



Crowd Power

How to attract investors to energy access crowdfunding

ENERGY4IMPACT
POWERED BY MERCY CORPS

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Authors

Javier Baranda Alonso
Davinia Cogan



Transforming
Energy
Access

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Cover Image Annie Spratt

Introduction

As the market for energy access-related crowdfunding develops, platforms are looking to diversify their outreach strategies to attract new investors. This means both attracting traditional investors more effectively, and increasing the participation of minority investor groups, such as female and younger investors.

To promote innovation in reaching crowdfunding investors, UK aid funded the deployment of first-time investor guarantees and investment vouchers for new investors on debt crowdfunding platforms Lendahand (the Netherlands), Trine (Sweden) and Energise Africa (UK). The platforms shared the results of such innovative strategies with Crowd Power and their findings form the basis of this report. This report not only looks at the deployment of incentives, it also assesses the effectiveness of different outreach methods, including innovations such as reaching out to social media influencers.

We observed the investment behaviour of over 1,500 investors during the energy access-related campaigns conducted by Crowd Power's platform partners. To assess the effectiveness of different outreach strategies, we did an in-depth analysis of the profiles and investment patterns of these investors, which allowed us in turn to identify key trends. The trends identified in this report may help crowdfunding platforms to tailor their interventions and outreach to target specific investor groups, such as women or younger investors. Our findings may also interest donors and other funders who are considering whether to support the energy access-related crowdfunding sector. While our findings relate to debt crowdfunding platforms, this report may also be helpful to other investment-based crowdfunding platforms (e.g. equity and profit participation).



Image Justice Kalebe

Crowdfunding platforms



Lendahand is an online impact investing platform based in the Netherlands, launched in 2013. It funds microfinance partners and energy access companies in emerging markets. In 2017, Lendahand launched the Energise Africa platform in the UK, in partnership with Ethex.



Trine is an online impact investment platform based in Sweden, launched in 2015. It provides debt funding to off-grid energy projects and communities.

Interventions tested

First-time investor guarantee

Protects initial investments up to a certain threshold, in the event of borrower default. This guarantee is applied to first-time investors only, compared to a portfolio guarantee that can apply to any investor participating in the portfolio projects.

Vouchers for new investors

Vouchers are issued as discount codes to attract new investors, by adding a “bonus” investment to their first investment on the platform. Vouchers can be distributed through specific outreach campaigns or through a referral programme, where first-time investors receive a discount code that can be shared with other potential investors and redeemed for their first investment.

Promotion through social media channels

In addition to various types of email outreach to potential investors, some of the interventions have been promoted on social media channels, such as Instagram and blogs. This was done to evaluate the potential of these emerging channels to attract specific investor profiles, including millennial and female investors.



02

The effectiveness of first-time investor guarantees

The effectiveness of first-time investor guarantees

First-time investor guarantee

First-time investor guarantees protect a new investor's first investment on a crowdlending platform. The protection is typically applied to a portion of the investment and/or up to a certain threshold. For example, if a \$100 first-time investor guarantee is offered to new investors, only \$100 of a \$500 investment will be repaid in the event of borrower default (i.e. the investor could lose up to \$400 of their initial investment). This may be applied to new investors only, in comparison to a portfolio guarantee, which typically applies to all investors in the campaign.

Findings

- First-time investor guarantees **help attract new investors** to crowdlending platforms.
- First-time investor guarantees can result in **higher average first investments, compared to investors who do not have this kind of guarantee**. However, targeting younger and female investors can also lead to lower average first investment sizes.
- First-time investor guarantees have a **consistent or positive investment behaviour after their first investment**, compared to investors who do not have this kind of guarantee.



Images Tochukwu Mbachu (page 5), Redavia (above)

The effectiveness of first-time investor guarantees

Trine, Lendahand and Energise Africa have introduced first-time investor guarantees to attract new investors.

