. Their success is quick and their operations are growing rapidly. In 2012, over 450 platforms were listed and it is estimated that they were more than 800 in 2013 (Twintangibles, 2013a, p. 8). The global market of crowdfunding is expanding fast. In 2011, \$1.5 billion were raised on crowdfunding platforms worldwide and this more than doubled in 2012, to reach \$2.7 billion (Massolution, 2013, p. 8). The expectations for 2013 were to cross \$5 billion (Avery, 2013).

Crowdfunding has one particularity that drove us to consider its international dimension: the use of the Internet. Its development and commercialization have drastically changed our lives in interactions, communications, business, trade, information gathering, socializing... In finance and commerce, the Internet impacts daily transactions. E-commerce is in constant rise. Because of its borderless characteristic, the Internet modified our global interconnections and allowed quicker, easier and cheaper international access. Today, more than ever, it fosters globalization. This trend reaches to crowdfunding. In Europe, 68% of the estimated 230 platforms run their activities in at least one other country than the country of establishment (European Crowdfunding Network, 2014). However, trends in localization are rising as well. How does this mixed environment impact on crowdfunding? Some crowdfunding projects can stay local, working with national platforms, whereas others reach the international level.

Given this environment, we decided to approach drivers and barriers in the international development on crowdfunding as a cross-border practice. In the context of portfolio financing, this question was already addressed several decades ago: “[...] *effect on portfolio choice of such barriers, which make it costly to hold foreign securities, as opposed to domestic securities, but which do not, in general, render international diversification so onerous that investors avoid foreign securities completely*” (Stulz, 1981, p. 923). Are

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elements driving high costs on crowdfunding actors so that they avoid international transactions? Along this thesis, we focus on identifying features impacting cross-border crowdfunding practice and providing evidence from Belgian crowdfunding stakeholders: platforms, projects initiators and backers. They express their need to get international. Platforms want to expand their activities in order to generate more revenues. Projects initiators, wishing to reach more people, consider international crowdfunding. Backers, willing to invest in innovative projects, find much more campaigns on the international scene than when they limit themselves to Belgium. The results we drive enable a better understanding of the underlying elements impacting the crowdfunding dynamics on an international scale. Moreover, it provides stakeholders with examples and advice for their possible international crowdfunding activities and the issues they might encounter.

Our work consists firstly of a literature review. However the potential of internationalization of the phenomenon, we soon realize that the situation in practice is not as global as it could be theoretically. In the theoretical approach, our attention is set on understanding crowdfunding and identifying drivers and barriers to a cross-border practice of crowdfunding. We identify the main actors and emphasize on the central position of platforms in the internationalization process. Besides, we identify the use of the Internet, the existence of institutional factors and the use of platforms as driving cross-border crowdfunding. In contrast, we cite several factors impeding the international development of crowdfunding. Geographical features, because of home bias, family and friends and agglomeration, are barriers to cross-border practice. Moreover, regulations make it very difficult as well because they lack uniformity and impose a lot of constraints for equity crowdfunding particularly. Finally, cultural factors also induce issues because of differences and agglomeration.

Secondly, based on those elements, we conduct qualitative research on the scope of Belgian shareholders. We opt for a case study approach providing a descriptive result to illustrate the situation for Belgian stakeholders involved in cross-border crowdfunding. We select and interview two representatives of each stakeholder class: two Belgian platforms, MyMicroInvest and Look&Fin; two crowdfunders: David Hachez and Jean-Marc Coulon; and two project initiators: Bernard Perelsztejn and Stephan de Brabandere. Altogether, they represent several cross-border crowdfunding activities. We collect their testimonies through semi-structured interviews. Besides, we conduct documentation research. Information

collected from different sources is processed, simplified, classified and coded to allow analysis through convergence, triangulation and contradictions in providing evidence.

Out of our research and analysis, we confirm that the use of the Internet is a driver because it enables international access. In contrast, the lack of information and harmonization regarding regulations make official rules a barrier to cross-border crowdfunding. Moreover, taxation is also unclear and fragmented, impacting the internationalization of the practice as well. Some elements can have a contrasted role. This is the case of institutional mechanisms: whereas there is no state support for platforms, project initiators can apply for grants and administrative help related to their internationalization; crowdfunders can benefit from economic advantages, due to currency rates for instance. The rules platforms set can allow cross-border crowdfunding. This happens when project initiators and/or crowdfunders can be located in other countries than the platform. Some portals, however, impose strict rules disabling international crowdfunding. Distance and geography is a third contrasted feature. It is true that the importance of distance has waned. Nevertheless, the local characteristic of funding is still strong because of the nature of the project, the will to invest locally and the network of the project initiator. In some cases, this network can be abroad or international, thus helping internationalization. Fourth, cultural differences hinder a smooth internationalization, when it comes to languages: though English is mostly used, this does not suit everybody. Furthermore, in the case of Belgium, the strong uncertainty avoidance favors to seek for funding or innovative projects abroad, as people from other cultures are more inclined to take on risk, financially and entrepreneurially. Also, cultural similarities can help expansion to other countries, as it is the case between Belgium and France.

As a conclusion to our field research, we note that all actors benefit from the use of the Internet. Platforms are the most constrained by regulations, taxation and linguistic issues, whereas difference in uncertainty avoidance and their rules is favorable to cross-border activity. Project initiators can encounter issues regarding the platforms' rules, regulations, taxation and culture. Crowdfunders are the less burdened when it comes to their international activity. Distance only matters for projects tied to a physical location and language in case backers do not understand it. Apart from that, they express only advantages. Given the conclusions, we formulate several recommendations for the three groups of stakeholders.

This paper is divided in two parts. Following this introduction, we focus in Part 1 on the literature review. In this theoretical part, we start by drawing up general knowledge about

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crowdfunding. Afterwards, we consider geography, regulations and culture in order to assess their theoretical impact on crowdfunding. We conclude Part 1, summing up the contributions of our literature review to our research question, by stating the elements we identify as drivers and barriers, as we address them in Part 2.

The second part is the report of our field study. After going into details about our methodology, we present the results of our analysis. Next, we evaluate our work, approaching validity and quality, limitations, contributions and remaining questions. The final topic of this paper is a general consensus summing up the findings of the research depicted in the entire document, comparing theoretical and practical results and final findings.

Part 1: Literature review

Introduction

This first part is devoted to a theoretical approach. Throughout this literature review, we describe crowdfunding, its international practice and settle evidence from the literature regarding drivers and barriers to cross-border crowdfunding practice.

At this step, it is important to note that, though crowdfunding has gone through an important growth during the last few years, it is still a novel practice and the literature about it is at an embryonic stage (Belleflamme et al., 2013, p.12). Besides scientific documents, there is quite a large popular literature about crowdfunding. There are open discussions, comments, news articles, books and convention reports that, altogether, gather literature and knowledge about the practice (Giudici et al., 2012, p. 3). Moreover, given the regulative implications of the practice, reports have been published regarding the evolution of crowdfunding and how legislation could be or is adapted in order to benefit to the practice. Agrawal, Catilini and Goldfarb even talk about the existence of “*experts in the popular press*” (2013, p. 7). Those “[...] *do not meet the criteria for academic literature, but still bear with informational value*” (Nagymihaly, 2013, p. 8).

We firstly approach general knowledge about crowdfunding: we define the practice and outline the elements that fostered its creation: the development of the Internet, the equity gap and crowdsourcing. Afterwards, we describe the three stakeholders directly involved in crowdfunding. We present that the reasons why they use it include funding but also marketing and community spirit. We then move to the several practices that exist today in crowdfunding. Next, we assess how it gets international. After this presentation, we look into specific drivers and barriers that were outlined by researchers. Geography, because of distance, home bias, family and friends and project agglomeration, is a barrier. We also identify general regulations, taxation and crowdinvesting rules to be barriers because there is a lack of information and harmonization. Moreover, cultural dimensions and features impede the international development of crowdfunding as well. We set drivers to be institutional systems as they help to overcome cultural issues. All of them are developed within the literature review. They are summed up and classified in the conclusion of Part I.

Chapter 1: Crowdfunding

The first chapter of this literature review provides a general description about crowdfunding. This depicts a clear picture of the phenomenon, providing evidence for our research question and raising the first elements stimulating and impeding international crowdfunding. We start with a definition of the phenomenon.

1.1 Definition

Crowdfunding has been studied by researchers and approached in popular papers. We turn to Belleflamme, Lambert and Schwienbacher, mostly cited by peer researchers, when it comes to define academically crowdfunding. They state crowdfunding as being a practice that “*involves an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights*” (Belleflamme et al., 2014, p. 588). This definition matches more popular ones that define it by the decomposition of the word crowdfunding, emphasizing the central meaning of this recent practice: funding and crowd: the use of the people to provide funding (MyMicroInvest, 2011). The idea is, instead of collecting bigger contributions from a small number of funders, to raise various amounts of money from a big pool of backers (Baeck et al., 2012, p. 3).

1.2 Contextual Approach

The practice of crowdfunding is not new (Bannerman, 2012, p. 5). For decades and even centuries, the crowd and private individuals have been solicited for funding different projects. Nevertheless, crowdfunding as the practice of collecting contributions via a website, has developed more recently (Van Wingerde and Ryan, 2011, p. 11). Several environmental elements and circumstances contributed to the creation, development and use of crowdfunding. The meeting of three contextual features was essential: it is tough to collect funding for projects because of the recent crisis and the lack of funding it caused, the development of the Internet and its applications, and the successful practice of crowdsourcing (Giudici et al., 2012, p.5). We outline those factors in the next subsections, starting with the Internet, following with the funding alternative and ending with crowdsourcing.

1.2.1 The Internet

Crowdfunding emerged because of the development of the Internet and the later web 2.0 (Giudici et al., 2013, p. 6; Agrawal et al., 2013, p. 6). Agrawal et al. (2013) provide an accurate explanation about why crowdfunding has gone through such a rise since the launch and spread of the Internet. The commercialization of the Internet enables several advantages in the practice of crowdfunding. Firstly, online meeting between backers and initiators involves easier and cheaper research with the Internet than before its introduction; secondly, because each contributor provides a small amount of money, which is achievable online, there is less risk incurred; thirdly, as communication is cheaper and facilitated, the Internet allows the collection of information, the supervision, and involvement in the project, even for remote contributors (Agrawal et al., 2013, p. 6). Because of those elements, the Internet is a driver for distance-related investments and contributions in crowdfunding.

1.2.2 Funding Alternative

Since its inception, crowdfunding has the potential to be an alternative to traditional funding possibilities, such as angel investors, venture capitalists or bank financing (Avery, 2012, p. 1; Agrawal et al., 2013, p. 5). Also, the bank and financial crisis that hit in 2008 has made it harder for creators, individuals and entrepreneurs to access funding and capital solutions. Besides, it has been shown that crowdfunding has developed because it closed a gap, known as equity gap, in funding of companies at a very early stage, or competes with other financing solutions, namely pre-seed and seed stages' company financing (Mollick, 2014, p. 1; Ordanini, et al., 2011, p. 460; Van Wingerde and Ryan, 2011, p. 8; Mason & Harrison, 1995, p. 154). If Baeck, Collins and Westlake have presented crowdfunding as a competition to the more traditional sources of financing solutions (2012, p. 7), it can also be used as a complement to those funding possibilities (De Buysere et al., 2012, p. 5). This can be confirmed for at least two reasons: it enables to access more funds and the use crowdfunding as a financing tool provides other advantages than financing, as we discuss further in the Section 1.5.

1.2.3 Crowdsourcing

The origin of crowdfunding is presented as being linked to a recent but somehow older practice: crowdsourcing (Belleflamme et al. 2014, p. 586). It was defined by Howe in 2006: *“Crowdsourcing represents the act of a company or institution taking a function once*

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performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call. This can take the form of peer-production (when the job is performed collaboratively), but is also often undertaken by sole individuals. The crucial prerequisite is the use of the open call format and the large network of potential laborers” (Howe, 2006). In crowdsourcing and crowdfunding, the need to access a large network of people who are individuals to provide the resource is key (Bannerman 2012, p. 2). Nevertheless, we draw the attention on the key difference between both practices. Whereas crowdsourcing needs to access a large network of laborers in order to complete some tasks, crowdfunding aims to ask the crowd for to become funders (Bannerman 2012, p. 2). It is the possibility to access a very large network of potential backers.

This section, focusing on the contextual elements, helps us to better understand the reasons crowdfunding is developing. Firstly, because the practice is going on through the Internet, it has the potential to be borderless. Secondly, as financing is getting tougher, crowdfunding could spread around the world as a funding and investing tool. Eventually, the need to access a large network of people is key, constituting an argument for reaching an international level in crowdfunding. The coming section identifies the actors in the crowdfunding market.

1.3 The Stakeholders

In order to proceed further and to find evidence of crowdfunding practices crossing borders, it is important to depict a clear view about how crowdfunding works, the people involved and their role.

The common practice of crowdfunding features the participation of three groups of stakeholders (Agrawal et al., 2013, p. 10): project “*creators*” “*funders*” and crowdfunding “*platforms*” (also known as portals) (Agrawal et al., 2013, p. 10). Each one of these groups of stakeholders has a particular impact on crowdfunding and especially on its international and cross-border expansion. We present them in the remainder of this section.

1.3.1 Creators and Funders

The creator is the initiator of the project: the issuer. He can be an entrepreneur, artist, or someone else launching a project. He uses crowdfunding mainly in order to access funding from a pool of crowdfunders. Those backers are individuals that decide to support a presented

concept by providing money. They are backers, pre-buyers, lenders or donors, depending on the crowdfunding type that is used, as will be disclosed in Section 1.4.

1.3.2 Platforms

Platforms are key actors. They are “*intermediary*” between the crowd of backers and the project initiators that are seeking contributions (Agrawal et al., 2013, p. 15). The use of a platform for crowdfunding is a way for initiators and providers to interact directly (Giudici et al., 2012, p. 2). In doing so, they foster this unconventional way of financing ventures and projects (Giudici et al. 2012, p. 2). Those platforms are websites that host a selection of projects. They have a positive effect on reducing the costs issues that are due to the operations and to the complicated regulative settings (Martinez-Cañas et al. 2012, p. 1472).

As the participation of both of the groups of backers and initiators on the platform is mandatory, Belleflamme and Lambert present crowdfunding portals as “*multisided platforms*” (2014, p. 3). The definition of multi-sided platforms is provided by Hagiú: “[*Multi-sided platforms*] are technologies, products or services that create value primarily by enabling direct interactions between two or more customer or participant groups”¹ (2014, p. 71). Crowdfunding is a business for them. In order to make it profitable, most platforms charge a fee on the amount that is raised, a low percentage per project if its target is reached. Their job is thus to attract people from both groups to make it happen. Each platform decides on its layout and position in the crowdfunding market: the type of crowdfunding it uses, the type of projects it hosts, the level of information it provides, the rules and regulations it adopts (Agrawal et al., 2013, p. 15; Belleflamme & Lambert, 2014, p. 10). In this context, portals thus have an important position when it comes to allow international crowdfunding, or not, on two levels. Firstly, do they allow international² support? Secondly, do they allow foreign projects?

Each stakeholder can impact crowdfunding in an international perspective. The decisions of the platform regarding its market and localization will have a direct consequence on the possibility of international practice of crowdfunding or not. We use this later when collecting information from the field. We constituted our field with selected interviewees from those

¹ In the case of crowdfunding, the two participant groups are project initiators and crowdfunders.

² International transactions or money transfers coming from other countries than the country of establishment of the platform.

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three groups of actors. We describe the several types of crowdfunding they can take part in in the coming section.

1.4 Main Crowdfunding Types

It is important to realize that crowdfunding is not homogenous and that differences between practices have a direct impact on the internationalization of the phenomenon and on the barriers and drivers we approach along our research. We describe in this section the four types of crowdfunding.

Since its inception, crowdfunding has been used in several forms. Throughout the literature, most researchers agree that crowdfunding practices can be grouped in four different categories: “*donation, reward or pre-ordering, lending and equity crowdfunding*” (Bannerman, 2012, p. 6). In its primary form, crowdfunding was associated to either a form of micro lending either a donation-based type of funding. Still present today, both of them see the rising competition of reward (or pre-sale, pre-purchase) crowdfunding and, most recently, equity crowdfunding. This evolution in trends in crowdfunding is mainly due to the context and the regulations environment, as we approach it later. A 2012 study shows that just 15% of crowdfunded projects in 2011 were equity-based, while 43% were reward-based, 28% were donation-based, and 14% were lending-based (Crowdsourcing LLC, 2012, p. 17).

1.4.1 Donation-based Crowdfunding

Donation-based crowdfunding initiatives are typically used when it comes to philanthropic projects. Backers contribute and give money without expecting any form of counterpart (Bannerman, 2012, p. 6; Röthler, 2011, p. 12).

Except for this model, financial participation to projects goes hand-in-hand with some kind of compensation offered to the crowdfunder, often called “*reward*”¹ (Hemer, 2011, p. 13). The size of compensations depends on the amount the backer contributes to the project. It goes in degrees: the more a backer funds, the higher degree he is in and the more important his reward will be.

¹ The designation of the counterpart granted to backers changes, depending on the crowdfunding type used.

