

## Business case ID Card

**Name of the company:** Coop Crowdfunding

**Country:** Denmark

**Size of the business:** 3 employees in the subsidiary of one of the largest national supermarket chains with thousands of employees in Denmark

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**Video link:** <https://www.youtube.com/watch?v=6uzmjDQ8GqQ>

### Background

Coop Crowdfunding is a very recent subsidiary of the consumer-owned supermarket chain Coop Denmark. While the history of Coop Denmark goes back to 1867, the Coop Crowdfunding adventure began only in April 2017. By this stage, Coop Denmark was already a powerful group, operating 1,150 shops and employing 40,000 people in the country. The group's activities had already been extended beyond supermarkets, with a dedicated advertising company, a coffee roasting plant and a conference centre owned by the company. More significantly, new banking and investment services had been launched with the creation of Coop Bank and Coop Invest.

Following the results of several surveys carried out amongst the 1.8 million individual members owning Coop Denmark, the cooperative detected an increasing interest in supporting local food production initiatives. At the same time, the cooperative realised that accessing adequate financing from banks was often a challenge for these small and innovative food producers, while Danes were saving billions in bank accounts, with almost zero interests. With that in mind, they started thinking about possible solutions to connect the members of Coop Denmark with local innovative food producers looking for investors. This was the beginning of Coop Crowdfunding. For Coop Denmark, this pilot project was a perfect match, enabling them to provide new investment opportunities for their owners, while supporting the projects of their suppliers. After a successful trial period, they decided to launch the business, in partnership with Lendino, a private lending service. Coop Crowdfunding now takes the form of a digital crowdfunding platform, connecting small rural entrepreneurs with customers, who act as private investors.

### Main activities

Coop Crowdfunding is an online crowdfunding service created by the consumer-owned supermarket chain Coop Denmark. Through a digital platform, the company bridges the gap between innovative food producers and consumers willing to invest their money in small local projects. The company offers two different types of financing solutions: reward funding or loans. With reward funding, entrepreneurs



can obtain between €1,250 and €625,000 from customers. In exchange, investors will be the first beneficiaries of the new product or service financed through the crowdfunding campaign. For reward funding, entrepreneurs pay a fixed platform fee of €250 if they manage to obtain the full amount of funding requested through their campaign, and a variable fee amounting 3 to 5% of the total funding received. If they choose a loan, beneficiaries have to pay a minimum €625 fee to launch the project on the platform. The loans are delivered for a maximum of five years and interest rates vary between 2%-11% depending on the credit-rating of the beneficiary.

Coop Crowdfunding emerged from a partnership between Coop Denmark and private lending service provider Lendino. The company operates 100% online, with three employees taking care of customer relations, promotion and communication. Lendino, who provides the credit rating for entrepreneurs, operates the daily management of the platform. In addition, the new business can count on the support of its mother company, Coop Denmark, one of the most powerful supermarket chains in Denmark, active in numerous fields. The company runs for instance the Coop Bank, the online marketplace Coop.dk/Mad, and even the investment company Coop Invest, as well as an advertising company, a coffee roasting plant and a conference centre.

### Market

Coop Crowdfunding is one of the many subsidiaries of Coop Denmark, a consumer-owned supermarket chain with a €6 billion yearly turnover, holding a 38% market share. With 1,150 stores across the country, and 1.8 million cooperative members, Coop Denmark has a significant influence on the market and is already active in numerous sectors beyond its chain of supermarkets, from finance to advertising. This position offers a significant platform for Coop Crowdfunding, as one of the cooperative's newest spin-offs. In practice, the company can advertise its services on the 50 different communication channels managed by Coop Denmark, including 10 Facebook pages gathering more than 100,000 followers, the "Samvirke" magazine, distributed to 700,000 members on a monthly basis, and the group's newsletter, addressing over 300,000 potential clients. In comparison with other crowdfunding platforms, the outreach of Coop Crowdfunding is unbeatable and represents a significant asset for the company.

Several competitors exist at the national level, but by focusing its activities on local food projects, Coop Crowdfunding addresses a slightly different client base. Since the objective of Coop Crowdfunding is first and foremost to create new opportunities for the members of Coop Denmark and support the development of innovative solutions in the food sector, they are able to offer the lowest fees on the market. For this same reason, they are also the only crowdfunding platform in Denmark offering both reward-based funding and loans.



On the Coop Crowdfunding platform, the majority of projects are initiated by start-ups and small rural companies looking to develop new food products or services, or invest in new technologies. For them, launching a fundraising campaign is also a way of testing their ideas and engaging directly with customers, to build or extend their community of followers, and strengthen their brand. For investors, Coop Crowdfunding offers an opportunity to invest small amounts of money to support innovation in the food sector, with returns on investment higher than available from the banks. Most of the investors on the Coop Crowdfunding platform are well-educated citizens between 40 and 60 years old, living in cities.

### **Challenges and solutions**

Crowdfunding platforms are still a relatively young business in Denmark, and regulations are not yet fully adapted to their activities. Since the ‘services’ they offer are neither goods, nor traditional services, they do not fit in any usual sector covered by Danish law. However, this situation is likely to change in the coming years, to catch up with the latest evolutions on the market.

Like all businesses, Coop Crowdfunding also had to adapt its usual practices to comply with the rules enforced by the General Data Protection Regulation. In that framework, they developed new software on the platform to ensure anonymous communication between entrepreneurs and investors.

### **Funding**

Coop Crowdfunding was launched in 2017, with an initial funding of €150,000, provided by their mother company Coop Denmark. In the next years, the objective is to turn Coop Crowdfunding into a self-financing business activity, thanks to the fees collected by the platform.

### **What makes this case innovative?**

The mother company of Coop Crowdfunding, Coop Denmark, is a very trusted brand in the country and has the largest outreach a company can dream of at the national level with 1.8 million members. From the very beginning, Coop Denmark has followed an innovative path, creating the first national supermarket-chain owned by consumers, and after that by continuously supporting the development of innovative solutions in the food sector. The creation of the Coop Crowdfunding platform is considered a new form of cooperative financing, taking advantage of the Danes’ growing interest in local food production to help small producers accessing adequate financing to implement their innovative ideas. Unlike its competitors, Coop Crowdfunding is not chasing short-term profits, but their main objective is to support the brand of Coop Denmark, by offering new opportunities to their members and acting as a pioneer in the food sector.



### Lessons learnt

Over the last years, growing concerns about climate change pushed many citizens to change their consumption patterns and move towards local and sustainable food products. Coop Crowdfunding is facilitating the transfer of capital from cities to rural areas by connecting customers willing to invest in local food initiatives with rural entrepreneurs looking for funding. To stand out from the competition, Coop Crowdfunding decided not to focus solely on the food business, but also to offer significant promotion to the projects financed through their platform, in order to support their success and attract new customers.