Energise Africa was the first platform to do so, in July 2019¹. Its guarantee protected up to £100 (\$138) of the initial investment made by new investors on the platform. In the four months after the guarantee's introduction, the number of new investors on the platform increased by 65%. Its introduction also affected the size of investments, with the number of investments of £100 (\$138) and £200 (\$276) increasing by 80% and 28% respectively, while the number of investments of £50 (\$69) was reduced by 60%. This shows that while first-investor guarantees can be effective in attracting investors, it is important to carefully design the level of incentives, in order to optimise the investment ticket sizes from investors, alongside the acquisition of new investors. For instance, platforms can establish maximum caps for the guaranteed capital protected on each investment (e.g. protecting 50% of the initial investment made, up to a total of £100 (\$138) protected). This can incentivise new investors to invest beyond the protected investment size.

Trine introduced a first-time investor guarantee in June 2020. The guarantee protects up to €100 (\$118) of a new investor's first investment. It applies to campaigns that are not subject to any other guarantees, such as the U.S. International Development Finance Corporation (DFC) Guarantee. During the first three months after the guarantee's introduction, the number of new investors on the platform increased by 1.3%; by July 2021, Trine had attracted 1,312 new investors.

¹Energise Africa Investment and Impact Report (2019). Accessible at: <https://energy4impact.org/energise-africa-%E2%80%93-investment-impact-report-0>

What is the impact of first-time investment guarantees on the number of new investors?

65%

increase after the first-time investor guarantee launch by Energise Africa in 2019

1300+

investors used Trine's first-time investor guarantee since its launch in 2020

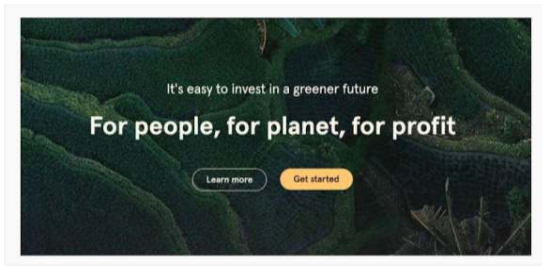
The effectiveness of first-time investor guarantees

Trine used an iterative approach to test the guarantee, and began A/B testing through the platform's landing page in June 2020. A/B testing is a randomised experimentation process, where two or more versions of a variable (e.g. web page, banner, etc.) are shown to different segments of website visitors at the same time, to determine which version drives certain business metrics.

During this phase, half of investors were shown the standard landing page, and half were shown a landing page featuring the first-time guarantee. Trine found that visitors exposed to the guarantee promotion on their landing page were 43% more likely to invest than visitors who saw the standard landing page. Trine also conducted A/B testing on the loan offer (or campaign) page, and found that visitors exposed to a first-time investor guarantee banner here were 35% more likely to make a first investment than those who were not shown the banner.

In March 2021, Lendahand trialed a €100 (\$118) first-time investor guarantee. This was promoted online through a sustainability influencer, to test the effectiveness of using innovative outreach channels to attract investors. Sustainability influencers are individuals who discuss and promote sustainability-related issues on their social media channels. As a result, the average first investment size by first-time guarantee users was 29% lower than the average first investment across the investor base. This could be because the first time guarantee attracted younger or female investors, who were less financially secure or less aware of crowdlending platforms than the average investor. 83% of the investors attracted were millennials and 83% were female, compared to 42% and 37% of investors respectively in Lendahand's average investor base.

Baseline



Test version

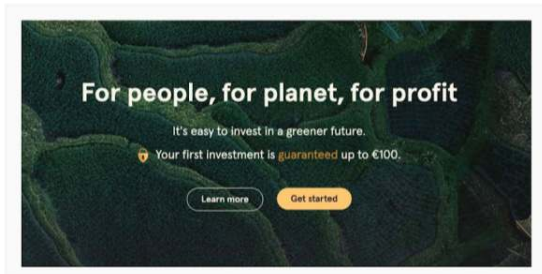


Image Trine

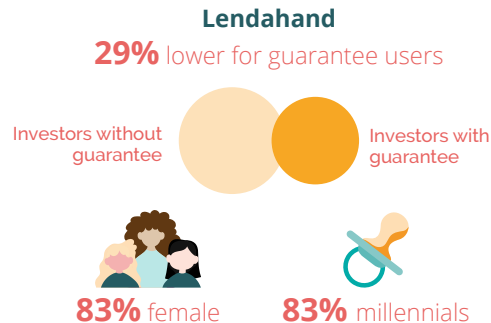
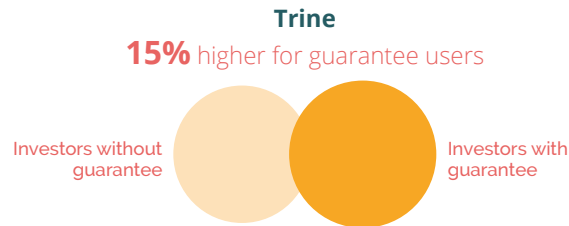
The effectiveness of first-time investor guarantees