1.4.2 Reward-based Crowdfunding

Projects initiators mostly use this type of crowdfunding when product designing, marketing and launching is involved (Schwienbacher & Larralde, 2010, p. 13). Worldwide famous platforms to present this type of crowdfunding are Kickstarter and Indiegogo. In the reward-based crowdfunding, funders are offered “*non-financial rewards*” (Bannerman, 2012, p. 6). Those compensations are acknowledgements that are given by the project initiator in order to motivate people to fund their project and to thank backers. A more specific form of reward-based crowdfunding occurs mainly in situations where the project is related to the production of an item or a piece of work (Hemer, 2011, p. 14) In that case, the reward can be associated to presale or pre-ordering the product, because the backers receive a beta version of the future product as an acknowledgement, getting an “*early version*” of the product that needs financing (Hemer, 2011, p. 14).

1.4.3 Crowdlending

Crowdfunding can be limited to lending. In this case, reimbursement, sometimes coupled with interest payment(s), is expected by crowdfunders when they lend money to initiators (Bannerman, 2012, p. 6; Hemer, 2011, p. 14). This crowdlending concept, mixed with the idea of equity crowdfunding, is the model of MyMicroInvest, the first Belgian platform we interviewed.

1.4.4 Equity Crowdfunding¹

A fourth form of crowdfunding, developed more recently, is equity crowdfunding: “*equity-based projects are those where funders receive equity, revenue, or a share of the profits in a project*” (Crowdsourcing LLC, 2012, p. 25) In this setting, crowdfunders receive shares that can lead to receiving distribution of revenues and decision power (Hemer, 2011, p. 14). This is the case of Look&Fin, one of the Belgian platforms we interviewed. It is interesting to note that this is an offspring of reward-based crowdfunding: equity is a new kind of reward granted to backers. As a result of the fact that equity and investments are highly regulated practices, the other forms of crowdfunding, granting other compensations than equity, have much more expanded in the past (Kappel, 2009, p. 376; Bannerman, 2012, p. 7; Belleflamme et al., 2014,

¹ Also known as crowdinvesting and crowdequity.

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p. 588). We note that, given regulations opening and adaptation, equity crowdfunding is forecasted to become more important (Kranacher, 2012, p. 80).

Nevertheless, the practice of equity crowdfunding is not always suited for the initiator and his project. Using equity crowdfunding means a loss of control for the initial project owner (Agrawal et al., 2013, p.6). Moreover, if innovative product projects could pledge funds by reward crowdfunding, they would have little interest in crowdequity (Agrawal et al., 2013, p.6). Finally, in case project initiators seek equity investments in their campaigns, other channels than crowdfunding might be cheaper and more suited for them (Agrawal et al., 2013, p.6).

Out of the four types of crowdfunding mentioned, we focus on three in our field study, as we interview stakeholders using reward, equity and lending-based crowdfunding. Part of the results of our study applies to a specific type of crowdfunding whereas others are more general. The coming section outlines main motives regarding the use of crowdfunding.

1.5 Motives for Crowdfunding

The reason why entrepreneurs, artists, individual investors and others take part in the crowdfunding venture has, up to now, been a major focus of research. To start with, as presented in the definition, crowdfunding is a way to get or provide financing (depending on the stakeholder). Besides, there are other motives for backers and project initiators that move them to take part in crowdfunding. Understanding some of them is part of our motivation to target our research question. This section addresses firstly motives for creators and funders incentives secondly.

1.5.1 Motivations for Creators

Crowdfunding is often presented as an option for entrepreneurs to finance their business (Schwienbacher & Larralde, 2010, p. 3). It is probably less expensive than bank alternatives, angel investing and venture capitalism, presents less administrative trouble, and offers other advantages next to financing, such as marketing and communication for instance.

Using crowdfunding allows creators to promote their project, spreading the word of their idea, build a network via the Internet with people interested in the project, validate their project, monitor their idea, improve on basis of feedback and comments and developing additional competencies (Hui et al., 2012, p.3). As such, it is a way to explore the market and the

potential of a product, to make people speak about it and spread the word (Belleflamme & Lambert, 2014, p. 3). It is also used as a test for approval: the “*power of the crowd*” (Belleflamme et al., 2013, p. 4; Ordanini et al., 2011, p. 444; Gough, 2011, p. 11) has been referred to in several papers as the fact that people select projects that are going to work and thus gives an approval to the project if it is fully financed, validating the idea. It is a way to ensure that a market exists when crowdfunding is successful for production or for service providers (Schwienbacher & Larralde, 2010, p. 7). This early validation comes with and comments backers can address the initiator in order to make his product or service better (Belleflamme et al., 2014, p. 602; Belleflamme & Lambert, 2014, p. 3). Those motivations appear because of the possibility of communication and information sharing (Belleflamme & Lambert, 2014, p. 3). The several steps required by platforms to get from the idea of a project to effectively getting the project funded, allows the project initiator to test his business idea and/or plan in front of a selection committee.

Nevertheless, even if we listed advantages, there are also some issues for the initiators. Using crowdfunding in a successful way requires the creator to have enough time, be multi-skilled, have a strong sense of organization, coordination and communication with the crowd next to the core job that his project requires (Hui et al., 2012, p. 1).

Depending on the target market of the project, internationalization of the campaign can be helpful for the creators to reach their objective. Firstly, reaching more people should make it easier to pledge the targeted amount of money. Secondly, marketing and other reasons might foster the will to get in touch with foreign backers.

1.5.2 Motivations for Funders

In the hand of the backer, several motives have been pointed out in the field of academic research. Firstly, they have other motivations that go beyond financial benefits (Belleflamme & Lambert, 2014, p. 5), including group feelings, help and support to others and specific situations (Hui et al., 2012, p. 3; Gerber et al., 2012, p. 9).

For project creators as well as funders, motives to take part in crowdfunding are not limited to financial reasons. Altogether, motives impact their crowdfunding behavior and the scope they want to reach, either staying local or expanding the international level. In the next section, we approach international crowdfunding.

1.6 International Crowdfunding

In this section, we summarize findings of research that has been conducted regarding the geographical scope of crowdfunding. Afterwards, we look into mechanisms platforms use to internationalize. This provides first elements impacting the cross-border development of crowdfunding.

1.6.1 Geography and Distance

Given the use of the Internet, classical and crowdfunding transactions occur on a larger geographical scale: “*crowdfunding relaxes geographical constraints*” (Belleflamme & Lambert, 2014, p.5). This finding differs from the traditional trend of venture capitalists to support close-by ventures (Zook, 2002, p. 151). However, results of research show different conclusions over time and researchers provide several reasons explaining that geography still plays a negative role. We start this subsection with geography in the global Internet trade and move to crowdfunding afterwards.

The geography of the Internet commerce in the literature has been approached in terms of distance. Blum and Goldfarb come to the conclusion that “*physical distance*” impacts negatively commerce even for exclusively digital products and services, because of the importance of taste (2005, p. 384-385). This conclusion stands even though “*transportation*”, “*time*” and “*distribution costs*” are driven close to zero and though online research costs are independent from a distance point of view (Blum & Goldfarb, 2005, p. 384).

Hortaçsu, Martinez-Jeres and Douglas showed that, by 2009, in electronic products markets on the Internet, operations between sellers and buyers have a higher probability to happen when the distance between both of them is moderate (2009, p. 72). This can be explained because of shipping fees and goods involving a physical tie (Hortaçsu et al., 2009, p. 55). It is argued that the absence of search costs has a positive effect on distance but that existing “*information asymmetries*” remain barriers when distance is involved (Hortaçsu et al., 2009, p. 55). The authors attribute this situation to “*existing cultural factors*” and because distance raises some risk as it impacts reaction possibilities in case of violations (Hortaçsu et al., 2009, pp. 72-73). However, they contrasted this conclusion as its negative role was smaller than what observed earlier and in off-line trade (Hortaçsu et al., 2009, p. 55).

This question of geography and distance can be related to home bias, defined as the “*phenomenon wherein agents are more likely to conduct transactions with partners who are geographically closer to them*” (Lin & Viswanathan, 2013, p. 2). Because of “*emotional reasons*”, another attempt to prove that home bias is less relevant to online trade, results concluded that the phenomenon is still impacting financing via the Internet (Lin & Viswanathan, 2013, p. 3-4). This can be the case for crowdfunding as well (especially reward and pre-ordering).

Agrawal, Catilini and Goldfarb conducted academic research about the role of geography in crowdfunding, drawing the attention on the fact that the wide geographic distribution of backers is an important characteristic in crowdfunding (Agrawal et al., 2011, p. 2). Their contribution is multiple. They argue that platforms have a central role in reducing stress in the market that might exist related to distance in operations because they act in reducing economic distress that is traditionally caused when distance between project and investor is high (Agrawal, et al., 2011, pp. 1-2). They help keeping contact, collecting and providing information, following up the evolution of the process and assist in the operations (Agrawal et al., 2011, p. 3). They notice that capital can be accessed globally from anywhere, as there are no geographical ties (Agrawal et al., 2013, p. 4). They conclude that funding schemes are not related to the geographical distance existing between project initiators and crowdfunders but only after alleviating the effect of the own network of the entrepreneur (Agrawal et al., 2011, p. 17). They draw the attention on the importance of this network, also approached as group of “*family and friends*” (F&F) in online transactions (Agrawal et al., 2011, p. 17). At the very first step, friends and family, constituting the own network of the project initiator, and investors located close to him, provide most of the early funds. More remote crowdfunders tend to wait for the project to reach a higher level of financing.

Burtch, Ghose and Wattal studied geography and cultural differences in pro-social lending, a specific form of crowdfunding. Their conclusion on distance and its impact on investment decision is close to the above. On one hand, the use of the Internet has reduced the impact of distance because it affects several costs, driving them down; on the other, additional features influence one’s drive to stay local regarding investment opportunities, such as cultural frictions (Burtch et al., 2013, p. 31). They also contribute that culture and distance impacts final decisions in the same direction (Burtch et al., 2013, p. 5). These physical and cultural distances occur thus as a cost that will impact the decision of the funder.

Through those several studies, we conclude that distance, because of home bias, the central situation of platforms, the network of family and friends and culture¹ impedes a larger development of crowdfunding, though the Internet and platforms have a positive contribution to making distance matter less. Distance is only one of the geographical factors. The coming paragraph focuses on another one: distribution.

1.6.2 Crowdfunding and Geographical Distribution

Another geographical characteristic having impact on the internationalization is the “*agglomeration*” of project funding in crowdfunding (Agrawal et al., 2013, p. 5). It is established that larger amounts of money pledged through crowdfunding are directed to similar areas as classical funding methods, even though it has been proved that funding and distance are independent (Agrawal et al., 2013, p. 5, 34). Some American states seem to be significantly favored in terms of receiving funding from crowdfunding campaigns. They state that the “*distribution of human capital*” could explain this observation (Agrawal et al., 2013, p. 35). In our context, agglomeration could mean that some regions attract a lot of crowdfunding capital from over the world, thus involving cross-border practices of crowdfunding for foreign investors and national funding from locals.

1.6.3 The Internationalization of Platforms

If crowdfunding gets international, it depends on the ability and facility to use platforms around the world. Language, restrictions of use of the portal (only national bank accounts for instance) are rules and features set by the platforms and have irrefutably an effect on how it can be used in an international context. Some platforms are open to any backer; others allow only people living in specific countries to eventually provide funding for the projects. The same reasoning applies for the project funders. One way to explain why portals go international is to attract more people and thus increase the use of the platform, providing more money to them. As to guarantee the highest number of transactions possible, they have to modify their features and permissions to the environment and needs (Agrawal et al., 2013, p. 25). This goes with an opening to the world.

Even if platforms internationalize, most of them do it progressively, starting local and then growing out global and adapting to such an environment. Platforms that want to get global

¹ Culture is further developed in Chapter 2.

can experience trouble in doing so, namely because of regulations and legislative frameworks that differ among countries. In reaction, they follow several patterns to create cross-border activity. Some of them, such as Kickstarter (Kickstarter, 2013), open versions of their platforms in different countries. Another possibility is to open up progressively, when complying with local foreign regulations. This is the case of MyMicroInvest. The platform was only hosting Belgian projects at first. Today, they star also French, Swiss, English and, more recently, Estonian projects (MyMicroInvest, 2014).

Whatever way they internationalize, platforms are the turnkey for enabling matching projects and funders from different nationalities, thus international crowdfunding as we mean it. In our field research, we interviewed two platforms with different international scopes. MyMicroInvest allows both foreign crowdfunders and projects. Look&Fin focuses for now on Belgian projects but with international backers. Their expansion for project initiators is an on-going process.

1.7 Summary

This first chapter provides a definition of crowdfunding. We describe the environmental factors that fostered the development of crowdfunding, emphasizing that the use of the Internet enables the practice to get international. We identify the three major stakeholders as being the creators, funders and platforms, the latter having an important influence, by their design, on the internationalization of the practice. Afterwards, we describe four crowdfunding practices: donation, reward, lending and equity based. We then list motivations for stakeholders to participate in projects. Those are not only financial. Finally, we list several barriers to international practice in terms of geography and distance: home bias, family and friends, distribution of projects, and platforms' design. We also introduce culture and regulations. Those two topics are our focus in the second chapter of this literature review.

Chapter 2: Drivers and Barriers for International Practice of Crowdfunding

In this chapter, we describe two main drivers and barriers depicted in the literature regarding the practice of crowdfunding internationally: regulations and culture (Agrawal et al. 2013, p. 7, 38). The first section of this chapter focuses on regulations. We approach the general rules, taxation and crowdfunder particularities. Afterwards, we illustrate the regulative frameworks in Europe, Belgium and in a selection of other countries. The second section of this chapter addresses culture. After a definition of culture, we provide features and dimensions we have to consider in the environment of international crowdfunding.

2.1 Regulations

Finance and law have been interconnected for several decades. In crowdfunding, the importance and role of regulations is particularly relevant because they are impacting its development, growth and use (Wells, 2013, p. 26). Regulations constrain the development of platforms (Hornuf & Schwienbacher, 2014, p. 2). Platforms draw the patterns of funders and creators and how crowdfunding develops because they have to operate in accordance with the regulations in the industry (Agrawal et al., 2013, p. 21). In this section, we firstly provide information about existing rules and regulations at the global picture and then look into a selection of countries' specific dispositions.

2.1.1 Rules and Regulations in the Crowdfunding Context

Given the novelty of the phenomenon, regulations of crowdfunding are an on-going process. Nevertheless, several existing fields of regulations are involved in the practice of crowdfunding. Firstly, as users disclose personal data on the Internet, terms of use and data protection are applicable. Those regulations are set locally and apply to a defined scope (Röthler, 2011, p. 35). Additionally, there is the fact of buying, paying, ordering and more generally, being active on the Internet, that involves legal restrictions and regulations.

Besides, regarding the entrepreneurs, there is a lot of concern about protection of the work provided (Röthler, 2011, pp. 24-27). Protections exist, depending on the scope and on the kind of project that is presented. Moreover, as money is used for business purposes and creating profit for stakeholders, taxation is relevant, in terms of VAT, capital gains and more. Finally, some specific crowdfunding practices raise particular issues. This is the case of

crowdfunding¹, because it involves shares, securities and company involvement. They may impose extra legal constraints on a start-up project, legally binding the management to pay financial returns on the security.

Among all those fields of regulations, because these are elements that are decided at a national level, discrepancies between countries affect the international expansion of crowdfunding. Out of those regulative elements, we focus firstly on taxation and secondly on specific rules in crowdfunding context, as they have the most impactful on international crowdfunding. Thirdly, we group all regulations and we argue why they impede the use of crowdfunding across borders.

2.1.1.1 Taxation

Taxation affects all crowdfunding actors. We firstly consider the project creators. They use crowdfunding as a way to receive income in exchange of goods and/or services. They must keep informed about the taxation regime under which they operate (Wells, 2013, p. 29). In this setting, they are subjected to VAT and income tax. Aware of this, platforms often inform project initiators about the taxes they have to pay (Röthler, 2011, p. 27). In the situation of crowdfunding, it can be difficult to compute the VAT that is due given several factors. First of all, it is essential to know the tax status of the entity to tax. In the case of crowdfunding, it can be an individual whose income does not reach the national tax level or a “*non profit-organization*”; both of them will not need to pay tax. It can also be a business or an individual earning more than the tax exemption level; then tax has to be paid (Röthler, 2011, p. 27). Secondly, when tax has to be paid, the rate has to be computed. At this point, we notice that tax levels are difficult to compute because each country has its own taxation rate; in addition, the level of taxation depends on the nature of the counterpart offered to the buyer, which is not always clear (Röthler 2011 p 27). Moreover, as project initiators raise revenues from their crowdfunding activities, they are entitled to income taxation at the personal level (Röthler 2011, p. 28).

For the backers making money out of financial investments, “*capital gain tax*” rules apply (Röthler, 2011, p. 28). This translates into the treatment of financial rewards. This topic is rather complex, hence explaining the fact that certain platforms may offer a financial return

¹ Also known as equity crowdfunding

whereas others do not. This is largely depending on their country of origin and the rules applicable locally.

All those matters are set at the country-level and depend on the status of crowdfunding in that country; some countries provide specific taxation regime for crowdfunding-related activities. As a consequence of the difficulties linked to taxation in the practice of crowdfunding, a lot of projects are conducted in taxation “*grey zone*” (Röthler, 2011, p. 28). This grey zone is partly due to lack of harmonization of the rules. Thus, taxation is a field of regulations impeding crowdfunding, as it imposes extra constraints on cross-border transactions. We consider it as a barrier in the remaining of this paper. We assess it independently from regulations in Part 2.

