

# Success.



Co-funded by the  
Erasmus+ Programme  
of the European Union

Summary Report on Crowdfunding in Social  
Enterprises in Europe

# Crowdfunding in Germany



by Nathan Bonnisseau

COMPARATIVE RESEARCH NETWORK:



SUCCESS

**Author Nathan Bonnisseau (Plan A)**

**Report Italy** Guglielmo Apolloni, Andrea Veronelli & Claudia Cellamare

**Report UK** John Willcock & Jen Milner

**Report Poland** Pola Kamińska

**Report Ireland** Amy Keeley & Michael Ward

**Report Greece** Maria Lianou

**Report Germany** Nathan Bonnisseau & Tara Bernoville

**Design** Martin Barthel

**ERASMUS + PARTNERHIP SUCCESS  
Supporting Critical Funding for European  
Social Economy and the 3rd Sector**

2020-1-DE02-KA202-007404

Published by Comparative Research Network e.V., 2021

#### **Disclaimer**

The report was edited and published in the frame of the Erasmus+ Strategic Partnership SUCCESS. Erasmus Plus is financed by the European Union. The European Commission support to produce this publication does not constitute an endorsement of the contents which reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein. The external links in the ebook are being provided as a convenience and for informational purposes only; they do not constitute an endorsement or an approval by the project partners of any of the products, services or opinions of the corporation or organization or individual. The project team bears no responsibility for the accuracy, legality, or content of the external site or for that of subsequent links. Contact the external site for answers to questions regarding its content.



Open Educational Resources

# Our Partner ship.

**Comparative Research Network e.V.,  
Germany**

**Plan A, Germany**

**Stowarzyszenie Na Drodze Ekspresji,  
Poland**

**Mullingar Employment Action Group,  
Ireland**

**Institute of Entrepreneurship Development:  
iED, Greece**

**RLN U.K. , United Kingdom**

**School Raising, Italy**



# SUCCESS



## The Basics

The crowdfunding market size in Germany grew exponentially from 2014 to 2018. In 2018, the finance market size in Germany reached 1,276.00M€.

Thus, the market size-specific to crowdfunding is estimated at 400,000M. Accordingly, the German crowd investing market grew by an average of 220% per year between 2011 and 2015. Relatively speaking, the German crowdfunding market has developed considerably over the past few years, which is also reflected in the European comparison: in 2015, Germany was ranked 3rd behind France (2nd place) and the UK (1st place).

### Share of Crowdfunding at GDP

In Germany, crowdfunding at GDP is estimated at 0.03%.

The crowdfunding market has experienced accelerated growth in recent years, carried by the

development of P2P lending. Thus, the German crowd investing market grew by an average of 220% per year between 2011 and 2015. Unfortunately, numbers in 2021 are less promising.

The total market sank to €327.8 million, which is expressed by a decrease of 21.5%.

Moreover, real estate crowd investments declined by €254.9 million, representing a decrease of -18.9%.

On the other hand, mezzanine and equity-based corporate financing generated € 50.9 million, which decreased by 6.2% this year.

Furthermore, the credit-based crowd investments for businesses dropped by €3.6 million, translated by a considerable decrease of -89.1%.

However, crowd investments for energy projects increased by €13.4 million, increasing by + 44.8%. Finally, the cumulative crowdfunding amounts since 2011 stands at €1.440 billion.

**Crowdfunding is increasingly popular as an alternative financing tool for start-ups as well as for more established small and medium enterprises.**





## Challenges to Crowdfunding

The crowdfunding market has stagnated in 2020 and 2021. Due to the current pandemic caused by COVID-19 and a boost in savings rather than investments, the crowdfunding market peaked in 2018.

## Social Enterprises/ 3rd Sector

Probably due to the tradition of vertical integration or “pillarisation”, the notion of a third sector as an organisational field whose organisations share a common identity has not yet developed into “an island of meaning”.

in Germany. In everyday parlance, Germans refer to “Vereine” (voluntary organisations) and “Verbände” (umbrellas of voluntary organisations) when they talk about TSOs.” All in all, the terminology is not streamlined and clearly defined. Instead, concerning TSOs and their activities, an “everything goes” approach is prevalent in Germany.