Using innovative schemes like new investor guarantees can also influence the behaviour of new investors after their initial investment, making them more likely to maintain engagement with crowdlending platforms. For instance, Trine's first-time guarantee users were 32% more likely to reinvest in the three months following their first investment, compared to investors without the guarantee; and their average investment size across all their investments was also 37% higher than their counterparts.

As a result, the use of first-time investor guarantees can be used to increase the number of new investors on a platform. Depending on the investor demographics targeted, it can favour new smaller investments, and thereby increase platform accessibility and inclusivity, as well as fostering continued engagement by the new investors.

Trine's first-time investor guarantee users were more likely to reinvest after their first investment, and had a higher average investment size than the investors who did not use the first-time investor guarantee.

AVERAGE SIZE OF FIRST INVESTMENT FOR GUARANTEE AND NON-GUARANTEE USERS





03

The effectiveness of voucher codes

The effectiveness of voucher codes

Voucher codes

Vouchers can be issued as discount codes to attract new investors, by adding a “bonus” investment to their first investment on the platform. They can be distributed through specific outreach campaigns, via social media or email, or through a referral programme, where first-time investors receive a code that can be shared with other potential investors, and redeemed for a discount on their first investment.

Findings

- Voucher codes are a **cost-effective way to attract new investors** to crowdlending platforms, particularly through referral programmes.
- **Innovative outreach channels**, including social media and influencers, can help to **reach new investor groups** and targeted audiences more effectively.



Images Sistemabio Kenia (page 10), Sistemabio Kenia (above)

The effectiveness of voucher codes

Referral programmes as a cost-effective way to attract investors

Lendahand's referral programme allows new investors to earn a discount code for their first investment, which can then be shared with other potential investors, and redeemed for an equivalent discount on their first investment. For each new investor that redeems the code and makes their first investment in the platform, the initial investor gets a discount credit for their next investment.

This programme has been very successful in attracting new investors to the platform. This was particularly true in 2020, when the impact of Covid-19 reduced the resources available for traditional investor outreach campaigns in radio or television. Since 2019, it has attracted more than 850 new investors to the platform.

Voucher codes can offer a strong incentive for less financially secure investors, such as younger investors, to engage in crowdlending platforms. They can also increase the number of investors in a highly cost-efficient way, with a relatively low cost per conversion, in comparison to traditional outreach practices. For example, if a platform offers a \$20 voucher code, the maximum cost per conversion for each new investor corresponds to the discount offered to both that new investor and the investor who shared the code - which, in this example, would be \$40.

LENDAHAND'S REFERRAL PROGRAMME ACCOUNTED FOR



of total new investors in 2020

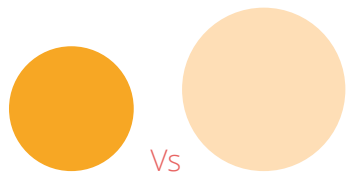
The effectiveness of voucher codes

Referral programmes as a cost-effective way to attract investors

Despite the effectiveness of referral programmes to attract investors, in Lendahand's voucher code campaigns (via referral programmes and social media outreach), the average size of the discount code users' first investment was lower than the average first investment across the investor base. This may be influenced by the subsidy level, but also by the different investor profiles attracted, such as younger investors.