2.1.1.2 Regarding Crowdfunding

The practice of selling and buying securities is highly regulated due to the course of History. Regulations in this sector were established because of financial problems, in order to increase investor protection (Hornuf & Schwienbacher, 2014, pp. 2-3). Nevertheless, things are changing. What happens today regarding equity crowdfunding is a “*deregulation*” (Kranacher, 2012, p. 80), meaning an opening in what is restricted by law and a relieving of rules that have been put in place because of losses of control through History (such as the financial crisis of 1929). Kranacher argues that the rules that were set back in time were there to protect, avoid fraud and give confidence (2012, p. 80). When raising funds, the level of protection of investors impacts their “*readiness to finance*” (La Porta et al., 1998, p. 4). However, exemptions are needed because circumventing the current obstacles may not be easy or cheap (Kappel, 2009, p. 381) and thus crowdfunding-unfriendly. In this deregulating environment, several states and countries have modified (or are in the process of adapting) existing securities regulations in order to become more adapted to crowdfunding but also guaranteeing investor protection up to a certain level (Hornuf & Schwienbacher, 2014, p. 16). Nevertheless, those rules are modified on a regional or national level, depending on the country, meaning that there is no harmonization on a global level (Hornuf & Schwienbacher, 2014, p. 3).

Other fields of regulations are involved regarding crowdfunding. On one hand, rules cap the amount of money than can be handed out to holders (Belleflamme et al., 2014, p. 588; Van Wingerde and Ryan, 2011, p. 10; Schwienbacher & Larralde, 2010, p. 12). On the other hand, institutions issuing shares or securities might have to be registered as such in the countries

where they are operational. This is the case when they disclose “*investment advice*” or work with “*investor funds*” (Hornuf & Schwienbacher, 2014, p.15). This requires portals to file for getting the authorization to operate.

2.1.1.3 Regulations’ Impact on Crowdfunding

Besides of the existence of rules, their lack of uniformity impacts the development and the internationalization as well, because different legal settings make cross-border transactions in crowdfunding either impossible, either time intensive or money consuming (Röthler 2011, p. 29). This directly hits platforms. They make decisions following the regulations and might disable international transactions in order to avoid addressing the regulative burdens that they might encounter, restricting the launch of projects for national initiators only (Röthler, 2011, p. 29). This shows that regulations have direct impact on the international cross-border development of crowdfunding as a cross-border practice. This behavior appears even though several platforms want to attract backers and entrepreneurs from other countries (Röthler, 2011, p. 30). This lack of uniformity is detailed in the following section, where we present rules applicable in different countries.

2.1.2 States specific Dispositions

We first describe the global European legislative environment, as the Commission sets directives that European countries have to follow and can furthermore restrain or amend. We then present the Belgian setting, as it is our case study. To end with, we also look into the regulations of a selection of countries. Even if we focus on Belgian actors in our case study, we are interested in international crowdfunding. Therefore, we need major features and differences with other countries as selected and presented in this section.

2.1.2.1 Europe

In Europe, crowdfunding is considered as a response to the change in markets and available technologies. As a way to provide financing, it should be encouraged across the continent for the funding of SMEs¹ (European Union, 2012). European countries are thinking in adapting and improving their regulations’ landscape to make it more crowdfunding-friendly. Moreover, the commission is working on it as well. In 2008, the commission issued the *Small*

¹ Small and medium enterprises.

Business Act. The aim of this paper was to simplify business conditions for SMEs and entrepreneurs, who can be tempted to use crowdfunding. It states that the objective is to create an entrepreneurship-friendly environment, to take care of entrepreneurs' needs, facilitate their life, notably by reducing fees and time-consuming activities. They want to address the issues coming from regulations and taxation (European Commission, 2008, p. 12), which could involve crowdfunding exemptions in Member States. Those commitments were renewed in the “*Plan d’Action “Entrepreneuriat 2020”*”, where the Commission pushed Member States to foster modifications of their financial legislation, mentioning crowdfunding (European Commission, 2013, p. 11).

There are no clear regulations that apply to crowdfunding as a whole in the European Union. Nevertheless, Member States restrict crowdfunding practices with national rules. Moreover, when the Commission issues a directive, countries can restrain the rules that have been voted on supranational level.

Nevertheless, regarding equity practices particularly, Europe imposes the “*Prospectus Directives*”, enforcing companies to write a prospectus in their process to pledge investments depending on the targeted amount and the people involved (Röthler, 2011, p. 30). However, some exemptions hold. Firstly, if the number of shares is under twenty and their value exceeds 200 000 Euros minimum, in case the offering is only addressed to companies or entrepreneurs or if the offering is only directed to a private group of people (Röthler, 2011, p. 29). Secondly, in the case of start-ups, the exemption is valid only if investors are “*qualified investors*” or if the share price exceeds 50 000 Euros (Röthler, 2011, p. 31). Given those specifications, these exemptions do not apply to crowdfunding, forcing companies to publish a prospectus in case they are to pledge money to the crowd.

2.1.2.2 Belgium

Up to now, crowdfunding is not ruled by specific and tailor-made legislation in Belgium (Autorité des services et marchés financiers, 2012a, p. 3). Nevertheless, for each practice, existing laws have to be respected. The FSMA¹ issued two notes to clarify legal rules that have to be respected (Autorité des services et marchés financiers, 2012a, p. 1).

¹ FSMA stands for the Financial Services and Markets Authority

The first paper addresses the legal settings that project leaders or promoters might have to follow if they fall under specific conditions. Firstly, crowdfunding might involve a public offering of placement instrument on the Belgian territory. If those are capital instruments, thus not for donation or reward crowdfunding, they activate the Law of June 16th, 2006. If so, the project promoter has to publish a prospectus approved by the FSMA (Autorité des services et marchés financiers, 2012a, p.6). This prospectus includes information about the risks involved. Several exemptions exist: firstly, in situations where only qualified investors are involved; secondly, when less than 100 other investors participate to the funding; thirdly if each contribution is more than 50 000 Euros; finally, if the total amount pledged is less than 100 000 Euros (Autorité des services et marchés financiers, 2012a, p. 4). This rule applies to projects published in the Belgian territory (Autorité des services et marchés financiers, 2012a, p. 5), meaning that a foreign project that uses a Belgian website falls under this regulation. Secondly, if there is any intermediate, such as a platform, it has to be registered as such¹ (Autorité des services et marchés financiers, 2012a, p. 5). Thirdly, if platforms handle collective investments, they have to be registered as collective placement organisms in order to comply with the Law of July 20, 2004 (Autorité des services et marchés financiers, 2012a, p. 7). Fourth, similarly, the Laws of April 6th, 1995, platforms offering investment services or assimilated, need the status of Credit Establishment or Investment Company (Autorité des services et marchés financiers, 2012a, p. 7). Fifth, in case of lending, only a few companies or people can ask the general public to collect reimbursable amounts² (Autorité des services et marchés financiers, 2012a, p. 10). Finally, in order to conduct financial transactions and act as a payment service provider, platforms have to be registered at the NBB³ (Autorité des services et marchés financiers, 2012a, p. 12). Given those regulations, to avoid falling in the bank monopoly, Belgian platforms can, on one hand, publish a “*prospectus*” or, on the other, raise amounts they do not plan on reimbursing (Gajda et al., 2013, p. 23).

Besides this note focusing on regulations issues, mainly for platforms and project initiators, the FSMA published an explaining report about crowdfunding, emphasizing the risks, mainly for crowdfunders and project leaders (Autorité des services et marchés financiers, 2012b, p. 1). Main concerns involve consumer and investor protections, public offerings, illicit

¹ Such companies must have the status of “entreprise d’investissement ou d’établissement de credit”

² Law of June 16th, 2006, art. 68 bis.

³ National Bank of Belgium

distribution of financial products, funds reception, investment control and management and payment services (Autorité des services et marchés financiers, 2012b, pp. 1-2).

In March 2014, the Belgian minister of Finance issued a note following an agreement reached regarding crowdfunding, addressing both the legal burdens for promoters and investor protection. Firstly, the ceiling for the issuing of a prospectus rose from 100 000 Euros to 300 000 Euros. Secondly, customer protection is activated by enabling each backer to contribute with a maximum of 1 000 Euros per project when no prospectus is issued (Minister of Finance Koen Geens, 2014). Those measures amend the “*Banking Law*” and are intended to foster the development of crowdfunding in Belgium (Minister of Finance Koen Geens, 2014).

After focusing on Belgium, we approach in next paragraph regulations in other countries as we are focusing on Internationalization.

2.1.2.3 Selected Differences

For this subsection, we select countries and regulations topics that we illustrate in the case study, others that contributed to an important change in the industry and some clearly impacting international crowdfunding.

In France, crowdfunding comes with a tax incentive in some conditions. Mymajorcompany¹ for instance displays in a separate category projects that enable some fiscal deduction: it is possible to deduct fiscally 66% of the total amount invested as long as it is lower than 20% of the imposable revenues of the backer (Feitz, 2010). Wiseed² also promotes investment schemes that allow a fiscal reduction if the involvement of the backer is longer than five years (V. D., 2011). This practice in France, where crowdfunding can be a tax incentive for crowdfunders, makes it attractive for French project initiators to stay in France, as French backers will not benefit from these tax incentives if they support a French-based project through a Belgian platform.

In the United Kingdom, the practice of equity crowdfunding is associated to risk and is still misunderstood (Root, 2012). For now, the FSA³ deals separately with each platform (Aschenbeck-Florange et al., 2013, p.6): they give accreditation to some platforms, such as

¹ French reward crowdfunding platform.

² French equity crowdfunding platform.

³ FSA stands for Financial Services Authority in the United Kingdom.

Seedrs and Crowdcube. United Kingdom platforms need to get approval in order to be able to operate as crowdfunding platform, especially regarding equity. Rather than publishing a bill or issuing a law, they found a way to operate crowdfunding within the existing framework. Besides, they are still being careful about how to handle crowdfunding and its threats in protecting the investors (Twintangibles, 2013c).

Italy is the first country in Europe, and worldwide, to have officially opened to equity crowdfunding, after the Crowdfunding Law was voted in 2012. The CONSOB¹ implemented the bill, allowing people to collect up to five million Euros, on the condition that a “*professional investor*” invests 5% of the amount (Twintangibles, 2013b). This is limited to innovative start-ups. Portals still need to be registered. The process for investors has been simplified as well (Twintangibles, 2013b), and their protection is ensured by the fact that a professional investor reviewed the business (Aschenbeck-Florange et al., 2013, p.27).

In Canada, Securities regulations do not apply on a national basis. Each Province and Territory is autonomous regarding rulemakings. This makes the Canadian market highly fragmented. Adaptations and exemptions have to happen at the provincial and local levels (Helix Commerce International Inc., 2012, p. 8), meaning that each entity has to adapt their own rules. Given this environment, many get crowdfunded through the USA where the recently passed JOBS Acts enables crowdfunding (Helix Commerce International Inc., 2012, p. 6). This situation is a driver for Canadians to use international crowdfunding.

Last but not least, the United States have witnessed their regulatory environment change recently regarding crowdfunding. The country is still the most active regarding crowdfunding. Many economists and lawyers have focused on the question of regulation in crowdfunding. The United States Congress voted the JOBS ACT (April 12th, 2102) and the President signed the Bill, which is mainly intended to boost the American economy (Kranacher 2012, p. 80). Under the Act, some laws were relaxed and some dispositions were taken in order to facilitate equity crowdfunding especially. To make it happen, the SEC² has to specify several points; this is an on-going process (U.S. Securities and Exchange Commission, 2014).

Along Section 2.1 we describe several regulative barriers to international crowdfunding. We present that the problems caused by the regulative settings are the lack of harmonization,

¹ CONSOB stands for Commissione Nazionale per le Società e la Borsa, Financial services authority in Italy.

² Securities and Exchange Commission of the United States of America.

unclear frameworks, taxation issues and legal matters regarding crowdinvesting particularly. Moreover, we illustrate those in several settings. We conclude that both on local and international levels, rules and regulations have impact on the use and development of crowdfunding. In the next section, we consider another topic to approach in the international environment: culture.

2.2 Culture in Crowdfunding

Cultural differences impact the way to do business. Also regarding investments, culture differences result in various trends and behaviors (Statman & Weng, 2010, p. 37). In this section we draw the attention on cultural aspects that were researched in business and regarding crowdfunding most specifically. After presenting culture, we emphasize on the effect it has in crowdfunding, because of the distance it is creating, the effect it can have on projects' localization and how institutional mechanisms can help to moderate cultural effects.

2.2.1 Culture

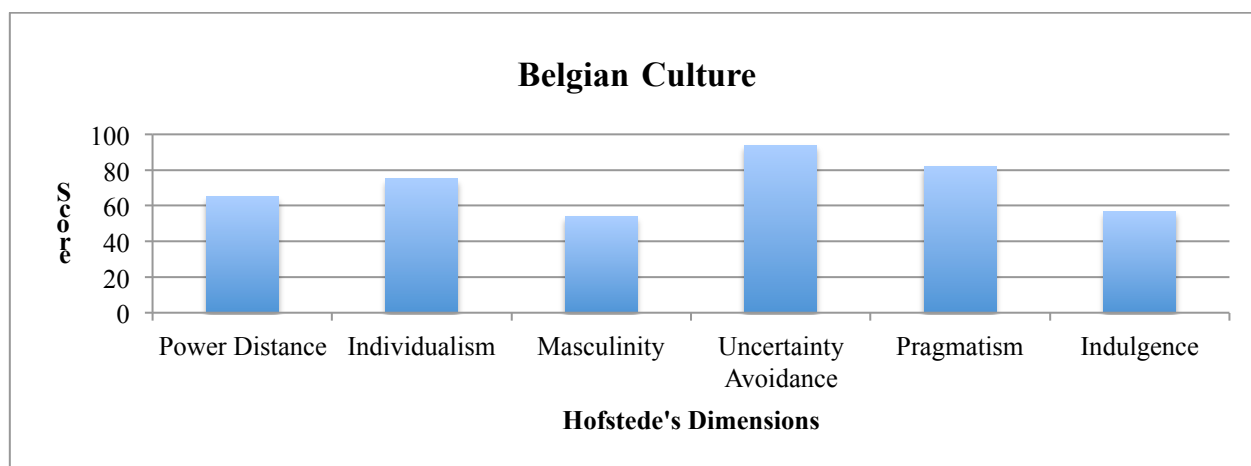
Culture is a complex feature that researchers define and approach differently. In this subsection, we present the concepts of culture that Hofstede and Czikotka established in international business. The dimensions they pointed out are relevant to our research question and are illustrated in the case study.

Among his various papers and contributions, Geert Hofstede came up with a definition of culture and a list of six dimensions that characterizes it. Culture is "*the collective programming of the mind distinguishing the members of one group or category of people from another*" (Hofstede et al., 2010, p. 6). The so-called category can refer to nations, regions within or across nations, ethnicities, religions, occupations, organizations, or genders.

Moreover, he established a model with a list of six dimensions that are relative to culture. This model helps understanding differences in behavior of people from different cultures (Hofstede & De Mooij, 2010, p.104). These dimensions are "*power distance, individualism and collectivism, masculinity and femininity, uncertainty avoidance, pragmatism and indulgence*" (Hofstede & De Mooij, 2010, p. 88). Power distance is the degree to which people accept that power is distributed in several levels among the members of one same society (Hofstede & De Mooij, 2010, p.88). Individualism refers to people looking after themselves before considering groups (Hofstede & De Mooij, 2010, p.88). Masculinity refers

to societies valuing accomplishment and achieving goals whereas feminine societies emphasize quality of life and empathy firstly (Hofstede & De Mooij, 2010, p.89). Uncertainty avoidance considers the tendency of people to avoid uncertain situations. Pragmatism is linked to the long or short time orientation of people. A low score shows high dependency on the past and traditions (The Hofstede Center, 2014a). A last dimension is indulgence, measuring the importance people accord to monitor their wishes and pulses (The Hofstede Center, 2014a). Each culture has its own score, between 0 and 100, on those dimensions (Hofstede & De Mooij, 2010, p. 88). Nevertheless, it must be pointed out that it is a country average: each individual has its own profile among the different dimensions (Hofstede, 2011).

Based on these dimensions, a profile for each country is available. Graph 1 shows the profile of Belgium. We contrast those results, with a focus on uncertainty avoidance, to other cultures cited in our case study. The difference of dimension among cultures calls for adjustments and is thus seen as a barrier in our case.



Graph 1. Belgian culture according to Hofstede's Dimensions. Source: The Hofstede Center, 2014b.

Besides Hofstede, Czinkota approached the impact of culture in international business as well. Whereas Hofstede mentions mind programming, Czinkota, Ronkainen and Moffett state cultures as the result of “*learned behavior patterns*” that members of a given society share (2003, p. 33). Instead of explaining it through dimensions, they summarized elements that occur in all cultures: “*cultural universals*” (Czinkota et al., 2003, p. 35). They include language, both verbal and non verbal, religion, values and attitudes, manners and customs, material elements, aesthetics, education and social institutions (Czinkota et al., 2011, p. 58). Because of our research question, we here focus on language, religion and aesthetics. The other dimensions were not approached in our field study. Nevertheless, all elements affect cultural beliefs and thus behavior and preferences.

Language is a collection of words to convey messages. It enables four activities: collecting information, accessing people, enabling communication and going beyond in the understanding (Czinkota et al., 2003, p. 36). Moreover, the construction and precision of a language is depending on the thinking process of the relative culture. Each one develops a specific approach to language: some countries select one as its official language; others have several; the remaining ones do not set official languages (Czinkota, 2013). Besides, some cultures accept more easily influences of other languages on their own whereas others do not (Czinkota, 2013). Those characteristics influence the knowledge of languages across cultures and their openness to respond positively to campaigns, for instance, if they are presented in another language, considered as more general, such as English. Although English is the main language in Internet trade, there is a linguistic division; worldwide websites are only successful if their design and functions are adapted to different audiences in language and culture (Czinkota et al., 2003, p. 38). Another feature of language is non-verbal, but, given the setting of crowdfunding, we do not focus on that one.