The European third sector thus accounts for nearly 13 per cent of the European workforce. In Germany, there are 600,000 organisations present in the country. The third sector employs

on average 2.3M people, which accounts for 9% of the national workforce.

The third sector in Germany is particularly strong. Social services, health and sport are the most prominent pillars of a very spread out and balanced network of organisations. Moreover, the Third sector is central in the government’s strategy for social matters.

Thus, the third sector activities have shifted from an “association” approach to a tax-free GmbH (LLC) structure that allows them to conduct projects on a regular basis, as donations increased - motivated by the tax-free structure.

### Share of 3rd Sector at GDP

In 2021, the total share of the third sector was estimated at €5.5 Bn. This accounts for 1.42% of Germany’s GDP.



## Challenges to the 3rd Sector

In Germany, the third sector represents numerous challenges. In fact, TSOs seem to come under heavy fire from two sides.

On the one hand, individualization with diversified volunteer patterns, while needs of citizens and austerity pressures jeopardised the operational basis of TSOs' work.

Against this background, TSOs developed a pessimistic view of their future, leading to demotivation and uncertainty.

## Policies and Strategies

In Germany, the third sector enjoys comprehensive tax privileges, including the exemption from different kinds of taxes such as corporation tax and trade tax or property tax. Besides that, organisations are allowed to receive tax-deductible donations and grant tax-free allowances for their employees.

Furthermore, they can be exempted from governmental fees and access public subsidies. In 2020, the German government decided on an additional number of improvements for the third sector, granted through further tax cuts and bureaucracy reduction.

Crowdfunding is well integrated within third sector enterprises. In other words, crowdfunding serves as a support function for finance and marketing. Thus, public and private organisations have used

crowdfunding to support a specific project or a capital increase. The first group to seize this opportunity are younger organisations. Moreover, crowdfunding has seeped through institutional and traditional players.

Crowdfunding has added a financing option that taps into private resources rather than on public funding and support. Furthermore, the third sector has grasped this opportunity and is understanding which kinds of projects make the most sense to send forward for swarm financing.

Moreover, crowdfunding has the challenge of not being guaranteed and uncertain. This limits the possibility of the third sector entities relying entirely on crowdfunding. However, this form of financing is not meant to replace the others. Crowdfunding is a new means to realise a known project and generates popular support for a topic or a solution.

Interestingly, alternative finance has also breached several formerly closed





markets such as real estate. This is allowing organisations to buy their market space and ensure a more stable future.

It exists numerous research, reporting and projects on crowdfunding, in the third sector.

For example, Bundesfinanz supports crowdfunding projects.

Also, the famous consulting company Deloitte has realised numerous research on the topic and is yearly generating reports on the sector, focused on the German and European markets.

Then, Bundesverband crowdfunding is a German association and crowdfunding platform. The crowdfunding platforms jointly articulate their interests towards politicians in Europe,

in Germany and in the federal states. They work closely and trustingly with other business associations. They develop quality standards, the implementation of which is regularly checked and which set the future standard for the industry.

In general, crowdfunding income is tax-free if there is no compensation of any type, including monetary compensation, presents, perks, or bonuses.

However if there are compensations, the crowdfunding's taxation depends on the type of legal form. Thus, for private individuals, sole proprietorships or entrepreneurs in partnerships (GbR), a crowdfunding project is usually subject to income tax as soon as a profit has arisen.

Further, if a corporation (UG, GmbH) is starting a crowdfunding project, trade tax and corporation tax must usually be paid on the gain. Also, non-profit organisations are subject to value-added tax for the central part of their business areas.







## Education and Training

The training is performed throughout a wide variety of formats. It often includes videos or “wikis on how” pages are found on the internet.

Thus, workshops (in-person or online) is a popular training format. Also, information about crowdfunding is available in research papers.

Moreover, the focus of the training's content is project management, marketing, financing and communication.

This content is delivered by online crowdfunding platforms, training organisations offering courses on the topics (physical or online), associations and specialised actors.

There is a wide array of courses offered for the third sector. These courses are often online or realised on site. Often, these courses are

delivered by sector professionals, crowdfunding platforms, or by lifelong learning.

Which other crowdfunding trainings exist?