POPULARITY OF THE REFERRAL PROGRAMME AMONG YOUNGER INVESTORS

Average first investment for referral programme participants

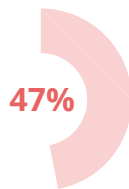


43% lower than investor base

% of total shared codes



Millennials
(1997-1981)

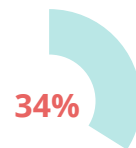


Baby Boomers (1965 and before)
and Generation X (1980-1966)

% of total redeemed codes



Millennials



Baby Boomers
and Generation X

The effectiveness of voucher codes

The potential of social media outreach

In 2021, Lendahand trialled targeted outreach campaigns, which offered €25 (\$30) voucher codes for new investors through two female influencers posting about the vouchers in blogs and social media channels. This resulted in 130 new investors in Lendahand's promoted campaigns. One influencer was primarily focused on social and sustainability issues while the other influencer focused mainly on financial independence topics. Both influencers attracted similar investor profiles: younger and predominantly female. Nevertheless, the investors attracted through the influencer focused on personal finance presented a 36% higher first investment size, and were 30% more likely to reinvest, compared to the investors attracted through the influencer focused on social and sustainability topics. This shows the importance of matching the right outreach channel to the profile of new investors desired by the crowdlending platform.

Results from Lendahand allowed us to compare the effectiveness of influencer outreach channels versus traditional approaches such as emails. The platform promoted similar voucher codes of €30 (\$35) through emails, sent to existing account holders who had not yet made their first investment. As a result, 50 new investors were attracted in a small number of preselected campaigns.

The average first investment by new investors who used the voucher shared by email was 29% lower than the average investor without a voucher. It was higher, however, than the average first investment by those attracted through influencer outreach, which was 55% lower than the average first investment across the investor base. This may be due to the different investor profiles of existing account holders, compared to investor groups targeted through influencer outreach.

Getting the channel right: the average investment of those attracted through a finance-oriented influencer was three times higher than through a sustainability-oriented influencer.



Image Redavia

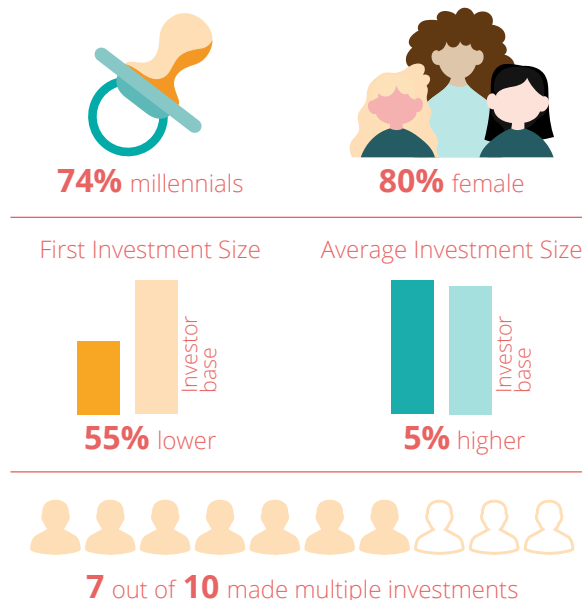
The effectiveness of voucher codes

While the promotion of voucher codes can result in a smaller first investment size, Lendahand's new voucher-using investors behaved in a similar way post-investment to other investors. Investors attracted through voucher codes offered by influencers were equally likely to become repeat investors as those who did not use vouchers. They also had a 5% higher average investment size compared to the average across Lendahand's investor base, despite having a lower average first investment size.

The average investment size and reinvestment rates from new investors targeted by Lendahand's influencer outreach campaigns were higher than those for the referral programme. However, developing continuous, targeted outreach campaigns is also more resource-intensive for platforms. Additionally, the results of these alternative outreach campaigns can significantly vary, according to the channel and the target audience.

Traditional outreach campaigns, such as those via email, radio or television, remain important in maintaining a crowdlending platform's existing investor base. Pairing these with alternative outreach schemes, such as those via social media and influencers, however, can allow platforms to tap into new investor groups and target audiences more effectively. Ensuring that there is also a high number of investible projects available on the platforms as these campaigns are being run is crucial to maximise the number of potential new investors.

TAPPING INTO NEW INVESTOR GROUPS BY PROMOTING VOUCHER CODES THROUGH INFLUENCERS:



04

Attracting millennial investors

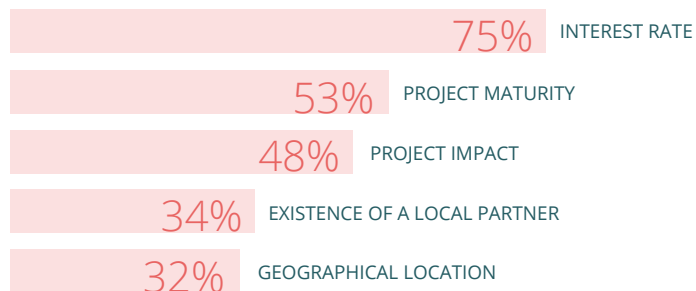


Attracting millennial investors

Alternative investor outreach schemes, like first-time investor guarantees and discount codes, can effectively increase the presence of younger investors on crowdlending platforms. This may be because younger investors value investment incentives more highly, because they are less financially secure. They also tend to be more savvy by engaging with platforms through a wider range of channels channels, and thus they are easier to reach through alternative outreach schemes, such as referral programmes.