Religion constitutes personal beliefs. They impact on life and, to another extent, values and attitudes. As such, preferential ways of consuming, organization and entrepreneurship are influenced by the religion of a culture (Czinkota et al., 2003, p. 39). Those differences can have greater influence on behavior in the crowdfunding.

A last element we consider is aesthetics. Different cultures have different tastes and ideas of good and bad, pretty and ugly and acceptance in general (Czinkota et al., 2003, p. 46). Different aesthetics, designs, features in crowdfunding projects fit better some cultures than others, impacting international crowdfunding.

We decide to consider those elements, as they constitute cultural traits and people's attitudes. During our analysis presented in Part 2, we realize that language and uncertainty avoidance are key in international crowdfunding.

2.2.2 Cultural Impacts on Crowdfunding

Burtch, et al. approached geography in the context of crowdfunding. They analyzed a set of worldwide data focusing on cultural distance in the pro-social lending setting, between “*lenders*” (crowdfunders) and “*borrowers*” (project initiators) (Burtch et al., 2013, p. 9). Their model suggests several aspects of culture that impacts their transactions (Burtch et al., 2013, p. 5). Testing several variables drove them to the conclusion that the distance existing

because of cultural differences impedes lending decisions (Burtch et al., 2013, p. 24). It is shown that people would support projects located closely to them or from the same cultural background (Burtch et al., 2013, p. 34). They addressed the issue as “*cultural bias*” (Burtch et al., 2013, p. 28). In reaction, they cited several IT¹ mechanisms, such as “*institutional mechanisms*”, that could overcome the phenomenon (Burtch et al., 2013, p. 31). Besides, they also contributed by stating that geographical and cultural distances can be inverted as they result in the same consequences (Burtch et al., 2013, p. 30).

Bygrave and Minniti provided another observation regarding culture and the geography of crowdfunding. If culture impacts business relations and trade, there is another effect especially on entrepreneurial business. Because of different cultures and regions existing among countries, entrepreneurial activity, that can be associated with crowdfunding, is more likely to settle in specific locations (Bygrave & Minniti, 2000, pp. 29, 38). This remark merges Agrawal et al.’s observation about agglomeration in funding that we explained in geography, adding culture as a factor.

A recent thesis included the cultural dimensions of Hofstede in explaining the number of platforms settled in several regions. It concluded that only individualism was relevant for lending purpose crowdfunding (Nagymihaly, 2013, p. 58).

Culture, in its dimensions and aspects, can be driver or barrier for the practice of international crowdfunding as described in literature. Because of differences in dimensions and features, cultural distance can occur, having the same effect as geographical distance. Institutional mechanisms have the power to counter this cultural bias. Besides, agglomeration of projects, that can result from cultural differences as well, could impact cross-border crowdfunding. Culture, as a whole, is thus perceived as impacting to international crowdfunding.

¹ Information technology

Conclusion

In the international setting of crowdfunding, several elements add hidden costs for participants when doing a transaction, besides the economic cost. Those can be crucial for investment and purchasing decisions. Those costs constitute barriers to international crowdfunding. Drivers are elements that help overcome them.

In this first part, we provide theoretical knowledge about crowdfunding, its international development and drivers and barriers impacting this practice. Following this idea, we firstly approach crowdfunding in a general way, defining, describing and providing general understanding about the phenomenon, the reasons why it develops, the people involved, the main practices and the reasons why people use it. Secondly, we drift from general crowdfunding to focus on its international aspect. We establish that crowdfunding somehow disrupts the effects of distance that is traditionally small between investors and projects. Besides, we enlighten several processes for platforms to get to an international level (in projects and investors). Afterwards, we specify the barriers and drivers existing in crowdfunding for making it an international practice, where projects and investors could match across countries. We establish that regulations and culture raise several issues in terms of cross-border crowdfunding. Regulations, and taxation, lack harmonization and uniformity. Moreover, special requirements in crowdfunding make it more difficult for this type of crowdfunding to cross borders. Cultural differences impede crowdfunding. Several features, such as uncertainty avoidance, language, religion and aesthetics also impact on the behavior of participants and affect the internationalization of the crowdfunding practice. We summarize our findings in Table 1.

Drivers	Barriers
Use of the Internet Institutional mechanisms Platforms	Geography: distance, home-bias, F&F, platforms Agglomeration Regulations: lack of uniformity, crowdfunding Taxation Culture: features and dimensions

Table 1. Drivers and Barriers to International Crowdfunding.

In the second part of this paper, we approach those elements on the field and describe their impact for Belgian stakeholders of cross-border crowdfunding.

Part 2: Field Analysis

Problematic

With the years, crowdfunding has developed as a financing tool for companies and individuals with projects they need funding for. Because this fund pledging is going through the Internet, it has the potential to reach millions of people throughout the world, no matter where a project is launched and hosted. Given that, what are the drivers and barriers that foster and prevent crowdfunding to become an international practice and to create cross-border activity?

In order to address our research question, we limited the scope of our research to Belgian crowdfunding stakeholders active in international and cross-border crowdfunding. They are Belgian platforms, project initiators and crowdfunders involved in international crowdfunding activities, contributing to foreign projects, collecting funds from foreign investors or choosing foreign platforms to promote their campaign. Our objective is to detect and illustrate the barriers and drivers behind those practices for the Belgian actors of cross-border crowdfunding. Firstly, are the features we identified in Part I drivers, barriers or none of them for Belgian stakeholders? Secondly, we illustrate and contrast their situation in cross-border crowdfunding.

In the first part of this thesis, we approached drivers and barriers that occur in international crowdfunding, Internet trade and international business. We concluded Part I by stating that the use of the Internet, the existence of institutional mechanisms and some platform's features are drivers to an international practice of crowdfunding. On the other hand, geographical distance, local family and friends, the agglomeration of projects, rules, regulations and taxation, and cultural distance are presented as barriers to international crowdfunding.

This second part focuses on the field analysis we conducted. Following this introduction, we firstly describe our methodology: we outline the way we worked, the data we collected, the people we interviewed and our analysis pattern. Secondly, we present and illustrate the results we obtain. Thirdly, we review critically our work, addressing quality, contributions and limitations. Finally, we conclude this part by summarizing key findings regarding cross-border crowdfunding from a Belgian point of view.

Chapter 1: Methodology

In this first chapter we detail the methodology we followed throughout our field research. We argue in the first section the reasons why we chose to conduct qualitative research and a case study in particular. In the second section, we describe the data we worked with and how we collected the evidence from interviewees and documents. The third section addresses the processing and analyses we conducted with the data. In the last section, we describe the type of people we selected and draw the profile of our interviewees.

1.1 Theoretical Introduction about Methodology

To complete our field research and analysis, we decided to engage into qualitative research. Several factors influenced our choice. Firstly, given the novelty of crowdfunding and the early stage of research around the practice, there is a lack of complex and original sets of data to analyze regarding our research questions. Secondly, literature is still at the early stage and is more inclined to lead to descriptive and exploratory analyses of some aspects of the crowdfunding phenomenon. Thirdly, our research question is about the organization and development of the phenomenon in the cross-border activity context especially, driven by the behavior and will of people within this setting. Because of that, the degree of understanding must be precise and calls for relevant information about the facts influencing the actors (Bryman & Bell, 2007, p. 426). We conclude that qualitative research would be the most suited to provide evidence to answer our research question.

Within the field of qualitative research, we opted for a case study, based on the approach described by Yin. Several reasons lead us to this choice. To start with, because we had low control about the environmental features we address, a case study was more appropriate to gather relevant data (Yin, 2009, p. 8). Moreover, we targeted a specific profile within the crowdfunding participants: stakeholders, who are Belgian and involved in international crowdfunding. Additionally, we were interested in how contextual and environmental elements affect cross-border crowdfunding for those actors. Nevertheless, within the Belgian territory, we focused on several units of analysis: platforms, project initiators and crowdfunders, as they are the three groups of primary actors in crowdfunding. Each unit provided evidence regarding our research question, contributing to our final results. Some conclusions are relevant to a few units only whereas the others are valid for the three of them. This is detailed in the analysis and conclusions.

1.2 Data collection

The first step of our field research was to collect data for evidence. Throughout our case study, we focused on two types of sources of evidence¹, among the six that can be used in case study research²: documentation and interviews, the latter being our main source of evidence.

Before starting the interviews, we designed semi-structured interview guides. For each group of stakeholders, we drafted one guide, structuring themes about international and cross-border crowdfunding practice. The three interview guides are available in Appendices 1, 2 and 3. This enabled us to approach the drivers and barriers we identified in order to get answers regarding our research question. However, unexpected data came to light. Furthermore, this approach fostered the interviewees to describe examples and concrete situations where they encountered issues. At their convenience, we carried out the discussions. Given the geographical dispersion of the interviewees and the interviewer, we conducted the interviews through Skype and phone, focusing on the content of what was mentioned during the interviews. As all our interviewees are native French speakers, we conducted the interviews in French in order to catch the best and most complete explanations from them. Each conversation was recorded. The tape was transcribed a few days later. The text was simplified in order to make it clear and understandable for analysis and citation³, but we sent each of these written interview to the corresponding interviewee to make sure of accuracy. In doing so, we could also ask for extra comments in case we wanted more information regarding a specific topic. The interviews are presented in Appendices 4 to 9.

Besides, for the sake of crossing several sources of evidence, we also conducted document analysis. Part of this process happened during the research conducted to establish our literature review; part of it happened at the empirical research stage to validate interviewees' remarks or to challenge their answers.

We want to insist on the chronology of events. We firstly completed a major literature review, being the basis leading to the data collection. Nevertheless, during each interview, participants came up with ideas, suggestions and remarks we had not approached before.

¹ Yin emphasizes on the importance of working with several sources of evidence (2009, p. 98).

² The six sources are documentation, archival records, interviews, direct observation, participant observation and physical artifacts. (Yin, 2009, p. 102).

³ Bryman and Bell state that we "*may want to edit out some of these digressions for the sake of length and ease of understanding.*" (2012, p. 485)

Afterwards, we thus conducted additional research and added some topics to the literature review and to the guide for the next interviews. This was the case for the topic of culture for instance. If this approach is less strong methodologically, the results are deeper, richer and more contrasted. One advantage of qualitative research is that it enables to discover unpredicted results.

1.3 Data Process and Analysis

We processed the data we collected from our different types of evidence progressively and classified evidence upon analysis. Firstly, we selected the relevant data from the interviews and the documents. Secondly, we sorted the useful elements in tables. In order to enable analysis, we used them to group the data. This allowed us to compare the opinions from our interviewees and the data from documents. Thirdly, based on the evidence collected, we assessed what is the effect of the elements we identified in the literature review by describing their impact on Belgian crowdfunding stakeholders.

Following each interview's transcription, we selected meaningful sections regarding the brakes and barriers we identified. These sections were sorted, per interview, in a table (Appendix 10) in order to validate, contrast or reject the theoretical conclusions. In the next step, we summarized the findings from each table in a global Validation Table, available in Appendix 11.

Afterwards, we built a "*Case Study Database*" to centralize the evidence from all sources (Yin, 2009, p. 45). This table is divided in several parts. Given the outcome of the Validation Table, we classified the elements, grouping them in drivers and barriers. Some features, however, show contrasted effects throughout the data. Those are split in several classes and presented in both sections. The categories, as columns, are crossed with the opinion of sources of evidence, displayed on the lines. This allowed us to classify the data regarding our specific research topics and elements we wanted to assess and explain among the different sources of evidence we have (Yin, 2009, p. 119). In this database, the data was coded iteratively. In the first step, we classified evidence regarding our topics of interest into the corresponding boxes. In the second step, we adapted the words of our interviews into keywords and ideas in order to detect recurrent remarks or opposite comments. This

presentation made data triangulation¹ easier. Through the Validation table (Appendix 11), we identified two situations where triangulation was achieved and five with contrasted effects. These are all developed in our analysis and are present in our final conclusions.

Once the table was completed, we proceeded to analysis. Conclusions about validation or rejection of drivers and barriers as well as their description was done by triangulation or discrepancy between collected evidence. We then focused on the description of the features in our report format. In doing so, we headed back to the transcriptions and documents to quote the data in order to illustrate the situation for Belgian stakeholders and to back our conclusions.

1.4 Selection of Interviewees

As we wanted to have the point of view of as many different actors as possible in order to cross different point of views (Bryman & Bell, 2011, p.441), we decided to interview representatives of the three groups of main stakeholders: portals, project creators and crowdfunders. All of them have their own way to internationalize: crowdfunders sometimes look for other projects in different countries; entrepreneurs might want to attract more capital or from other regions; platforms might want to grow and extend to other locations. All those main actors are confronted to different drivers and barriers in contrasting situations. We focused on interviewing actors active in international crowdfunding only so they could depict situations they went through and how they overcame them.

Within each group, we selected interviewees according the principle of maximum diversity related to the type of international crowdfunding stakeholders are active in. Portals have two levels of internationalization. They can, on one hand, host foreign projects on their website or only promote local and national projects. On the other, they can accept foreign backers to contribute or, on the contrary, disable international transactions. Out of the two platforms we selected, MyMicroInvest is international at both levels whereas Look&Fin conducts international crowdfunding only regarding backers. Crowdfunders can either fund foreign projects through Belgian platforms or by using foreign international platforms. Here again, we selected backers from both situations. Finally, project initiators can interact with foreign backers by being published on a Belgian international platform or when using a foreign

¹ Triangulation is the validation of arguments based on the fact that three sources provide the same proof.

portal. To keep consistent with the previous selection we also selected actors in both situations.

In order to fulfill our target, we contacted four platforms, four entrepreneurs and eleven crowdfunders. As a result, we achieved to interview six people: two representatives of Belgian-based crowdfunding platforms, two entrepreneurs and two crowdfunders¹. In each case, the international dimension is present. The situation is summarized in Table 2. Those interviewees were reached via their website, our personal network and by snowball effect, when some interviewees suggested other interesting people to contact (Bryman and Bell, 2011, p. 499).

1.4.1 Interviewees' Profile

Guillaume Desclée

Guillaume Desclée graduated in 2003 from a Belgian - French Business School. Three years later, he completed his Masters in management. He works for the Belgian platform MyMicroInvest. The type of crowdfunding the platform uses is a mix between equity and investing: the projects are funded partially by professional investors and crowdfunders that will be pooled; MyMicroInvest then invests the capital into the companies pledging funds. They present and finance European projects. The distribution of crowdfunders is international, with 90% of Belgian crowdfunders and 10% of international backers.

Matthias Ricq

Matthias Ricq studied Communications at the IHECS and is a community manager at Look&Fin, a Belgian crowdlending platform. If they only display Belgian projects for now, internationalization is one of their top priorities. Nevertheless, their portfolio of investors is international with 75% of Belgian and about 20% of French crowdfunders. The remainder is mainly European, but not only.

Jean-Marc Coulon

Jean-Marc Coulon graduated in 1990 as an electric engineer. He has two roles regarding crowdfunding: on one hand, he is a project initiator with one project launched and failed,

¹ One of the interviewee is a project initiator as well as a crowdfunder. He contributed to both classes through his answers.

Odio, on the American Indiegogo, and two other projects in the pipeline. On the other hand, he is a crowdfunder: he recently backed one Indiegogo campaign and is waiting for the delivery of the product. He is mainly active in reward crowdfunding through large international platforms.

Bernard Perelsztejn

Bernard Perelsztejn graduated from the ULB in 1987 in communications. He is an entrepreneur. After working in advertising and news business, he focused on participative initiatives. He created *The Loft*, a coworking place in Brussels, where he helps entrepreneurs. Besides, he developed interest for crowdfunding. No wonder he used this mean for launching his *Gluten Free Store*, with the French Kisskissbankbank platform.

Stephan de Brabandere

Stephan de Brabandere studied Business Engineering and graduated ten years ago. He is the CEO of Woke, a fast food restaurant based on the wok concept, initially launched in Louvain-la-Neuve. As part of the expansion and internationalization of their restaurant chain, he and his team pledged private investment and then used crowdfunding. He worked with the Belgian platform MyMicroInvest proposing equity crowdfunding.

David Hachez

David Hachez graduated in 1998 from the IHECS and completed an IEMBA program in 2013. He is an active and diversified crowdfunder. He participated through several platforms, Belgian and global, to projects, companies and product buying. His activity reaches all types of crowdfunding except pure equity crowdfunding. The geographical scope of his contributions is global.

	Interviewees	Belgian Platforms	Foreign Platforms	Foreign Project Initiator	Foreign Crowdfunders
Belgian Platforms	MMI - L&F	-	-	MMI	MMI - L&F
Belgian Project Initiators	SDB - JMC - BP	SDB	JMC - BP	-	SDB - JMC - BP
Belgian Crowdfunders	DH -JMC	DH	DH -JMC	DH -JMC	-

Table 2. Distribution of Interviewees. MMI: MyMicroInvest, L&F: Look&Fin, SDB: Stephan de Brabandere, JMC: Jean-Marc Coulon, BP: Bernard Perelsztejn, DH: David Hachez.

