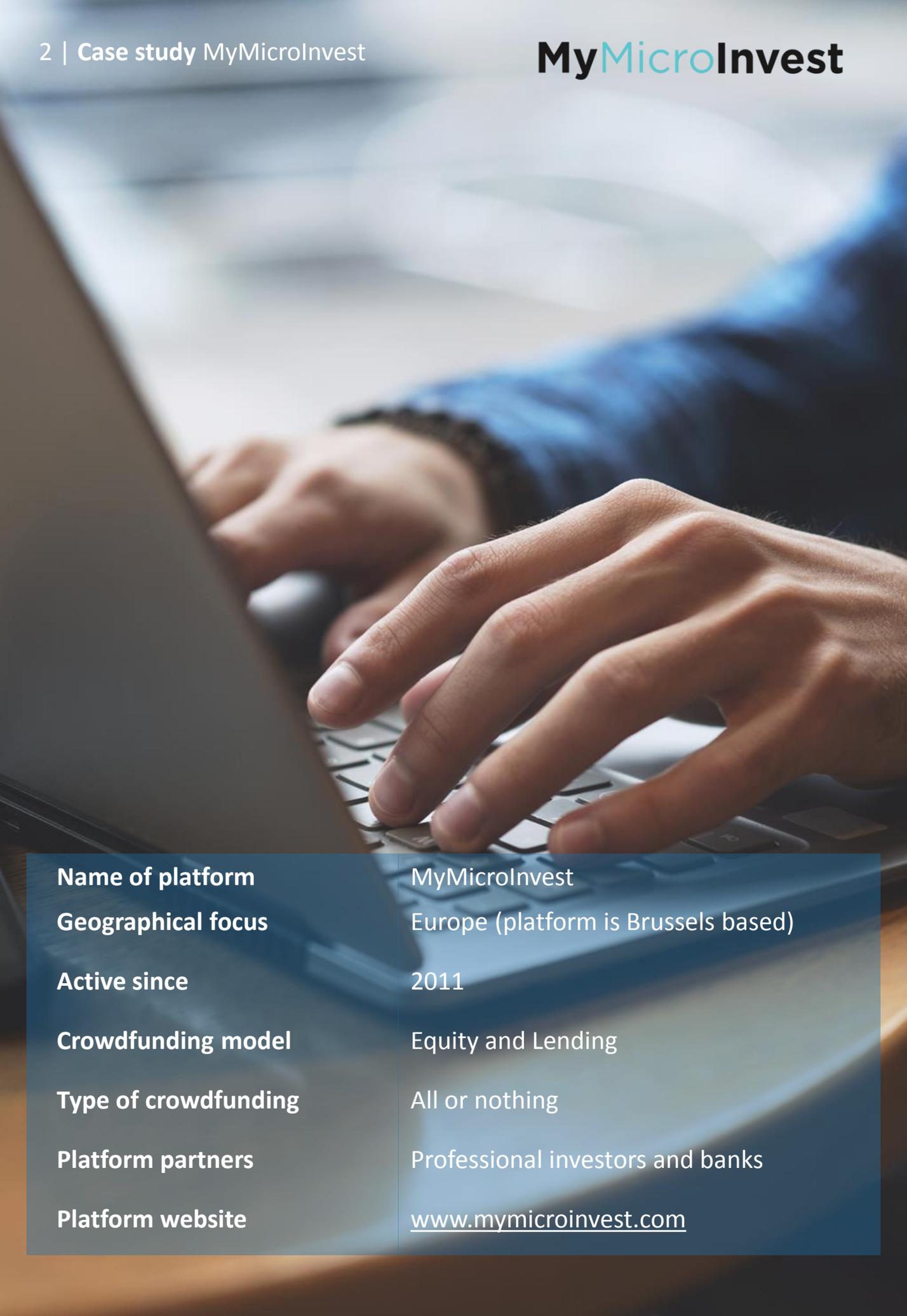


The partnership model of **MyMicroInvest**

Crowd Funding





Name of platform	MyMicroInvest
Geographical focus	Europe (platform is Brussels based)
Active since	2011
Crowdfunding model	Equity and Lending
Type of crowdfunding	All or nothing
Platform partners	Professional investors and banks
Platform website	www.mymicroinvest.com

Executive summary

MyMicroInvest is a Brussels based crowdfunding platform that supports and funds entrepreneurs by partnering up with professional investors. Even though MyMicroInvest does not focus uniquely on CCS projects, they have funded projects in the field, for example “YouScribe” (a kind of Netflix of books). All projects they fund are selected on the basis of their sustainability, profitability and positive outcome for society. Partnerships with professional investors that they form and use, mean that about 60% of the raised funds come from professional investors and 40% from crowd investors (backers).