In 2019, Lendahand conducted a survey of millennial first-time investors. Similar to other investor groups, it showed that millennials view return on investment, project impact and project maturity as the most important factors for investing in crowdlending projects. However, millennial investors' interest in sustainability was higher than other groups. This was reflected by the fact they tended to invest more in sustainability and energy projects than other investor groups.

WHAT ARE THE KEY DECISION FACTORS FOR MILLENNIALS INVESTING IN CROWDLENDING PROJECTS²?



²Data from Lendahand's customer survey in 2019.

Millenials accounted for:

58% of Trine's first-time
guarantee users vs **51%**
of Trine's investor base

55% of Lendahand's referral
programme users vs **41%**
of Lendahand's investor base

74% of Lendahand's
new investors attracted
through influencers

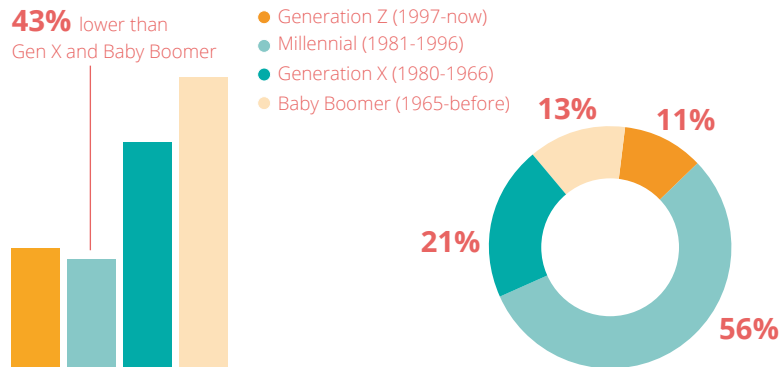
Attracting millennial investors

Combining investment incentives (like voucher codes and guarantees) with the use of targeted outreach channels (like influencers and social media) can effectively tap into younger investor groups. For example, in Lendahand's outreach campaign with influencers followed largely by millennials, 74% of the new investors were millennials.

However, younger investors attracted through incentive schemes may be less financially secure or less well informed about crowdlending and other investment options. This can result in lower investment sizes for platforms. As an example, the Generation Z (1997-now) and millennial (1981-1996) investors involved in Lendahand's referral programme showed a 45% lower average first investment, compared to the Generation X (1966-1980) and baby boomer (1965 and before) investors. However, they were 38% more likely to make a first investment after receiving a referral code, compared to the Generation X and baby boomer investors.

This aligns with Lendahand's average investment sizes: after their first year on the platform, millennial investors' average investment size is 43% lower than that of Generation X and baby boomers.

INVESTOR PROFILE OF LENDAHAND'S REFERRAL PROGRAMME:



Images Tochukwu Mbachu (page 16), Altech (above)



05

Attracting women investors

Attracting women investors

Most investors on energy access-related debt crowdfunding platforms are men. In 2016, an Energy 4 Impact survey found that only 21% of respondents investing in energy access-related campaigns were women³. More recent figures from Trine, Lendahand and Energise Africa show that on average women account for 34% of investors.

The use of alternative outreach channels, such as referral programmes and targeted social media campaigns, can significantly increase female investor participation, whether they are targeted at women or not. For instance, 37% of Lendahand's investor base are women, but under their referral programme, 45% of codes were redeemed by women, although they shared only 35% of them. In promoting voucher codes through email to registered users who had not yet made their first investment, there were similar positive results: 46% of the new investors were women.

³Crowd Power: Who is the Crowd? (2018). Accessible at: <https://energy4impact.org/crowd-power-who-crowd>

80% of new investors attracted through female influencers were women, compared to 37% women in Lendahand's investor base.