Chapter 2: Analysis and Results

In this chapter, we report our analysis in different sections. We focus to address the elements impacting on the international practice of crowdfunding. We assess on what ways the elements we identified impact international crowdfunding for Belgian stakeholders. Besides, we describe how they occur in the Belgian setting particularly and illustrate it. At the end of our analysis, we sort them out into drivers, barriers or holding contrasted impacts and identify which of them are relevant to which class of stakeholders.

2.1 Drivers and Barriers

This section addresses the elements we outlined in Part 1 as drivers and barriers. Here, we assess their role in Belgian international crowdfunding. Moreover, we provide evidence and descriptions of their impact.

2.1.1 The Use of the Internet

First of all, crowdfunding, thanks to the Internet, allows global presence and worldwide visibility. This enables to reach more people. With this idea, the Internet reduces distance and localization.

“Once on the Internet, we are present everywhere.”¹ Guillaume Desclée, MyMicroInvest.

“In e-commerce, there is this virtual feature that makes us available everywhere, we can deliver anywhere. [...] There is no distance anymore. [...] One must understand that the Internet is an opportunity. [...] It is a question of size.”² Bernard Perelsztejn, The Gluten Free Store.

“Crowdfunding gives a huge visibility. I always sent people to my crowdfunding page instead of my website [...] because it is dynamic. It hosted last minute videos

¹ *“Il faut savoir que lorsqu'on est sur internet de facto on est présent partout.”* Guillaume Desclée, MyMicroInvest.

² *“C'est-à-dire que dans l'e-commerce, il y a ce côté virtuel qui fait que l'on est partout, que l'on peut délivrer partout. [...] Il n'y a plus de distance. [...] Il faut comprendre que l'internet est une opportunité. [...] C'est une question de taille.”* Bernard Perelsztejn, The Gluten Free Store.

[...], giving a great image of the company so it is clear that it is a huge opportunity.”¹ Stephan de Brabandere, Woke.

“The Web is global. [...] Internet is the advantage. [...] It allows reaching remote corners of our planet.”² David Hachez, Crowdfunder.

As illustrated, because of its worldwide use and unity, the Internet enables crowdfunding to cross-borders, gives visibility and reaches all parts of the world, even remote corners. This is enhanced by the World Bank that states that 38,1% of the world uses the Internet (2014). In Europe, 72% of the people use the Internet at least once a week; 6 out of 10 use it for purchasing purposes (Eurostat).

Secondly, it is an essential tool for platforms to conduct their business.

“We receive a lot of demands through the platform.”³ Matthias Ricq, Look&Fin.

Through those testimonies and figures, we conclude that the use of the Internet is a driver, not only for crowdfunding, but also for international crowdfunding. This applies to all level of actors, enabling reach, communication, feedback, advertising, connection and funding.

2.1.2 The Existence of Institutional Mechanisms

We discussed the existence and effects of institutional mechanisms with our interviewees. They mentioned different kinds of institutional mechanisms in this context: regulations, financial support and administrative support. Whereas the topic of regulations is detailed further below, we focus in this subsection on financial and administrative support.

On one hand, platforms run without financial support.

“We run without subsidies, nothing. We are not at all backed up financially by public organizations.”¹ Guillaume Desclée, MyMicroInvest.

¹ *“Le crowdfunding donne une visibilité gigantesque. J’envoyais toujours les gens sur ma page de crowdfunding plutôt que sur mon site web parce que [...], ça montrait le dynamisme [...]. C’était des vidéos last minute [...], ça donne une image géniale à la société donc c’était clair que c’était une super opportunité.”* Stephan de Brabandere, Woke.

² *“Le web est mondial. [...] L’avantage, c’est l’internet. [...] Cela permet d’accéder à des régions reculées de la planète.”* David Hachez, Crowdfunder.

³ *“On a énormément de demandes qui arrivent via la plateforme.”* Matthias Ricq, Look&Fin.

“There is nothing that helps. [...] As soon as you process financial operations with a financial website, nothing helps for the internationalization.”² Matthias Ricq, Look&Fin.

On the other hand, project creators have several supports. Firstly, they can apply for grants by the Walloon or Brussels Region.

“The Walloon Region is looking for creating a crowdfunding grant like the pre-activity grants.”³ Jean-Marc Coulon, Odio and Crowdfunder.

The existence of this crowdfunding grant is not effective yet. Nevertheless, as mentioned, the Walloon Region provides starting entrepreneurs that apply for it a pre-activity grant, aimed to help the project creator financially during the preparation phase of his project. This grant is aimed to cover 80% of expenses but it is capped at 12 500 Euros (Portail de la Wallonie). This does not apply for all Belgian entrepreneurs but only for Walloons. The Brussels Region provides a similar support.

It seems quite intensive and difficult to eventually achieve it.

“Institutional, subsidies come afterwards because we have to fight an uphill battle to get the help. [...] I introduced a file at the Brussels Region; I have to reintroduce it... I might get a subsidy for the development of my website that is internationally oriented but they don't really understand what is e-commerce in those ministries.”⁴ Bernard Perelsztejn, The Gluten Free Store.

Secondly, one interviewee mentioned the administrative support he was trying to get at several levels from the AWEX, the Walloon organization for Export.

¹ “On fonctionne sans subsides, sans rien. On n'est vraiment pas du tout soutenus financièrement par des organisations publiques.” Guillaume Desclée, MyMicroInvest.

² “Il n'y a vraiment rien qui aide. [...] A partir du moment où tu fais des mouvements financiers avec un site web qui est financier, il n'y a vraiment rien qui est fait pour faciliter l'internationalisation.” Matthias Ricq, Look&Fin.

³ “Maintenant, d'ailleurs la Région Wallonne est en train de réfléchir pour mettre en place une bourse de préparation crowdfunding, un peu comme les bourses de pré-activité.” Jean-Marc Coulon, Odio and Crowdfunder.

⁴ “L'institutionnel, les subsides viennent après, parce qu'on veut bien faire le parcours du combattant pour aller chercher les aides. [...] Je dois dire que j'ai introduit un dossier à la région bruxelloise, je dois réintroduire... J'aurais peut être un subside pour la création de mon site qui est tourné à l'étranger mais dans ces ministères on ne comprend pas très bien ce qu'est l'e-commerce.” Bernard Perelsztejn, The Gluten Free Store.

“I contacted a business lawyer through the AWEX [...]. We are also trying to have an address in the USA with the AWEX.”¹ Jean-Marc Coulon, Odio and Crowdfunder.

Finally, the last group of stakeholders, the crowdfunders, can benefit from economic advantages.

“You can buy in the USA because the USD is at a good rate and even with the shipping costs and the eventual customs it is more interesting.”² David Hachez, Crowdfunder.

Results regarding institutional factors are thus mixed. Platforms are not supported at all (more details in the regulations section). Project initiators can sometimes benefit from financial and administrative help. Economic circumstances can act in favour of international crowdfunding for backers.

2.1.3 Platforms Features

The reputation of the platform is key in the international process, allowing people to trust them even when distance is involved.

“The seriousness and reputation of platforms [allows trust when there is distance].”³ David Hachez, Crowdfunder.

Along with that, the tailor-made formula some Belgian platforms present in crowdfunding attracts people from other countries.

“We now have a varied public of investors that come to us because we try to show investments as crowdfunding enables them, so with transparency, an investment center, to invest directly and interactively in concrete projects people like.”⁴ Guillaume Desclée, MyMicroInvest.

¹ “J’ai fait appel via l’AWEX à un avocat d’affaire pour voir ce qui était autorisé. [...] On va essayer d’avoir une adresse aux Etats-Unis avec l’AWEX.” Jean-Marc Coulon, Odio and Crowdfunder.

² “Tu peux acheter aux Etats-Unis, parce que le dollar est à un bon taux et donc même avec la réexpédition depuis les Etats-Unis et éventuellement les taxes à l’entrée en Belgique, ça reste plus intéressant.” David Hachez, Crowdfunder.

³ “Le sérieux des plateformes et leur réputation.” David Hachez, Crowdfunder.

⁴ “On a maintenant un public assez varié d’investisseurs qui viennent chez nous d’une part parce qu’on essaie de présenter l’investissement tel que l’offre le crowdfunding donc une certaine transparence, un centre

“We also have a lot of demands from France.”¹ Matthias Ricq, Look&Fin.

However, for project creators and crowdfunders, working with international platforms can raise issues because of their interface and rules. We depict hereafter the example of country of domiciliation.

“[...] I was frustrated that I could not take part in funding through Kickstarter because they had no activity in Europe back then [...].”² Matthias Ricq, Look&Fin.

“The big problem with those platforms (Kickstarter, Indiegogo...) is that you need an address in the USA. [...] As a project creator, we have to be registered on PayPal. [...] Kickstarter only allows pictures from prototypes, no drawings.”³ Jean-Marc Coulon, Odio and Crowdfunder.

“I know that Kickstarter is limited to English and American for instance, but you can avoid this problem because I know Belgian projects that used Kickstarter.”⁴ Bernard Perelsztejn, The Gluten Free Store.

“I once couldn’t participate in a crowdfunding campaign because I needed a US address for the shipping of the product. So I bought a US-address.”⁵ David Hachez, Crowdfunder.

The existence of those rules is verified when we connect on Kickstarter and try to launch a project (Kickstarter, 2014a). They are progressively disappearing or being enlarged to more countries⁶. This is generally more constraining for project initiators than for backers. These

d’investissement, pouvoir investir dans des projets concrets, qu’on aime, de manière très directe et interactive.” Guillaume Desclée, MyMicroInvest.

¹ *“On a aussi énormément de demandes du côté français”.* Matthias Ricq, Look&Fin.

² *“[...] j’étais assez frustré finalement de ne pas pouvoir participer à des levées de fonds qui étaient organisées sur Kickstarter qui à l’époque n’avait pas d’activité sur l’Europe [...].”* Matthias Ricq, Look&Fin.

³ *“Les gros problèmes de ces plateformes sont que d’abord il faut une adresse aux Etats-Unis. [...] Pour soumettre un projet, il faut être vendeur sur PayPal. [...] Kickstarter n’accepte pas les rendus. Il faut montrer le prototype tel qu’il est aujourd’hui.”* Jean-Marc Coulon, Odio and Crowdfunder.

⁴ *“Je sais que Kickstarter, c’est seulement pour les Anglais et les Américains par exemple, mais il y a moyen de contourner parce que je sais que des projets belges sont passés par Kickstarter.”* Bernard Perelsztejn, The Gluten Free Store.

⁵ *“Il m’est arrivé de ne pas pouvoir bénéficier d’une campagne de crowdfunding parce que je n’avais pas d’adresse aux Etats-Unis pour l’expédition du produit. Et donc j’ai acheté une adresse aux Etats-Unis.”* David Hachez, Crowdfunder.

⁶ Kickstarter at the beginning only allowed US people to participate. Today, people from anywhere can be crowdfunders. Project initiators today can be registered in the US and 5 others. (www.kickstarter.com).

rules are platform dependent. For instance, Indiegogo, another American reward crowdfunding platform, allows, since its inception in 2008, project creators from anywhere to launch a project (Chan, 2012).

When aiming to use large global platforms, project initiators face higher costs than when staying local, to promote their campaign.

“They consider that we need 15 000 Euros marketing budget to launch a campaign on Indiegogo.”¹ Jean-Marc Coulon, Odio and Crowdfunder.

We conclude that the role of platforms, their rules and terms, is central in international crowdfunding. Their limitations are decreasing or disappearing progressively.

2.1.4 Geography and Distance Features

Distance is presented as a barrier by researchers. Nevertheless, this result is somehow contrasted by the fact that the negative effects of distance tend to disappear. This trend has been confirmed during our research as well.

“The geographical separation between the business/entrepreneur and funder can prohibit the funder from physically overseeing the business. However, it can also carry advantages in centralized market.” European Crowdfunding Framework, 2012, p. 15.

“Those proximity barriers are getting weaker.”² Guillaume Desclée, MyMicroInvest.

All of our interviewees and documents collected in this topic agreed that distance still impedes international crowdfunding. We sort their arguments out following the explaining factors we identified in Part 1, Section 1.6. Four of them are relative to those distance barriers. First of all, we still observe a local trend in Belgian crowdfunding. Secondly, distance raises some practical issues. A third factor we describe is the role of the network of family and friends, which is mostly local and thus accounts for higher levels of local crowdfunding. Last but not least, the agglomeration of project is argued.

¹ *“Ils considèrent qu’ils faut 15 000 Euros de moyens marketing pour lancer une campagne sur Indiegogo.” Jean-Marc Coulon, Odio and Crowdfunder.*

² *“Ces barrières de proximité sont de plus en plus faibles.” Guillaume Desclée, MyMicroInvest.*

First of all, the local trend in crowdfunding is still relevant for several reasons: some projects have a physical tie due to local consumption; some involve a strong link with funders; others involve situations where people prefer to invest in their surroundings to generate economic local benefits: home bias.

“Proximity is still an important dimension, meaning that people prefer to invest in a project close to them, that will generate jobs and revenues close to them. Though important, this dimension is lesser and lesser verified. But it is still a kind of barrier.”¹ Guillaume Desclée, MyMicroInvest.

“We observe [...] a local trend, meaning that when we finance a Brussels’ company, we see that we have a more important proportion of investors coming from Brussels, whereas a company that is based in Liège will tend to have more investors from Liège. Those are not specifically people knowing the company, but they feel closer by proximity. I think there will be exchanges, French investors investing in Belgian companies, but once again, we still have its local aspect.”² Matthias Ricq, Look&Fin.

“For some projects, [supporting a project or not] is linked to its [physical] localization.”³ Bernard Perelsztejn, The Gluten Free Store.

“Today we are a Belgian project so it is not surprising [that we have mostly Belgian crowdfunders]. [...] It was important to work with a Belgian company. This reassures the investors. The objective in crowdfunding is to have a link between the project and the crowdfunders. As my customers are local and not online, I target local crowdfunding.”⁴ Stephan de Brabandere, Woke.

¹ “Il y a une dimension de proximité importante, c’est-à-dire que les gens préfèrent investir dans un projet près de chez eux, qui génère de l’emploi et des revenus près de chez eux, cette dimension-là est importante même si elle est de moins en moins vérifiée. Mais ça reste une certaine barrière.” Guillaume Desclée, MyMicroInvest.

² “On observe (...) une tendance de localité, c’est-à-dire que si on finance une société bruxelloise, on va se rendre compte qu’on a une proportion plus importante d’investisseurs qui viennent de Bruxelles, tandis qu’une société qui est basée à Liège va avoir plus tendance à avoir des investisseurs qui sont liégeois. Pas forcément des gens qui connaissent spécifiquement l’entreprise en question mais qui se sentent éventuellement plus proche par pure proximité. A mon avis, il y aura certainement des échanges, d’investisseurs français qui vont investir dans des boîtes belges et inversement mais une fois de plus il y a quand même cet aspect un petit peu local.” Matthias Ricq, Look&Fin.

³ “[...] Par contre, pour certains projets, c’est lié à la localisation [physique]”. Bernard Perelsztejn, The Gluten Free Store.

⁴ “Aujourd’hui, nous sommes un projet belge donc c’est encore assez logique. Nous sommes encore assez belge-belge, c’était assez important d’avoir une société belge. (...) Ca rassure les investisseurs. (...) Mais l’objectif est

“Projects related to arts, music, movies and others might have a stringer geographical link, but still...”¹ David Hachez, Crowdfunder.

Besides, distance raises a second issue in terms of time difference and monitoring needs that platforms have upon companies and initiators upon their campaign. This is driving up costs for international crowdfunding.

“There are time zone barriers: when you publish news, you need to post one in French at 9 am or 4 pm ECT, when people connect themselves. A USA news has to be done in other time zones.”² Jean-Marc Coulon, Odio and Crowdfunder.

“There is a distance factor to finance a company in Nice. This means that our team is not here 24 or 48 hours. It looks like a detail but for a small structure as we are, it can be a barrier.”³ Matthias Ricq, Look&Fin.

A third feature we have to consider, in the distance-related elements, is the impact of the group of family and friends (F&F). Most of the time, this group tends to be local, but one's network can be international and thus push for international crowdfunding (David Hachez). Those people have impact in a crowdfunding campaign, as they are generally the first backers in a project. They also inform their friends when they back a project, creating a snowball effect in supporting a project that is mostly localized in the surroundings of a project creator and its network. Also, their heavy participation boosts projects from the start. It is thus important to activate them from the beginning.

“When local people (friends, family and acquaintances) take part actively, crowdfunding is successful. [...] Projects with the highest growth appear on the landing page. It is thus important to have this growth in the two or three first days, maybe after organizing with friends that all of them buy [at the beginning]

quand même dans le crowdfunding d'avoir idéalement un lien entre les crowdfunders et le projet. Et donc moi, étant donné que mes clients sont locaux et qu'ils ne sont pas online, assez logiquement, je me tourne plus vers le crowdfunding local.” Stephan de Brabandere, Woke.

¹ *“Dans ce qui est relatif à la prestation artistique, musicale, filmique et autres, peut-être qu'il y a une importance de la proximité géographique qui peut jouer, mais encore.”* David Hachez, Crowdfunder.

² *“Il y a bien entendu les freins horaires: c'est à dire que si tu fais des news, tu dois faire une news en français à 9h européenne le matin ou à 16h européenne, là où les gens se connectent. Pour faire une news aux USA, il faut la faire dans d'autres créneaux horaires.”* Jean-Marc Coulon, Odio and Crowdfunder.