These partnerships and multiple funding streams benefit the project

holders by unlocking higher amounts of funding for their projects, while the professional investors also benefit. By not only gaining access to fresh and promising projects, but also at having a certain “proof of concept” since investments were also committed by backers from the crowd. And the backers are given the opportunity to invest on equal terms with professional investors in project they believe in.

MyMicroInvest considers the participation of professional investors and the mix of funding streams as essential for the platform’s success and they envisage expanding their network of investors and projects throughout the EU.

About MyMicroInvest’s business model

MyMicroInvest is a Brussels based crowdfunding platform also running a venture capital fund (Inventures). Most of their funding through their platform is in the form of equity and occasionally in the form of lending. For each start-up or SME that is attempting to be financed via MyMicroInvest a minimum and a maximum amount of subscription is being appointed.

If the minimum amount is not reached during the defined period then the investment does not take place and the investors are refunded. In case of oversubscription, the investors whose payments came in too late are being refunded, as they cannot be permitted according to financial regulations. Enterprises from any sector may be funded through the platform.

Upon receiving a project proposal the team conducts a quality check on the proposed companies and decides whether they are appropriate to be placed onto MyMicroInvest and whether Inventures VC fund will invest on them or not. On average about 30% of projects have Inventures involvement, while for the other projects the involvement of professional investors usually occurs. The idea is that crowdfunding is usually a part of the total investment and serves as concept verification.

Partnerships with professional investors and banks

MyMicroInvest supports the entrepreneurs by partnering up with professional investors, as well as with banks that give them access to professional investors (BNP PARIBAS Fortis, Keytrade bank). These partnerships may be better described as networks of professional investors. Meaning that an official partnership status is not necessarily in place. This network is enforced on a case by case basis depending on the nature of the company to be funded, the interests and available funds of the investors etc..

The aforementioned partnerships are not aiming at any specific CCS subsector or any other specific sector. The venture capital fund (Inventures) has a list of social issues that are prioritized according to their strategy (health, education, environment and resources, economy and society).

One project that falls right under the CCS has already been funded through the platform. Two successful campaigns were completed for the funding of this company at different stages of its evolution, they both were in the form of equity.

This company is called YouScribe and it is an online digital library which, following the Netflix and Spotify model, offers an unlimited use of e-books with a monthly subscription, or the opportunity to purchase e-books. YouScribe also allows any author to publish their work directly on the website.

An influence on the selection of the projects by MyMicroInvest, are the project's sustainability and profitability. This means that non-profit making, or unprofitable projects, cannot be considered by the platform. Another element that is taken into consideration is the exit potential of the investment (ability for investors to get their returns) and the timeframe to such exit. CCS start-ups often have a less suitable business model for equity funding than those of other sectors, which is a possible explanation why MyMicroInvest has not funded that many CCS projects yet.

Rationale for the partnerships

From the point of view of MyMicroInvest the purpose for focusing to that extend on professional investors is twofold. Firstly, the amounts invested by professionals make it feasible to reach higher budgets in shorter time, thus fund bigger and more ambitious projects. Despite the fact that the participation of professional investors is not guaranteed to the entrepreneurs, the possibility to reach out to some of them and present their ideas and work is already viewed as an opportunity by the entrepreneurs. This motivates the entrepreneurs to make their fundraising campaign a success, giving the platform high success numbers.



Secondly, the fact that retail investors have access to the same projects and with the same terms as professional investors, gives them an advantage and a motivation to invest, which they do not find by investing in other ways (e.g. via banks or via other crowdfunding platforms). The motivation arises from the fact that retail investors are more willing to take risk as they trust projects that professional investors have invested in. In addition they anticipate the returns to be at the same levels with professional investors who have invested much higher amounts and are considered as being savvier at seeking out highly profitable projects. As a result, backers may invest higher amounts and more often.

Lastly, the professional investors get access to start-ups and SMEs that have already passed a first quality check, and their information and business plan are presented in a structured way through MyMicroInvest's platform. Such projects are expected to have several sources of funding (other investors, crowdfunding). The investors - without having any commitment - can also further evaluate the companies and decide if they wish to invest in them and to what extent. In other words it brings them additional projects and potential sources of profit, which is their main objective.

Partnership model

Set-up

The network of professional investors was naturally created from a pool of personal contacts of the founders of MyMicroInvest. Thus, the partnerships were initiated at the time that the platform was created and they constitute a core part of the platform's structure. At a later stage, after the first successful cooperation with investors, MyMicroInvest also set up partnerships with banks in order to reach even more investors outside their network of personal contacts.