Images Sven Torfinn (page 19), Annie Spratt (below)



Using innovative and female-oriented outreach channels

From 2020 until May 2021, Lendahand also trialled their collaboration with influencers. This involved the promotion of €25 (\$30) voucher codes and a €100 (\$118) first-time investor guarantee through the influencers' blogs and social channels, including Instagram. Two Dutch female influencers were selected, "Jennie from the blog" and "Porterenee". Both have a predominantly female follower base (around 85%). From the 150 new investors who used the voucher or the guarantee, 80% were female. This shows that outreach through predominantly female channels can promote female participation in crowdlending platforms.

Attracting women investors

ALTERNATIVE CHANNELS AND TARGETED CAMPAIGNS CAN INCREASE FEMALE INVESTORS' PARTICIPATION:

% of female investors

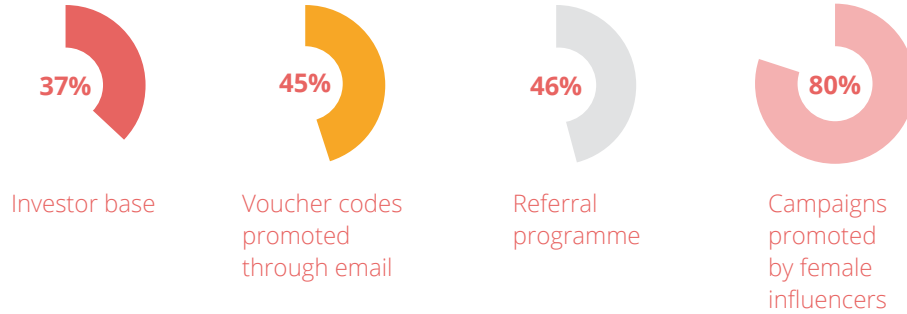


Image: Tori Williams

While innovative outreach channels and incentives can work well to attract younger investors, the use of gender-agnostic channels does not necessarily result in higher female participation. For instance, under Trine's first-time investor guarantee, promoted on their website and through emails to registered account holders, only 27% of new investors were female, compared with 29% for their investor base as a whole. It is therefore important to target female-oriented channels if platforms want to increase female investors' participation.



06

Barriers to investment

Barriers to investment

Barriers in the registration process

The investor identity verification process, referred to as Know Your Customer (KYC), is acknowledged by platforms as one of the biggest barriers to making initial investments on debt crowdlending platforms. The KYC process is performed by financial services companies to ensure that their customers are who they claim to be. This digital verification process requires investors to submit identity documents through the platform before making an investment. This can slow down the investment process, as verification may take several hours or days to complete.

During their promotion of the first-time investor guarantee, Trine targeted different new investor groups by email. These included people who had set up an account and completed the KYC process, and those who had set up an account but were yet to complete the process. Those who had already completed the KYC process, but had not yet invested, were ten times more likely to make a first investment using the first-time investor guarantee (when promoted through email), than those who had not completed the KYC process.

The KYC process remains one of the biggest barriers for getting people to make their first investment in crowdlending platforms.

TRINE

⁴Data from Lendahand's customer survey in 2019.

Top three barriers stopping existing investors from investing more often⁴:

- Limited availability of projects to invest in
- Lack of financial means
- Low security levels offered with investments



Images Redavia (page 22), Alex Flickr (above)