³ *“Donc il y a un côté simplement distance d'aller financer demain une entreprise à Nice. Ca veut dire que l'équipe n'est pas présente chez Look&Fin pendant 24 ou 48 h et ce qui veut dire qu'il n'y a plus personne d'opérationnel chez Look&Fin pendant ces 24 ou 48h. Ca paraît être des détails mais ça peut être des freins pour une petite structure comme la nôtre.”* Matthias Ricq, Look&Fin.

to give the boost to appear on the landing page.”¹ Jean-Marc Coulon, *Odio and Crowdfunder*.

“For me, a lot of Belgian invested in the project because when I contact my first circle, the idea is that those that backed the project tell others to do it. If at the beginning my network is Belgian, they tell their friends on Facebook or LinkedIn that they backed this project to do it as well. Presumably, their friends are Belgian as well, so this is why most of the people are Belgian. The network was built up that way. If I had a French network, more French would probably participate in my project because the interest is to seed and harvest more and more contributors and to build up a network. It is driven by localization of the network because people know each other in some places. [...] I have in my network a Parisian that put pretty much money in the project. The localization was not a factor; here, it is a friend-proximity that induced her to put money in it.”² Bernard Perelsztejn, *The Gluten Free Store*.

“It was social proximity [in the case of one project, that pushed me to fund it]. For other projects, [...] I didn’t know anyone but the idea is great. [...] I find projects thanks to my personal network and through the news feed I am subscribed to. Also through friends. I got access to those projects via word of mouth and I decide to invest.”³ David Hachez, *Crowdfunder*.

¹ “Le crowdfunding fonctionne bien si il y a une bonne participation des locaux (amis, familles, et connaissances). C’est les projets qui ont le maximum de croissance viennent en page d’accueil. Donc c’est important de faire beaucoup de croissance les 2-3 premiers jours, quitte à s’organiser avec les copains pour tous acheter [au début] pour donner le boost qui va faire que la campagne va apparaître sur la première page.” Jean-Marc Coulon, *Odio and Crowdfunder*.

² “Moi, il se fait que pas mal de Belges l’ont fait, parce que quand je touche mon premier réseau, l’idée c’est que ceux qui ont soutenus le projet disent à d’autres soutenez-le. Si au départ mon premier réseau est belge, ils disent à leurs amis sur Facebook ou linkedin j’ai soutenu ce projet, soutenez-le ! Et vraisemblablement que leurs amis sont aussi belges, donc c’est pour ça que la majorité des gens le sont. Voilà, c’est parce que le réseau c’est constitué ainsi. Si j’avais compté un réseau français, sans doute que plus de Français auraient participé à mon activité parce que l’intérêt c’est de semer et d’avoir de plus en plus de contributeurs et de constituer ainsi ce réseau et alors ça se fait par localisation parce que les gens se connaissent et qu’ils sont dans un certains endroits. [...] J’ai dans mon réseau une parisienne qui a mis pas mal d’argent. La localisation n’est pas le facteur ; là, on est dans la proximité amicale qui fait qu’elle a mis des sous dedans. ” Bernard Perelsztejn, *The Gluten Free Store*.

³ “C’était une proximité sociale. Pour d’autres projets, [...] je ne connais personne et je trouve que l’idée est géniale. [...] C’est via mon réseau de connaissances, les flux de nouvelles que je reçois et auxquels je suis abonné que des choses sortent. Aussi via des amis. C’est du bouche-à-oreille, du réseau social qui fait que j’ai accès à ce genre de projet et que donc je décide d’investir.” David Hachez, *Crowdfunder*.

Throughout our analysis, we established that this F&F network is constituted of friends and relatives, but also customers and people from a company's network.

“Today, crowdfunding is still local. Most of private investments are pledged by friends and family network. [...] Thirty to forty percent of the financing is provided by the direct network of the company.”¹ Guillaume Desclée, MyMicroInvest.

“Companies are mostly financed by customers.”² Matthias Ricq, Look&Fin.

A fourth topic we group in geography and distance is agglomeration of projects in crowdfunding. This was not verified as a barrier.

“[People] want to invest in innovative companies offering a high return even if companies were located in emerging countries, European investors would be highly interested because those countries are going through a big development and I think we are tending to a globalization of crowdfunding. [...] We aim to invest in innovative companies with high return potentials wherever they are located. Geographical location is not a criteria for innovative, high potential companies, so we do not limit ourselves to our borders.”³ Guillaume Desclée, MyMicroInvest.

“Does the dispersion of entrepreneurial hubs impact crowdfunding? No. I did not invest in project of companies. [Regarding products], it is the platform that is key.”⁴ David Hachez, Crowdfunder.

¹ *“Le crowdfunding aujourd’hui reste encore quelque chose de local. C’est à dire que la plupart des investissements privés sont faits par un réseau de “friends and family”. [...] Oui bien sûr. Il y a une dimension locale encore aujourd’hui assez forte donc clairement il y a 40 % du financement, aller 30 a 40, qui vient du réseau direct de l’entreprise.”* Guillaume Desclée, MyMicroInvest.

² *“Les sociétés sont quand même financées pour la plupart par des clients par exemple.”* Matthias Ricq, Look&Fin.

³ *“Ils veulent investir dans des sociétés innovantes avec un haut potentiel de rendement et même j’imagine que si par exemple il y avait des sociétés situées dans les pays émergents ça intéresserait très fort aussi les investisseurs européens parce que ce sont des pays dans lesquels il y a un fort développement et je pense qu’on tend vers une globalisation vraiment du crowdfunding. [...] Nous on est là pour financer les entreprises innovantes à fort potentiel et qu’on va les chercher là où elles sont. Donc pour nous le critère géographique n’est pas un critère de société innovante, de société a potentiel, donc on n’est pas limité à nos frontières.”* Guillaume Desclée, MyMicroInvest.

⁴ *“La répartition des hubs entrepreneuriaux influence-t-elle l’investissement du crowdfunding ? Non. Je n’ai pas vraiment investi dans des projets d’entreprises mais plus dans les produits. [En ce qui concerne les produits], C’est la plateforme de crowdfunding qui est déterminante.”* David Hachez, Crowdfunder.

Through the interviews, we identified a new element that can make distance act as a driver, in contrast to the previous points. It appears that some crowdfunders get involved in remote projects to have impact on its internationalization.

“[The English investors] are discussing with the Saint-Aulaye to maybe open franchisees in London.”¹ Matthias Ricq, Look&Fin.

“[Some remote funders do it] to bring the project home.”² Stephan de Brabandere, Woke.

This evidence we collected confirms that distance still plays a role in international crowdfunding because of localization of projects, family and friends’ network and other factors. Nevertheless, agglomeration is not verified. To contrast this, we note that distance can sometimes play a positive role for crowdfunders deeply interested in a project and willing to bring it to their location.

2.1.5 Regulations

All the data we collected confirms problems regarding regulations at different levels for all participants in the crowdfunding.

To start with, the situation is unclear for the stakeholders.

“The legislative framework is blurry.”³ Guillaume Desclée, MyMicroInvest.

“Up to now, crowdfunding was in a legislative grey zone.”⁴ Matthias Ricq, Look&Fin.

“I think there is a lack at this level [regarding regulations]; it is not legal uncertainty but a lack of information [...].”⁵ David Hachez, Crowdfunder.

Several reports from the European Commission regarding crowdfunding confirm that a main barrier for cross-border activity is the lack of legal information and uncertainty (European

¹ *“Ils sont en discussion avec le Saint-Aulaye pour éventuellement ouvrir des franchises à Londres.”* Matthias Ricq, Look&Fin.

² *“Pour avoir envie de le faire venir chez lui.”* Stephan de Brabandere, Woke.

³ *“On est dans un cadre législatif assez flou.”* Guillaume Desclée, MyMicroInvest.

⁴ *“Jusqu’à présent le crowdfunding était dans une zone assez grise de la législation.”* Matthias Ricq, Look&Fin.

⁵ *“Je pense qu’il y a un manque; ce n’est pas un flou juridique, mais un manque d’informations à ce niveau-là.”* David Hachez, Crowdfunder.

Commission, 2014, p. 8). As a result of their public consultation, the European Commission concluded that those issues are pointed out as determinant (European Commission, 2014, p. 2). This lack of information is a first factor explaining this legislative blur stressed out by our interviewees and confirmed by documents.

Besides, the lack of harmonization of rules between countries is a factor hindering the internationalization of crowdfunding, mainly for platforms.

“At the legislative level, it is very difficult to have a platform that covers and is adapted to all legislative frameworks of each country today. [...] The legal setting is not clear enough in the sense that it has not been build and put into place in the countries taking into account the Internet, which is changing everything. We can publish a Belgian project to collect funds for which investors will come from nearly all countries over the world. The legislation in force in the different countries is different and the web does not take into account this difference. [...] The first issue is the lack of harmonization of the legal rules regarding crowdfunding.”¹ Guillaume Desclée, MyMicroInvest.

“The internationalization of a crowdfunding platform is rather difficult. In Europe, there are Directives but each country can restrict those directives. So each country has its own legislation. Eighty per cent of the countries are adopting regulations because, up to now, crowdfunding was in a legislative grey zone. [...] You need to adapt to each one, meaning you might have to develop different platforms or need important web development work; besides, you need approvals or authorizations from different legislations and countries.”² Matthias Ricq, Look&Fin.

¹ “Au niveau législatif aujourd’hui, c’est très compliqué d’avoir une plateforme qui couvre et qui répond à tous les genres législatifs de chacun des pays. [...] La situation juridique n’est pas suffisamment claire dans le sens ou elle n’a pas été construite et mise en place dans les pays en tenant compte de l’internet qui chamboule complètement tout. On peut mettre un projet en ligne qui lève des fonds alors que le projet est belge, il y aura des investisseurs d’à peu près tous les pays dans le monde et la législation en vigueur alors dans les différents pays est différente et le web ne tient pas compte de cette différence. [...] Il y a vraiment ce premier problème d’harmonisation légal des règles liées au crowdfunding,” Guillaume Desclée, MyMicroinvest.

² “L’internationalisation d’une plateforme de crowdfunding, c’est assez compliqué. Il y a des directives qui sont des directives européennes mais en fait chaque pays au sein de l’Europe à la possibilité de restreindre plus par rapport à cette directive européenne. Donc chaque pays a sa législation propre en plus qui est en train de passer dans 80% des pays d’Europe parce que jusqu’à présent le crowdfunding était dans une zone assez grise de la législation. [...] Tu dois t’adapter à chaque législation ce qui veut dire que tu dois développer éventuellement différentes plateformes - en tout cas il y a un boulot de développement du site web qui est assez important et puis

“[In the USA], there are big projects that are relatively little hindered by constraining regulations (in Belgium, the maximum is set at 100 000 Euros [...]) but in the USA, people fund movies, hundred thousands of dollars and it is not a problem.”¹ Bernard Perelsztejn, The Gluten Free Store.

Several reports support that this lack of harmonization between countries, mainly in Europe itself, increases the confusion between countries (European Crowdfunding Network, 2012, p. 33). This situation is qualified as “*fragmentation*” ((European Crowdfunding Network, 2013, p. 7; European Crowdfunding Framework, 2012, p. 25). It is described as being a decisive barrier to international practice of crowdfunding because, even though the industry can grow within a country, it cannot cross borders, or at least not easily, limiting the campaigns to one country and thus impacting their size and scale (European Crowdfunding Network, 2013, p. 7). Indeed, “*even where EU legislation does not apply, different national rules might be in place. This is the case in particular for charitable giving and donations, rewards-based and pre-sales models of crowdfunding*” (European Commission, 2014, p. 6).

The problem regarding the regulative frameworks differs for each crowdfunding type. It is the most constraining for crowd-equity and –lending. The European Commission put figures on the situation, stating that merely 38% of platforms offering financial returns are active in cross-border transaction whereas nearly 50% of them want to extend their operations in other European countries (European Commission, 2014, p. 8). This situation is the result of lack of information combined with the expensive costs involved to get authorization to operate in other countries (European Commission, 2014, p. 8).

“The different forms of crowdfunding [...] show differences in user groups, risks, complexity and purpose, which warrant a distinction among these various forms, and, importantly, a distinction between financial and non-financial return models. [...] Further EU legislation may be applicable to crowdfunding, depending on the actual business model used.” European Commission, 2014, pp. 5-6.

“Prepurchase and donations are left out of the succumbing legislative authorities of financial markets. This makes it much more easier [for such platforms] to

il y a l’obtention d’agrément ou d’autorisations des différentes législations par pays à adopter.” Matthias Ricq, Look&Fin.

¹ *“[Aux Etats-Unis, il y a de] grands projets, qui sont relativement peu entravés par des règles contraignantes (en Belgique c’est maximum 100000 Euros [...]) mais aux Etats-Unis on finance des films, des centaines de milliers de dollars et ce n’est pas un problème.” Bernard Perelsztejn, The Gluten Free Store.*

*internationalize because they don't depend of any legislative framework. This explains why some platforms internationalize very quickly while others do not.*¹
Matthias Ricq, Look&Fin.

*“Platforms generally present [prepurchase] as investment. So it is still prepurchase but in the terms [...], it is described as investing. This is problematic in Belgium when we outreach the level of 99000 Euros, because in that case, we are calling a public offering, meaning that, in Belgium, you need to publish a publicity file at the National Bank.”*² *Jean-Marc Coulon, Odio and Crowdfunder.*

*“Regarding the legal level, it is more binding when crowdfunding is used for company participation or entrepreneurial projects.”*³ *David Hachez, Crowdfunder.*

Moreover, for crowd-equity and –lending, those financial rules lack uniformity among countries, making it especially difficult for those types of platforms to be international.

“So far, national financial services regulators have been slow to reach out to their counterparts in other European countries in order to build a joint position.”
ECN, 2013, p. 7.

*“We cannot work with companies out of the Belgian territory due to legislations.”*⁴ *Matthias Ricq, Look&Fin.*

Because of the lack of information, harmonization and red tape applicable to financial crowdfunding practices, regulations represent today a barrier to a cross-border crowdfunding practice.

¹ *“Maintenant, le pré achat et le don ne tombent en fait pas sous la coupe législative des autorités de marchés financiers. Donc c'est beaucoup plus simple [...] de s'internationaliser puisqu'en fait ils ne dépendent d'aucun cadre législatif. Donc ça explique [...] que certaines plateformes s'internationalisent très vite, d'autres pas du tout.”* Matthias Ricq, Look&Fin.

² *“Les plateformes se présentent en général comme de l'investissement. Donc ça reste de la prévente mais dans les termes écrits [...], c'est de l'investissement, ce qui pose problème en Belgique si on dépasse 99000 Euros, puisqu'on fait appel à de l'épargne publique et si on veut faire ça en Belgique, il faut déposer à la BNB tout un dossier de publicité.”* Jean-Marc Coulon, Odio and Crowdfunder.

³ *“Au niveau légal, c'est plus pour le crowdfunding lié à l'achat de parts dans une société ou de projets entrepreneuriaux avec des tournées de financement, [...] plus contraignant.”* David Hachez, Crowdfunder.

⁴ *“Les législations nous empêchent de travailler avec des entreprises qui sont hors territoire belge.”* Matthias Ricq, Look&Fin.

2.1.6 Taxation

Our observations regarding taxation are close to the ones for regulations: lack of information and harmonization, as well as differences amongst actors and crowdfunding types.

“Each country has its own tax framework, which is one element slightly blocking international crowdfunding. For instance, in France, when you invest in a start-up company, you have tax reductions. You don’t have that in Belgium. Same in England. So, if we publish a French company to finance on our platform, we cannot offer the same tax advantages a French platform could offer. Very clear fiscal harmonization that would offer the same tax incentives in all European countries would allow a complete harmonization of crowdfunding. We don’t have a leveled playing field with France.”¹ Guillaume Desclée, MyMicroInvest.

“For an investor [...], we only pay attention to taxation, as it is different. We have in Belgium what we call withholding tax on dividend. This is a tax on dividends on investment that, for a legal person is 25%. For France it is 15% if I am not mistaken. This is the kind of adaptations we have to make. In France, I think crowdfunding is fiscally deductible; not here. So when a French investor invests with us, he has to declare it to the tax authorities. But we are in a total grey zone; no rules are set. [...] I don’t think of it as a brake; it is just something we have to adapt. Anyway, the investor himself has to do it.”² Matthias Ricq, Look&Fin

As expressed by our interviewees, there is a lack of uniformity regarding tax treatment in crowdfunding. This inequality impacts internationalization of crowdfunding, especially in

¹ *“Dans les points qui bloquent un peu le développement du crowdfunding international, c’est que chaque pays a son régime fiscal. Et par exemple, en France, lorsque vous investissez dans une start-up, vous avez des réductions fiscales, ce que vous n’avez pas en Belgique. En Angleterre, même chose. Donc si nous on propose une société française en financement chez nous via notre plateforme, on ne peut pas offrir les avantages fiscaux qu’une plateforme française offrirait dans le cadre de son opération. [...] Il faudrait une harmonie fiscale bien claire qui permette d’offrir les mêmes incitants fiscaux dans tous les pays européens pour permettre vraiment une harmonie complète du crowdfunding. On joue un peu à armes inégales par rapport aux autres plateformes de crowdfunding en France.”* Guillaume Desclée, MyMicroInvest.