There is an ongoing effort to expand the partnerships to a European level, reaching investors from different European countries. The first challenge faced by MyMicroInvest was to examine the limitations arising from the legal framework and come up with a structure that would allow the investment flows while complying with relevant national and international laws. The solution was to apply for and gain a passport for operations.

Model of cooperation

The organisation amongst the partners is pretty clear and organic. In this sense, MyMicroInvest selects potential projects (Start-ups/SMEs) for funding and conducts a first quality check of their business plans.

At a second stage, the projects are evaluated by Inventures and other professional investors at their own initiative or often after being approached by MyMicroInvest or the partner banks. Then or in parallel, the companies are also included on the platform seeking funds from private backers (retail investors). The entrepreneurs are obviously very present at this step, presenting their project and promoting it through various ways with the guidance of MyMicroInvest.

Most of the partners are contributing to several projects but as there is no official partnership structure, every investor is free to contribute for the period and the number of projects he/she wishes. New investors may come on board at any stage of an active funding campaign. According to MyMicroInvest, the key for successful and long-term partnerships is the careful selection of high quality projects. The more successful the entrepreneurial projects are the more likely the investors would choose to invest again through the platform. So, the careful selection and the support to the companies during the fund-raising period is to the best interests of MyMicroInvest, as it can lead to more and long-term partnerships.

However, upon speaking to one founder, it appears that these partnerships and relationships end at the moment that the funding is completed. In the entrepreneur's experience, the promise of involved investors that would cooperate and help to improve the project never materialised. This is largely due to the fact that larger equity investors will have diversified and invested into many projects and given their relatively small share of control, they look only for returns, rather than engagement.

Partnerships in the future

MyMicroInvest wishes to expand its network to a European level, attracting investors and entrepreneurs from abroad. In order to achieve so at the moment of the interview they are running a campaign "#EUCrowdShow" visiting several EU countries, promoting their current projects, their overall activities and aiming to create a pan-European network of the platform that is being mobilized for the funding of current projects as well as future occasions.



Moreover, the aim of the campaign is also to grow the visibility of the platform, reaching out also to new entrepreneurial projects and successful start-ups and SMEs that wish to expand their activities. An issue MyMicroInvest is currently facing for expanding their network is making their partnerships (and their structure in general) more scalable. Instead of looking for projects and investors on an individual case by case basis, the aim is to create a structure which would allow recruiting multiple projects and investors without multiplying their team members. This is an issue they are currently focusing on and will affect the structure of their partnerships, potentially making them function in a more automatized way.

Impact of MyMicroInvest's partnership model

Impact on the uptake of crowdfunding

The partnership structure effects in a direct and notable way the uptake of crowdfunding, as the participation of professional investors creates a higher buy-in and unlocks higher funds to be raised in relatively short periods. This happens because in most cases few professional investors account for big parts of the funding coming from the MyMicroInvest platform. On average about 60% of the raised funds come from professional investors and 40% from crowd investors in the case of equity.

However, as the involvement of professional investors is not an obligation, this number may vary from company to company. For instance there are examples of campaigns where 100% of the funds were raised solely by professional or crowd investors. In the case of lending all the funds come from retail investors.

The table below gives an overview of the average characteristics for the campaigns with available data on the MyMicroInvest website.

	Equity	Lending
Number of campaigns	39	7
Average number of crowd investors	169	97
Average % of equity offered	36%	
Average gross interest rate		6%
Average amount invested per crowd investor (euros)	762	1097

Impact on the project holders

The table on the left side indicates that the average equity offered per campaign is about 36%. However, it may vary from less than 10% to 100% on specific projects. The invested amounts also vary depending on the project. They start from few tens of thousands of euro and go up to few millions euro. Taking into consideration the fact that on average professional investors' participation is 60% of the money collected, the impact of such partnerships are vast.

According to the interviewed entrepreneur there are two main advantages arising from the interaction with the platform. Firstly, the project received a high amount of funding in a relatively short period and secondly, the urge to present and promote the project through the platform led the start-up to better organizing themselves and completing various tasks faster.

The entrepreneur recognised that the partnerships were an important element for the success of raising the funds. On top of the reasons mentioned above, the entrepreneur stressed that MyMicroInvest is a very convenient way of financing as there are no strict performance monitoring requirements (e.g. administrative documents and performance proof) compared to other sources of funds (e.g. banks).

According to the entrepreneur, a valuable element that was lacking at least for this specific company was the involvement of the investors in the development of the project during and after the crowdfunding campaign. The investors were not present at any stage to see the progress, provide advice, promote or even criticize the project. This would have been according to the entrepreneur an essential added value to the development of the project. MyMicroInvest website on the contrary suggests that the investors do not solely fund the projects, but they do play an important role at later stages as well, as ambassadors of the project promoting it and giving constructive advice for the project's growth.



