

# Crowdlending: Anatomy of a successful strategy

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Crowdlending is participation in peer-to-peer financing that allows individuals to directly finance projects or companies by means of interest-bearing loans. Crowdfunding appeared at the start of the 2010s, and developed quickly via internet platforms. In 2017, it represented more than 190 million Euros of loans to companies in France. However, developing a crowdlending platform has not always been easy; this is why researchers have asked which strategies an entrepreneur could implement to develop an innovative business model for the existing parties, banks, and for their future competitors: other platforms in the sector.

To answer this question, researchers conducted qualitative interviews with people working in this sector and analyzed the specific case of a crowdlending pioneer who had managed to innovate in two ways. First, he created a niche where he was the only market option, from the end of 2013 to 2016. That meant he could bypass the existing banking monopoly. Second, he helped to develop regulations that now "protect" all crowdlending companies and boosted the development of this market in France. His [strategy](#) benefited both his company and the entire sector.

The entrepreneur's strategy for achieving this can be summarized in three stages. The first consisted of bypassing the banking monopoly on his [platform](#) using "cash vouchers," a tool dating from 1937 that had long been forgotten. They allow personal loans to be made without a bank as intermediary. Secondly, by collaborating with future competitors, the public authorities and the sector's regulators, the entrepreneur contributed to the development of a long-term crowdlending regulation in France. This collaboration relies on the creation of a meta-organization called "Financement Participatif France" (FPF), which worked to define the status of "Intermédiaire en Financement Participatif" (IFP, equivalent to "crowdlending financing intermediary" in English), which regulates this new market. In his activity, the entrepreneur nevertheless continued

to use the cash vouchers rather than this new standing, because he was not obliged to and because it was more restrictive than the cash vouchers. So he remained the only user of this tool for three years until a new law ended his strategy, in a third and final stage.

This is the first time that researchers have observed the success of a "coopetition" strategy like this, i.e. a strategy based around simultaneous competition and cooperation, in a new sector with high barriers to entry, initially without its own regulations and bypassing an industry that is highly regulated and has existed for a long time. This strategy of collaboration between market regulator and platforms via a meta-organization is also the path being explored by another sector that is still ill-defined: cryptocurrencies.

Provided by CNRS

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