² *“Dans le cas d’un investisseur [...] nous on va simplement faire attention au niveau fiscal, parce que la fiscalité est différente. On a chez nous ce qu’on appelle le précompte mobilier qui est une taxation sur les dividendes en investissement qui chez nous pour une personne physique est de 25% et qui pour un résident français si je ne dis pas de bêtises est à 15%. C’est le genre d’adaptation qu’on doit faire. Le crowdfunding en France je pense est une activité qui est déductible d’impôts; pas chez nous. Donc si un investisseur Français investit chez nous il est censé déclarer ça auprès de son imposition etc., mais on est vraiment dans une zone grise il n’y a pas de règles qui sont fixées. [...] Je ne pense pas que ce soit un frein; c’est juste une petite adaptation à faire. C’est d’ailleurs plus auprès de l’investisseur en lui-même qui doit le faire.”* Matthias Ricq, Look&Fin

Europe because it may influence the decision of funders regarding where they assign their money in the context of financial investment or donation (European Commission, 2014, p. 9).

A second field in tax is VAT.

“In Europe, you need to have a VAT number in a country if you sell more than 12 000 Euros in that country.”¹ Jean-Marc Coulon, Odio and Crowdfunder.

“The taxation for a legal person buyer, you pay VAT in the country of export I think.”² David Hachez, Crowdfunder.

Indeed, European regulations specify that, as a product seller, if you are active in another country, *“you need to register there and charge VAT at the rate applicable in that country - unless the total value of your sales to that country in the year falls below the limit set by the country (€35,000 or 100,000)”* (Europa.eu).

Besides VAT, other taxes can add economic costs for international transactions, such as customs.

“Sometimes there are customs tax when goods arrive.”³ David Hachez, Crowdfunder.

Whereas regulations are a true barrier for some internationalization of crowdfunding, taxation acts more as an influencer or inducer to make use of crowdfunding locally or internationally, but not stopping it from crossing borders.

2.1.7 Culture

Among our research, we identified two cultural features that have impact on the internationalization of crowdfunding in the context of Belgian stakeholders: the first one is language; the second one is relative to a cultural dimension developed by Hofstede. Moreover, we approached the concepts of habits and values. Finally, we realized cultural proximity might foster expansions.

¹ *“En Europe, si on vend plus de 12 000 Euros dans un pays, on doit ouvrir un numéro de TVA.”* Jean-Marc Coulon, Odio and Crowdfunder.

² *“Pour un acheteur, au niveau de la taxation si tu achètes en temps que personne physique, tu paies les taxes du pays qui exporte je pense, [...]”* David Hachez, Crowdfunder.

³ *“Parfois il y a aussi des frais d’entrée à la douane”* David Hachez, Crowdfunder.

In crowdfunding, and especially when it gets international, English is the language used mostly. This uniform communication through internationalization. Nevertheless, this has to be contrasted with the fact that everybody is not English-literate. This can raise issues in crowdfunding because of the importance of understanding and relationship.

“Another important element is the language barrier, especially in Europe, where we have nearly as many spoken languages as countries in the European Union and this vector is quite complex because a Spanish will not like to invest in an English-presented project. We are confronted to this language issue, especially because crowdfunding aims to create a relation between a venture and the crowd and it is very difficult to settle on a language because if we limit ourselves to English, we restrict the public a lot.”¹ Guillaume Desclée, MyMicroInvest.

“We are mostly active in French communities but we go to Flanders from time to time. We should soon promote a project from Antwerp. The portal is also translated into English with an objective of internationalization.”² Matthias Ricq, Look&Fin.

“We had quite a few interactions in Portuguese. We did not expect that at all. We don’t know why. [...] Otherwise, we had a lot of questions in English. It is a lingua franca.”³ Jean-Marc Coulon, Odio and Crowdfunder.

“You don’t have to forget to translate your projects. I chose KissKissBankBank because they said they would have a multilingual platform. [...] I am deeply convinced that we have to address the audience in their own language. I experimented this for 13 years with my news and I did several newspaper in different languages that were not translated but written by native speakers so I am

¹ “ Il y a un autre élément important qui est la barrière de la langue, surtout en Europe, dans le sens où il y a presque autant de langues parlées que de pays dans l’Union Européenne et c’est un vecteur assez complexe parce que du coup un espagnol n’aimera pas investir dans un projet qui lui est présenté en anglais, voilà. Donc il y a le problème de la langue chez nous qui est là, surtout que le crowdfunding crée une relation entre une entreprise et un public et que c’est très difficile de trancher sur une langue parce que si on ne fonctionne qu’en anglais on restreint énormément au niveau du public.” Guillaume Desclée, MyMicroInvest.

² “On évolue principalement en Francophonie. Maintenant ça ne nous empêche pas d’aller voir du côté flamand de temps à autre ; on devrait prochainement avoir un projet anversois sur la plateforme. La plateforme est traduite également en anglais avec une certaine volonté de se tourner quand même vers l’international.” Matthias Ricq, Look&Fin.

³ “On a eu pas mal d’interactions en portugais. On ne l’avait pas prévu du tout. On ne sait pas pourquoi. [...] Sinon, on a eu beaucoup de questions en anglais. Ca reste quand même une langue véhiculaire.” Jean-Marc Coulon, Odio and Crowdfunder.

convinced that we have to present the project in French for French, German for Germans, Spanish for Spanish, and the rate of people speaking foreign languages in other countries is lower than in Belgium; I am convinced of that as well. I experimented it enough. No need to say I will put it in English so it is ok for everybody. It is good for no body.”¹ Bernard Perelsztejn, The Gluten Free Store.

“The language does not matter a lot [...] but I would not invest if I don’t understand the language. [...] It is more a communicational barrier than a geographical one; [...] more linguistic than cultural.”² David Hachez, Crowdfunder.

In Europe and Belgium, English is the first foreign language. Nevertheless, only 35% of the European population masters English at a good level (Eurostat, 2013). In this sense, if platforms limit themselves to the use of English, they reject at least 65% of the population. We conclude that language is an important factor for international crowdfunding. Though the use of English can somehow help, presenting projects in the language of the crowdfunders will involve a larger audience.

Besides language, cultural dimensions can push or restrain the internationalization of crowdfunding. According to Belgian actors, Belgians tend to be less entrepreneurial, creative and innovative, pushing stakeholders to look for opportunities abroad. We link this to the level of uncertainty avoidance, assimilated to risk aversion, Belgium is known for. This fosters for international crowdfunding: platforms look for foreign backers and projects; Belgian crowdfunders seek for foreign projects and use foreign platforms; eventually project creators need foreign crowdfunders to back them and might use international or foreign platforms to collect the money they pledge.

¹ *“Il ne faut pas oublier de traduire ses projets [...]. Moi j’ai choisi KissKissBankBank parce qu’ils ont dit qu’ils auraient une plateforme multilingue. [...] Je suis intimement persuadé qu’il faut s’adresser dans la langue des gens à qui on s’adresse. Je l’ai expérimenté pendant 13 ans avec mon journal et je faisais des journaux différents dans des langues différentes, qui n’étaient pas une traduction de l’un à l’autre mais qui étaient écrits par des native speakers donc je suis intimement persuadé qu’il faut présenter le projet en français aux Français, en allemand aux Allemands, en espagnol aux Espagnols et le taux de gens qui pratiquent des langues étrangères est moindre qu’en Belgique, ça j’en suis certain aussi. Je l’ai assez expérimenté. Pas la peine de se dire je vais le mettre en anglais comme ça c’est bon pour tout le monde. C’est bon pour personne.” Bernard Perelsztejn, The Gluten Free Store.*

² *“La langue m’importe peu. [...] Mais je n’investirais pas dans une langue que je ne connaîtrais pas. [...] C’est plus une barrière communicationnelle que géographique. [...] Plus linguistique que culturelle.” David Hachez, Crowdfunder.*

“[The French] are a little more advanced on Belgians on the topic of crowdfunding so for us it would be the higher step.”¹ Matthias Ricq, Look&Fin.

“We noticed that in Belgium, even close friends that wanted to support me waited near to the end before buying. So there us a European wait-and-see attitude. [...] In the USA, they buy anything for the sake of trying [...]. It is a cultural difference that explains why crowdfunding has difficulty to start in Europe.”² Jean-Marc Coulon, Odio and Crowdfunder.

“The Belgian is quite stingy. Savings accounts gather 250 millions or billions Euros. Money is sleeping and is remunerated 0% I think or maybe less. [...] The alternative is to tell people that instead of leaving the money sleeping they can put it into Belgian companies and generate 2-3%. It's worth it. Of course, it is risky. And Belgians don't like to take on risks. [...] The idea of risk is, I think, more developed in other countries, such as the USA [...]. This is linked to the culture of the country and the entrepreneurial culture. In the USA, when you fail, you get back on your feet, you fail again and you do something else. Here, when you fail, you are in purgatory and banks don't support you because you failed. Yes you failed, but you learned things that will make you do things differently and succeed.”³ Bernard Perelsztejn, The Gluten Free Store.

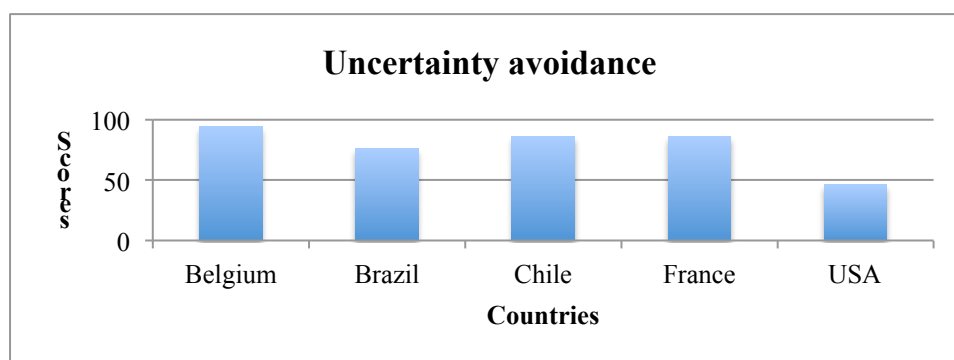
¹ *“[Les Français] sont quand même un petit peu en avance sur nous justement dans le domaine du crowdfunding donc pour nous ce serait l'étape au-dessus.” Matthias Ricq, Look&Fin.*

² *“Et on s'est rendu compte qu'en Belgique, même des amis très proches qui voulaient me soutenir, ont attendu presque la fin du projet avant d'acheter. Donc il y a un petit peu une attitude européenne attentiste. [...] Aux Etats-Unis, ils achètent tout et n'importe quoi juste pour le plaisir d'essayer. En Europe, on achète plus cher mais on réfléchit longtemps avant d'acheter. On veut être sûr d'avoir fait un bon achat. Donc c'est vraiment une différence de culture qui fait que le crowdfunding a quand même du mal à démarrer en Europe.” Jean-Marc Coulon, Odio and Crowdfunder.*

³ *“Le Belge je pense est assez près de ses sous. Ce n'est pas très compliqué, il y a sur les carnets d'épargne je pense près de 250 millions ou milliards qui dorment. Il y a des l'argent qui dort et qui est rémunéré à 0% je pense ou peut-être moins. [...] L'alternative, c'est de dire aux gens, au lieu d'avoir de l'argent qui dort, mettez de l'argent dans les entreprises belges et on va vous donner 2-3%. Ca vaut le coup. Evidemment, d'est du risque. Alors les Belges n'aiment pas prendre des risques. [...] Et même la notion de risque je pense est plus développée dans d'autres pays, aux Etats-Unis par exemple [...]. Cela tient à la culture du pays, à la culture d'entrepreneuriat, qui fait qu'aux Etats-Unis, quand on échoue, on se relève et on échoue et on fait autre chose tandis qu'ici, on échoue, on est au purgatoire et les banques ne suivent pas parce que vous avez raté quelque chose. Oui, mis on a appris pleins de choses qui font que dans ce qu'on va faire maintenant ça va marcher.” Bernard Perelsztejn, The Gluten Free Store.*

“Belgians are not entrepreneurs. [...] We are creative but very scared and timid. In Belgium, a secret life is a happy life. [...] There are not a lot of projects that are Belgian and that we hear of.”¹ David Hachez, Crowdfunder.

In order to back the words of our interviewees on this topic, we compared the uncertainty avoidance cultural dimension identified by Hofstede to the other countries mentioned. Scores are plotted in Graph 2. It is clear that Belgium has the highest score, closely followed by France, Chile and then Brazil. The United States have the lowest score of the selection.



Graph 2. Uncertainty avoidance. Source: The Hofstede Center, 2014b.

General habits can influence cross-border transactions depending on the readiness of the stakeholders to adapt to new features.

“Habits are different, means of payments are different; this is a point we also encounter.”² Guillaume Desclée, MyMicroInvest.

“I would trust a website that offers me PayPal or Amazon payment more than if they offer a mean of payment I never heard from.”³ David Hachez, Crowdfunder.

Mostly acting as a hurdle to international crowdfunding, cultural features can be similar between two or more cultures and push for internationalization. Coupled with market differences in values and problematic, this can create opportunities for platforms and project initiators to expand.

¹ *“Le Belge n’est pas entrepreneur. [...] On est très créatif, mais on est très peureux, très timoré. [...] Le propre du Belge c’est, pour vivre heureux vivons cachés. [...] Il n’y a pas des millions de projets qui sont disponibles et dont on entend parler et qui sont belges.”* David Hachez, Crowdfunder.

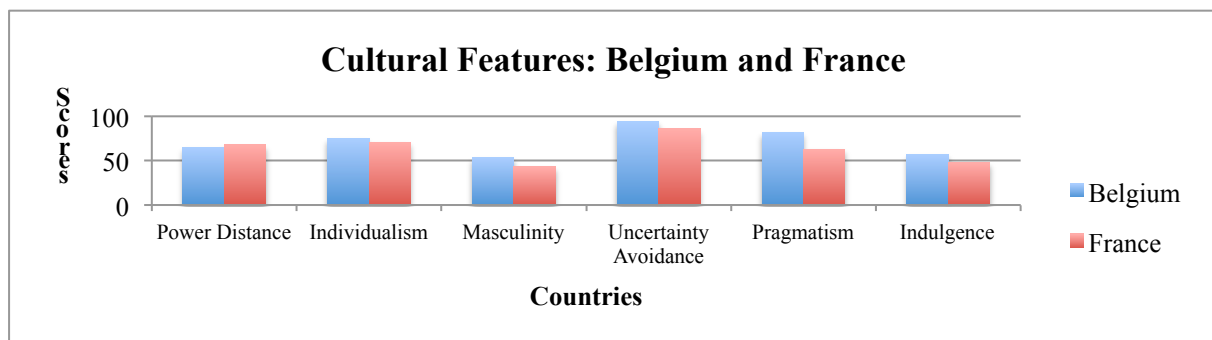
² *“Les habitudes sont différentes, les moyens de paiement sont différents, et c’est un point que l’on rencontre aussi.”* Guillaume Desclée, MyMicroInvest.

³ *“Je ferai plus confiance à un site qui m’offre paypal ou Amazon qu’à un site qui offre un moyen de paiement dont je n’ai jamais entendu parler.”* David Hachez, Corwdfunder

“We don’t have problems with France. This is also why it would be profitable for us to reach to the French market.”¹ Matthias Ricq, Look&Fin.

“Mentalities are different in France and in Belgium, this is also attracting me for the moment and it is clear that French will react differently than Belgians regarding several situations. It is interesting to see the maturity regarding several situations in France and Belgium, differences, the points that people emphasize, to cross borders to get information [...] People have issues to be provided with products so now I have the confirmation that it is key to have good logistics to deliver to people. And then regarding e-commerce as well, as it is a nascent business. [Different rules among countries] impact the behavior of buyers as well.”² Bernard Perelsztejn, The Gluten Free Store.

In the case of Belgium (at least for Wallonia) and France, there are cultural similarities, as confirmed in Graph 3, and language affinities. In this case, culture is a vector for internationalization.



Graph 3. Cultural features comparison between Belgium and France. Source: The Hofstede Center, 2014b.

Culture can thus be a barrier or a driver for international crowdfunding. Languages are assimilated to barriers, especially in Europe where each country nearly has its own. Another cultural feature we approach is the dimension of uncertainty avoidance. Very high in Belgium, this is a driver for international crowdfunding. Finally, in some cases, cultural

¹ *“La France ça ne nous pose pas du tout de problème. Et c’est pour ça aussi que ça nous profiterait d’aller sur le marché Français.”* Matthias Ricq, Look&Fin.

² *“Les mentalités ne sont pas les mêmes en Belgique et en France, c’est ça qui m’intéresse pour l’instant et c’est clair que le Français réagit différemment que le Belge à pleins de problématiques. C’est intéressant de voir quelle est la maturité sur différentes problématiques en France et en Belgique, les différences, les points sur lesquels les gens mettent l’accent, de dépasser les frontières pour avoir de la connaissance. [...] Les gens ont des problèmes pour s’approvisionner en produits donc là j’ai la confirmation que c’est important d’avoir une bonne logistique pour bien livrer les gens. Et puis par rapport à l’e-commerce même, c’est encore un commerce naissant. Ça [les lois dans les différents pays] induit des comportements vers les gens qui achètent.”* Bernard Perelsztejn, The GlutenFree Store.

proximity and market differences can drive expansion of crowdfunding from one country to another.

2.2 Conclusions

	Drivers	Barriers
Internet	No borders	
Institutional mechanisms	Subsidies	Hard to get help
	AWEX support	Regulations
Platform	Trust	Geographical limits but positive evolution
	Attractiveness	
Distance and geography	Downward trend in localization	Home bias
	Bring project in home country	Physical tie
		Distance related issues
	F&F	
Agglomeration	Not verified	Not verified
Regulations		Lack of information
		Lack of harmonization
		More constraining for crowdfunding
Taxation	Entry Tax	Lack of information
		Lack of harmonization: deductibility
		VAT difficulties
Culture	Use of English	Language issues
	Belgian risk aversion	Habits issues
	Similar culture attraction	

Table 3. Drivers and barriers for Belgian crowdfunding stakeholders to international practice.