Impact on the backers

As mentioned above MyMicroInvest is a platform that combines crowdfunding and equity investments from professionals. There is a need to distinguish professional from retail investors, as the two groups - even though they interact and influence one another - have distinct characteristics. Hereafter the impact on private backers (retail investors) is described, while the impact on professional investors is described under section 3.4.3.

The aforementioned partnerships influence the activity of backers in two ways:

- It gives them the security that the asset fulfils the quality criteria of professional investors, therefore they feel safer for taking the risk and investing in it.
- Also, the fact that they invest with the same financial conditions as the professional investors, gives extra confidence to the retail investors that this is a favourable profit maximising opportunity (since savvy professional investors go after the highest profit projects).

As a result, the partnerships attract more backers and motivate them to invest larger amounts. In fact, as Table 1 suggests, the average number of retail investors per campaign is 169 people and they invest on average about 762 euro. In the case of lending the average number of investors is lower and the average amount they invest higher.

The maximum number of crowd investors that participated in a campaign is 1487 and the maximum average amount invested by crowd investors is about 4000 euros. As retail investors are considered those who invest from 100 to 25000 euro, therefore their profiles and characteristics may vary greatly. They can be students who invest a notable amount of their savings because they are passionate about a project, or they can just be people seeking profitable investment options.

Impact on MyMicroInvest's business

The existence of partnerships with professional investors is one of the basic elements of the structure of MyMicroInvest. These partnerships create a notable impact for the project holders and the backers as mentioned above and aim to support the platform's development and multiply the number of projects applying for funding through it. In fact, this expected impact on the number of projects applying for funding has not been achieved yet. Thus, MyMicroInvest still needs to reach out and recruit new projects.

The selection of the projects is being conducted by the platform based solely on the quality of the projects and not their sector of activity. This reflects the need for projects with high potential profitability that would attract professional investors' involvement.

A criterion of having a positive outcome for the society is also taken into consideration according to MyMicroInvest. But, as the main interest of the professional investors is profitability, non profit making projects and projects with low profitability are less likely to be selected.

Impact on the professional investors in the partnership

The impact on professional investors is more direct and obvious as they are part of the partnerships.

They get informed about companies requesting funds, that perhaps they would not be aware of otherwise. The access through the platform does save them time, as the business plans arrive directly to them in an organized way and they also have gone through a first check. However, as neither the platform nor the partnership aim at any specific sector, their choice of the types of companies has not necessarily been affected. What may have been affected by the partnerships is the size and stage of development of the companies they invest in.

Key factors for further growth of the platform and partnerships

Enlarge the network of contacts

In the case of MyMicroInvest the personal links with the partners seem to have played a paramount role for the initiation and continuation of the partnerships. These networks have motivated investors to fund projects they would not have been aware of. The initiation and first success of the platform was also based on this. However, this personal approach has also led to a structure that is not scalable. Personal connections are limited and even though a sustainable network has been created, scale up and cost cutting strategies are needed for the expansion of the business.

Selection of qualitative projects

Another element that MyMicroInvest stresses as very important for the success of the partnerships is the selection of high quality projects. Obviously, partners will decide to remain and keep cooperating as long as the expected results of the partnerships are reached. In this kind of partnerships the main expected outcome is profitability, thus the more successful the companies are the more possible it is for the partnerships to strengthen and remain in place for long-term.

Further diversify partnerships

As mentioned above the number of partnerships is expected to get higher in the future, meaning more of the same kind of partnerships (with professional investors) in a more scalable structure.

Additionally, other types of partnerships are also envisaged, MyMicroInvest mentioned their willingness to create more partnerships supporting the activity of the entrepreneurs being funded through the platform. For instance, they are considering partnering up with professional video makers and editors as well as digital marketers. These two partnerships would help create the on-line profile of the start-ups, presenting them in a better way to investors.

By making for instance high quality short videos presenting their projects and activities, convincing potential investors to support their cause will be done more efficiently. In the case of potential partnerships with digital marketers the purpose would be to rather support directly the activity of the start-ups. MyMicroInvest has noticed that digital marketing is often neglected by start-ups although it is considered as an element of major importance for their success. Thus, such a partnership would give access to the entrepreneurs to some tested and high quality digital marketing services potentially making them more successful.

Regarding the CCS sector there are not any partnerships foreseen, neither are there for any other sector in particular.





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Case study author: Jakub Gloser and Alexandros Vigkos, Ecorys

Layout: Jessie Pieters, IDEA Consult

Photos: Shutterstock

Do you have questions after reading this case study?
Contact the Crowdfunding4Culture project coordinator:
Isabelle De Voldere (IDEA Consult), isabelle.devoldere@ideaconsult.be