Barriers to investment

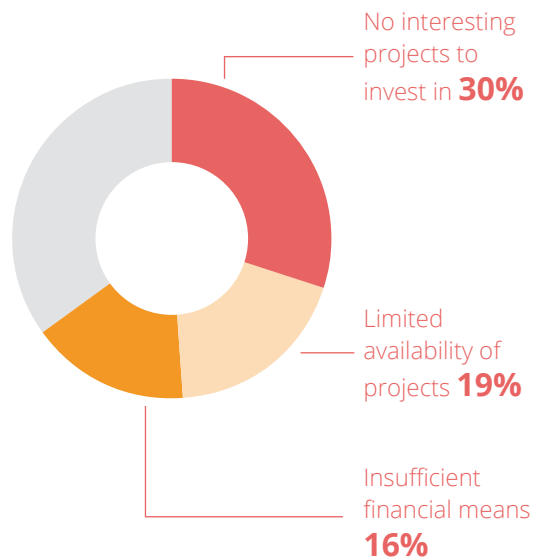
Barriers for subsequent investments

Once investors have completed the KYC process, they face further barriers to realising their first or subsequent investments. In general, new investors tend to make follow-on investments more often if they have received the first repayment on their initial investment. While trust in crowdlending platforms is key to investor engagement, a 2019 survey of Lendahand customers highlighted three main barriers stopping existing customers from investing more often: limited availability of projects to invest in, lack of financial means to invest more, and the need for more securities offered with investments (e.g. guarantees). These barriers superceded the desire for higher returns on investment for most respondents in the survey (though these are still considered important), showing the primarily impact-driven profile of crowdlending investors.

Investor appetite can often exceed the number of projects available on platforms, leading to campaigns being funded quickly. Coordinating project availability with outreach and marketing campaigns is, therefore, important for maximising the number of new investors and optimising the impact of outreach campaigns.

The challenges of becoming a repeat investor are similar for millennials as crowdfunding investors in general. However, millennials also face some particular constraints as they are less likely to be financially secure, which tends to limit their active engagement on these platforms. In June 2021, Lendahand conducted a survey of first-time millennial investors who did not make follow-on investments. For them, the three primary reasons not to continue investing were: a lack of interesting projects, a limited availability of projects to invest in, and a lack of financial means to do so.

WHY DON'T MILLENIALS BECOME REPEAT INVESTORS⁵?



⁵Data from Lendahand's survey on a small sample of millennial first-time investors in 2021

Conclusions

This research has looked at how innovative outreach campaigns by crowdlending platforms can attract new investors. The results show that first-time investor guarantees can significantly increase the number of new investors on platforms. Other incentives, such as discount codes for first-time investors and referral code programmes, can also be a cost-effective means of attracting new customer groups. All the incentives lead to similar follow-on investment dynamics by new investors.



Specific customer groups, such as millennials and women, can be targeted by promoting these incentives through alternative outreach channels, such as referral systems, social media, blogs and influencers. Donors interested in increasing participation by these groups should, therefore, consider supporting targeted campaigns. It should be noted, however, that targeting youth and women investors can lead to smaller average investment sizes on crowdlending platforms.



This report has also looked at the key factors for millennials when making an investment on a crowdlending platform, and the main barriers that they face. KYC processes remain a major hurdle for realising first-time investments. By simplifying these processes, platforms can improve investor conversion across all age groups.



It is not only lack of personal financial security that deters millennials, there is also the issue of a lack of enough available projects on platforms to entice potential new investors. Recently, many platforms have experienced rapid campaign fill rates, leaving fewer campaigns available for investment. It is therefore important to coordinate outreach activities with sufficient project availability.



Donors and funders can play a key role in supporting crowdfunding platforms. In addition to co-funding campaigns, donors can support market and outreach activities, targeting both potential and existing investors. This can be valuable for platforms looking to expand and engage their investor base. It can also leverage significant additional funding by the crowd. For example, for each \$1 of funding provided for the outreach interventions presented in this research, \$4 to \$38 was leveraged as first investments by new investors who subsequently joined the platforms.

Recommendations

For crowdlending platforms:

- Increase the use of outreach schemes and incentives, such as voucher codes and first-time guarantees, to attract new investors.
- Explore outreach channels beyond traditional media or email campaigns. This will be particularly important for increasing the participation of specific investor groups, such as youth, female or diaspora investors. These channels include partnerships with bloggers or influencers across social media channels, such as Twitter, Instagram, YouTube, etc.
- Trial different incentive designs, based on the existing behaviour of target investor groups. These can include different levels of voucher codes, or different caps for first-investor guarantees. This can help crowdlending platforms to understand investor behaviour, and optimise the cost of acquisition per customer.



For donors:

- Support crowdlending platforms with marketing budgets. This should include the trial and development of innovative outreach schemes, which can increase participation by minority investor groups.
- Channel support to interventions such as voucher codes and first-time investor guarantees, which are a cost-effective way of attracting new investors and leveraging private investments.
- Design incentive levels together with platform partners, based on their objectives and existing investor behaviour. Key factors to consider include the growth of the platforms' existing investor base and the size of investments leveraged by new investors.