Following Part 1, we assess and illustrate features in our analysis. Results are summed up in Table 3. We identify the Internet as a driver as its scope is global. Institutional mechanisms are somehow existing but hard to obtain and limited to specific situations; if we add to this topic the problems of regulations, institutional factors have to be assimilated to barriers. Platforms are drivers to international crowdfunding, unless they apply restrictive rules in terms of geography. Distance still tends to act as a barrier because of home bias, for physically tied projects, because of distance-related problems and the local F&F network. However, we note that interviewees expressed the diminution of the importance linked to distance barrier and that it can foster distance related investments when backers wish to bring a project in their country. Agglomeration does not seem to be an issue. Regulations are the biggest barriers. Taxation makes it more interesting for foreigners to go abroad but acts more as an incentive than as a barrier. Finally, culture rises like a barrier when it comes to language and as a driver when we consider the risk aversion of Belgians.

However, some brakes and drivers apply only to a specific group of actors. We pushed the analysis deeper to draw conclusions by stakeholders.

Platforms

Platforms face barriers related to regulations that make it very difficult or impossible for them to internationalize in terms of projects. This is part of institutional impediments. The situation regarding tax makes Belgian platforms less attractive to foreign backers. All note that crowdfunding is still a local practice; this explains that a high part of the funding comes from F&F and local backers but does not restrain foreigner support. On the other hand, thanks to the Internet, crowdfunding is driven to be used as an international practice. Culture can be a barrier or a driver. Results are summarized in Table 4.

Drivers	Barriers
Use of the Internet	Regulations
Culture: Belgian uncertainty avoidance	Institutional mechanisms
Culture: similarities	Taxation
	Geography: home bias, F&F, distance
	Culture: language

Table 4. Drivers and barriers for Belgian platforms.

A last remark regarding platforms is that donation and preordering crowdfunding portals do not have the same issues. We did not interview them but we learned from results of data collection that they encounter less trouble, mainly in terms of regulations. Nevertheless, they might suffer more from geographical issues and cultural drawbacks if projects are culturally involved. This applies in lesser importance to financial products such as displayed on the platforms we worked with.

Project Creators

Drivers	Barriers
Use of the Internet	Features of platforms
Existence of institutional mechanisms: administrative and financial support	Regulations
Culture: Belgian uncertainty avoidance	Taxation
	Cultural Distance (dimensions and traits)
	Difficulty related to institutional mechanisms
	Physical tie of project

Table 5. Drivers and barriers for project creators.

Project creators benefit from international visibility thanks to the Internet, some institutional mechanisms and the lesser uncertainty avoidance in other countries than in Belgium. Nevertheless, institutional mechanisms can be hard to get. On the other hand, they suffer from the geographical rules of some platforms, regulative and tax issues. Cultural drawbacks arise when getting in touch with international platforms because of the language. Also, funding of projects stays local, mostly because F&F and, if relevant, the localized consumption of products. Those results are displayed in Table 5.

Crowdfunders

Drivers	Barriers
Use of the Internet	Features of platforms
Existence of institutional mechanisms: economic factors	Geography: physical tie of projects
Culture: Belgian uncertainty avoidance	Regulations
Platforms	Taxation
	Cultural Distance (language)

Table 6. Drivers and barriers for Crowdfunders.

Crowdfunders benefit from drivers to international crowdfunding in terms of the use of the Internet, some institutional and economic mechanisms and find more projects abroad than in Belgium. The ease to use platforms worldwide also positively contributes to cross-border practice. They might however be challenged by platforms' specific rules, stay local for project with physical ties, regulations and taxation unclarity and cultural distance (we mentioned language issues), as showed in Table 6.

Because of the issues we pointed out, we outline several recommendations to Belgian stakeholders reaching for the international level in crowdfunding.

Project initiators can benefit from institutional supports but they are difficult to get. If they can help, they should not be the main driver to start crowdfunding. They should pay attention to the geographical scope of platforms when choosing one. In order to drive success, it is important for them to make use of their networks, both on national and international levels. Eventually, the choice of languages is important regarding the market target of the project. Using English helps but is not as convincing as translation in the audience's language.

Crowdfunders benefit from an immense pool of projects when reaching the international scene of crowdfunding. Moreover, they can benefit from economic advantages due to

exchange rates. Nevertheless, they should be prepared to face some geographical restrictions and to pay taxes if goods providing from another country enter the Belgian territory.

Because of their central position, platforms should be aware of the issues encountered by initiators and backers in their international activities if they want to allow cross-border crowdfunding. They have to adapt their rules and interface to make it smooth, easy and clear.

Chapter 3: Discussion

In this chapter, we develop critical remarks of the work we provide along this paper. We address at first strengths and weaknesses of our case study process, then quality. Afterwards, we list limitations, mainly in time, scope and expertise. Next, we focus on the contributions at academic and management levels. We close this chapter by pointing out several subjects of interest that can lead to further research about crowdfunding, focusing firstly on the international aspect and secondly general settings of the practice.

3.1 Case Study

In the field of social science research, four tests allow to push and verify the quality of the work presented: “*construct validity, internal validity, external validity and reliability*” (Yin, 2009, p. 40). We go through each of them in the following subsections.

3.1.1 Construct Validity

In order to favour construct validity, we used two sources of evidence. For those two sources, we collected information from several entities. We interviewed six informants, representing different stakeholders of crowdfunding and in different international situations of cross-border crowdfunding linked to Belgium. Interviewees validated the transcription of their interview, which was the basis of the analysis in our case study. We collected data and information from several types of documents: popular press, business reviews, law reports, regulations and official communications.

Along the process, we focused on keeping a track of evidence in order to increase the reliability of information¹. Based on the elements we identified in Part 1, we oriented our data collection and analysis to answer our research question. We insured, by reading several times our field documents and classifying them in tables, that the data we included in the report is part of the data collected. We translated the speech of our interviewees but stayed as close as possible to their own words. Throughout the whole analysis, we set our focus on the evidence collected and we cite as much as possible the relevant features to pursue the analysis.

¹ This is suggested by Yin, 2004, p. 122.

3.1.2 Internal Validity

Given the illustrative focus of our case study, the internal validity is reduced in our analysis (Yin, 2009, p. 40). Nevertheless, throughout our analysis and reporting, we focused on describing largely our findings with written and verbal evidence from our data collection. We kept close to the drivers and hurdles we identified in the literature review. Eventually, by collecting consistent testimonies, we were able to build explanations for the interaction between a feature and international crowdfunding by triangulation¹, or, on the contrary, to raise rival explanations and to contrast the importance and role of features as drivers or barriers.

3.1.3 External Validity

The external validity is intended to evaluate the “*generalization*” and possibility of replication for the case study (Yin, 2009, p. 43). As we focus on illustrating the Belgian situation, external validity is limited. Due to a small pool of interviewees, our results are highly dependent on their opinions. However, this is a particularity in qualitative research and case study. The generalization is not always a target, especially in descriptive research.

3.1.4 Reliability

In order to provide reliability and to ensure that the results we obtained would have been the same for another researcher, we describe largely our way of proceeding (Yin, 2009, p. 45). In the methodology section, we document how we worked and present how we handled the whole research. Throughout the study, we followed our “*case study protocol*” (Yin, 2009, p. 45): we firstly conducted theoretical research, we developed questions and interview guides to collect data from the field and finally gathered our analysis in one report. Moreover, we completed a “*Case Study Database*” (Appendix 12; Yin, 2009, p. 45). All evidence is brought together in this table, specifying the source and conditions of data collection. All those elements are used in order to document each one of our steps from start to finish.

¹ As explained by Yin, “*any case study finding or conclusion is likely to be more convincing and accurate if it is based on several different sources of information*” (2009, p. 117).

3.1.5 Overall Quality

The quality of the analysis conducted in our case study also required our attention. Firstly, we analysed all the evidence we collected (Yin, 2009, p. 160). We walked through the data several times, reading it over and over, sorting information and evidence in several tables and under different forms to make sure we understood things correctly, completely and that we were not forgetting part of the data in our analysis. Secondly, whenever two or more sources of data pointed in different directions, the greatest attention was given to analyse the situation and to take into account underlying rival explanations as well as looking for further evidence. Thirdly, though we focused on all elements during the analysis, our conclusions focalize on the main issues and findings of our study. Last but not least, throughout all this research, data collection and analysis phases, we applied the knowledge we collected and gained from the past several months about crowdfunding and case study methodology to provide critical insight and validation on the data we collected, analysed and reported.

Eventually, other dimensions are to be considered. It is important for the case study to be “relevant”, which we consider is our case, as we explored a situation that has not been approached in the past (Yin, 2009, p. 186). We completed the case study by achieving our target number of interviewees and by assessing each element we had identified at the end of our theoretical part. We evaluated all alternative perspectives that were raised when confronting the data we collected from different sources. Finally, we focused on displaying the most evidence possible when reporting our case study findings in the analysis section, whether data were supportive to the facts or challenging. In doing so, we also evaluated the validity of the proofs we collected and used as illustration (Yin, 2009, p. 188).

3.2 Limitations

Due to the selection of interviewees, the time frame and the geographical scope, our analysis is limited. We detail those points in the remainder of this section.

Firstly, the data we worked on and analysed has been collected from six Belgian stakeholders that agreed to have an interview with us for the sake of our research. On one hand, we base our conclusions on the opinions of six people only, sometimes supported by documents. This does not fit for generalization. On the other hand, even though we realize that we have some variety in the interviewees, it could probably have been more diversified. All of our interviewees are men between 25 and 50 from a university or equivalent level of education.

Moreover, the people we selected are all active in international crowdfunding. Another option would have been to consider crowdfunders that conduct crowdfunding nationally only to assess their brakes to international crowdfunding. We could have also considered handing out a survey to a larger number of stakeholders in order to classify the importance of the several features. However, time and access constraints did not enable us to complete that. Besides, we target to grasp the situation for Belgium whereas all of our informants are active in Wallonia or Brussels. Of course, most of the conclusions are valid for Belgium as a whole, such as regulations, but others, such as culture, are more incline to fit the French Community of Belgium only.

Secondly, because of the recent creation of crowdfunding and the evolution it is going through, in terms of types, approaches but also regulations etc., the conclusions we provide are very likely to evolve over time and induce changes. For instance, today, regulations are a barrier to international crowdfunding. In the future, it might become a driver: if crowdfunding regulations worldwide are getting the same, this will not be a brake anymore.

Thirdly, the case study itself was inspired and planned on authors' works and books to adopt the accurate scientific steps to deliver the best work possible. Yet, theory was adapted to fit our situation and constraints. It is a case study for the sake of a master thesis realized by a student. Time and resources were limited. It is not a comprehensive research about all the factors having a role for all Belgian stakeholders in international crowdfunding.

Even though we have to set limitations to our work, some contributions are to be mentioned.

3.2 Contributions

In this section we consider inputs of our paper to the literature and management, targeting the subject of crowdfunding.

To our knowledge, following our research about the subject of interest, this is the first paper about drivers and barriers to international crowdfunding from the point of view of Belgian stakeholders. Throughout our research, we address a selection and sample of drivers and barriers we identify after research or evidence from the field. We approach all of them together in a specific context, which we did not encounter in our literature research phase. In this sense, our work provides new and original conclusions.

Moreover, we want to draw the attention of the contribution of our work in management. Because of the economic environment but also for reasons going behind financial incentives, more and more entrepreneurs are turning to crowdfunding for financing their venture, project or product. Several platforms are developing in Belgium. The number of backers, willing to support companies or projects, is growing. The demand for crowdfunding seems to be higher every day. We realized during our research that internationalization is an obligation or a necessity for our stakeholders. Reward-crowdfunding stakeholders have to go abroad because they express that there is no Belgian platform for this type of crowdfunding. Belgian platforms want to internationalize because the Belgian market is too small for them to become profitable. Crowdfunders find more projects abroad than in Belgium only. Throughout the international crowdfunding experiences we collected, issues were sometimes expected; sometimes problems rose without any preparation and surprised our stakeholders. Some of them found solutions to the existing issues; others are still striving to overcome barriers.

“We had quite a few interactions in Portuguese. We did not expect that at all. We don’t know why.”¹ Jean-Marc Coulon, Odio and Crowdfunder.

Some, about to reach another level of internationalization, are not expecting differences and challenges.

“I have no idea. I think we will not encounter problems.”² Stephan de Brabandere, Woke.

All in all, we hope that our work can help stakeholders to prepare for their international crowdfunding experience. They might not encounter the barriers we described in their own venture but they can learn about others’ experiences, what problems they might encounter, how they can react and overcome them. This will prepare for their crowdfunding experience and probably provide better results.

3.3 Remaining Questions

The fact that crowdfunding is still a novel practice raises some issues in academic research. However, this provides a lot of possibilities regarding research.

¹ “On a eu pas mal d’interactions en portugais. On ne l’avait pas prévu du tout. On ne sait pas pourquoi.” Jean-Marc Coulon, Odio and Crowdfunder.

² “Ah je n’en sais absolument rien. Moi je ne pense pas qu’on aura de problème.” Stephan de Brabandere, Woke.

A first topic that can be approached is the evolution of facts regarding our research question. Our work is limited in geography. Because of that, it might be interesting to assess the situation in other countries and to draw comparison with Belgium. As results are likely to change overtime, analysing the same situation in a few months or years might bring up different results. This leads us to consider the future of crowdfunding as an international practice. Will it continue to develop as a cross-border practice, with an increasing number of drivers and fewer barriers? Or on the contrary, will crowdfunding keep being a local practice? We realized that several Belgian platforms had disappeared in the last few months. Why is that? Is it linked to the internationalization of the phenomenon and the global competition? How will regulations and institutional factors be adapted to crowdfunding?

A second theme to eventually consider is the success among time of crowdfunded projects. As crowdfunding enables funding and marketing purposes, several project initiators use it to validate their concept. In this idea, are those companies more successful when they were backed by a large group of people? What is the impact of crowdfunding on marketing and communication issues for a company and how does it influence the health of a company? Does cross-border crowdfunding help people to start entrepreneurial ventures on a worldwide base?

This list of remaining subjects and possible adaptations of our case study gathers a few thoughts that crossed our minds after reading, speaking and writing about crowdfunding.

Conclusion

Crowdfunding is a heavily growing practice, expanding to new markets and presenting different schemes of funding and returns. In our globalized world, borders are somehow disappearing or getting less important than it was a few decades ago. Given this context, our objective in this thesis was to identify drivers and barriers in international crowdfunding as a cross-border practice.

We firstly proceed to a literature review about crowdfunding with an emphasis on international features. We also focus on research about drivers and barriers to international trade, business and crowdfunding. We finally establish a list of features affecting those cross-border transactions. We identify that the use of the Internet, the existence of institutional factors and platforms' features can have a positive impact on cross-border practice. Nevertheless, geographical distance impedes international crowdfunding because of home bias, family and friends, agglomeration and specific platform rules. The same conclusion applies to regulations, because of their lack of uniformity and information, especially in the field of tax and crowdfunding. Moreover, cultural factors, with their features and dimensions, also impact negatively the practice.

Secondly, we conduct a case study research regarding Belgian crowdfunding stakeholders: platforms, crowdfunders and project initiators. This is intended to assess the theoretical results and to describe the situation regarding international crowdfunding. We emphasize on the drivers and barriers as the stakeholders encounter them and how it affects cross-border crowdfunding activity. Following our analysis, we give to contrast some of our theoretical results. Institutional mechanisms do not exist for all stakeholders and are hard to get. We do not validate the impact of agglomeration of projects. Finally, culture can be a barrier but also a driver for Belgian stakeholders. Besides, we raise a new feature, the fact that crowdfunding can be used for people wishing to bring a project home when the original location is far away.

Throughout our work, we realize that crowdfunding is getting international. Belgian platforms attract worldwide funders and try to host foreign projects. Belgian crowdfunders back projects in Belgium but support also innovative projects abroad. Belgian projects are hosted on Belgian platforms as well as abroad, depending on the type of project and the audience they target. The drivers we identify enhance this. Moreover, barriers to cross-border practice tend to fall. Nevertheless, some features still impede stakeholders to act as internationally as they

want regarding crowdfunding. We identify regulations, tax, cultural and platforms features as restrictive elements. The evolution of those features will impact the future of crowdfunding on an international perspective.

The results we establish through our analysis have to be taken carefully. Because of the scope of our research, generalization is not possible. We focus on the current situation for Belgian stakeholders only. However, our work shows differences between theory and practice. Moreover, through some examples provided, we emphasize on the evolution and contrast of drivers and barriers. Besides, any Belgian stakeholder willing to start cross-border crowdfunding might find it useful to envision problems he might encounter and benefit from the experience and advice of others. We recommend to projects initiators to choose their platform carefully and to evaluate the languages they have to use to reach their funding and market targets. Regarding crowdfunders, we advise them to pay attention regarding hidden tax that might be computed for goods. Platforms need to comply with regulations in the countries they operate.

Along our thesis, we focus on one aspect of international crowdfunding: the features fostering or not international practices. Will this change over time? Is the future of crowdfunding global or on the other hand local? How will banks react and position themselves given the rise of crowdfunding as a funding solution? What is the success of project and companies that have been crowdfunded after a few years: do they better resist in time than traditional companies? The development of crowdfunding allows many different research topics to be approached.

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