[crowdfund.de](https://www.crowdfund.de)

<https://www.99funken.de/>

<https://www.interreg-central.eu/BaFin>

<https://www.crowdfundport.eu/>

## Crowdfunding Platforms

In Germany, crowdfunding platforms support projects related to

- Product-oriented and innovative companies
- Real-estate
- Startups (equity crowdfunding)
- Campaigns, causes, and individual support.
- Animal welfare
- Community projects.

According to Visionbakery, an ideal crowdfunding campaign shall last for a duration time of 55 days. In general, most platforms propose easy and varied payment methods - which seem to be one of the success factors for crowdfunding campaigns.

Crowdfunding platforms offer support and training throughout one's journey. The platforms offer different services from onboarding on the platform to private training.





Then, it exists Academies that are knowledge and resources centres for educating people on the topic. It is also possible to receive training and support through educational papers, animations, sliders, handbooks, or playbooks.

## Crowdfunding Practices

### Practice 1 Crowdfunding in education

Investment in the future of SC Lemgow-Dangestorf

The crowdfunding campaign was operated with interest rates according to the donation.  
**Community Involvement:** Regarding community involvement, the campaign mobilised local sports teams to gather local businesses and families funding.

**Challenges:** The challenge of this campaign was to demonstrate the project's worthiness compared to other organisations - which were working with more direct educational topics of more disadvantaged groups.

**Opportunities:** The campaign aimed to collect 29000€ to build a new lighting system in the stadium. The funding is to be repaid over time with the help of the local government.

### .Practice 2 Crowdfunding in NGOs

Civic crowdfunding for the Wenzlow fire brigade

<https://www.leihdeinerstadtgeld.de/>

**Avg Size:** On average, the campaign collected 45€ per donor.

**Community Involvement:** The community involvement during the campaign was very strong. Thus, the campaign raised funds for the local fire brigade's equipment. By using an educational and engaging youth action, they were able to mobilise local supporters. Also, the organisation was featured in local and regional news.

**Challenges:** However, some critics challenged the legitimacy of this crowdfunding campaign to provide the necessary fire brigade equipment.

**Opportunities:** The campaign collected 4300€, donated by 95 supporters.



### Practice 3 Crowdfunding in social enterprises

#### Bonava

**Process:** Bonava started a month-long campaign with a huge interest from the press and had already pre-established a timeline for the campaign. The enterprise offered donors to choose some features to customise the experience for donors and make them feel part of the campaign. The company also developed a differentiated package for donors to incentivise them for more significant donations. Further, the campaign provided exciting sections such as “risks you might be concerned about” or numerous design visuals to make the product tangible.

**Avg Size:** On average, the campaign collected 302€ per donor.

**Community Involvement:** During the campaign, the company tried to involve the community in the creative process. For example, the enterprise created a competition to design the coffee machine. It also made its product roadmap customisable depending on the amount of money collected.

**Challenges:** Unfortunately, the company could not connect with its donors and got negative press for it.

**Opportunities:** The campaign collected on average 681.461€ in 26 days, donated by 2254 donors.

#### Source:

<https://www.kickstarter.com/projects/jimguldi/worlds-first-roast-grind-brew-coffee-machine>

### Practice 4 Crowdfunding in typical context

#### TINT Yoga

**Process:** Tint Yoga connects yoga teachers and yogi to offer training, and decided to launch a crowdfunding campaign. The crowdfunding campaign was run following an equity funding model. The concept was to give shares of the worth of the company to finance its growth. Thus, this crowdfunding format allowed the company to get a much higher valuation through a much easier path than securing funds from a classic vehicle.

**Avg Size:** On average, the campaign received donations from 136 investors for 10,39% of the company, evaluated at 2.7M€. This is translated by a donation of €1942 per investor.

**Community Involvement:** There was a significant community involvement surrounding the founder, who is an influential young

yoga figure, online. Hence, the support from fellow yogis with an aligned vision helped the project take off.

**Challenges:** The main challenge of this campaign was to secure support from private companies and more prominent donors. Thus, this fundraising strategy has also put more pressure on delivering results without the permission of solid business partners.

**Opportunities:** The campaign was a clear success as it raised more than €270,000 with no clear product, plan or strategy to pay off.

