Alternative financing is the future for Generation Z

The concept of crowdfunding is growing exponential. With its low interest rates for loan takers and high returns for borrowers, this concept can be seen as the new black in the world of financing and has featured in various publications around the world. However, Danish consumers appear to be unaware of what crowdfunding is, and whilst several markets; such as the UK and USA, are in high growth there are currently few actors on the Danish market. Due to the current high rate of household debt by GDP and the growing volume of consumer loans, this article focuses on Generation Z as it seeks to investigate the potential of one particular area of crowdfunding; that is P2P lending.

Keywords: P2P lending, Crowdfunding, Generation Z, Alternative financing

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Background and purpose

Traditional ways of finance are losing their monopoly, one particular disruption is the concept of crowdfunding (Smidstrup, 2016). A spin off of the sharing economy, crowdfunding is in positive growth globally. Hardly the new kid on the block, crowdfunding is reported to have begun in the UK in 1997 when the rock band Marillion financed their reunion tour using a fan-funding website, ArtistShare (Miller, 2015). A phenomenon not reserved to artist or for that matter private funding as Mainwaring points out, already in the 1990s "… many cities in the United States had "community chests," social organisations that collected money from businesses and workers to use for civic projects." (Mainwaring, 2011).

In Europe there was an average growth in crowdfunding of 146% from 2012 to 2014 worth 3,28 Billion USD with the largest growth in Asia at 320% in 2014. In the same year, 339 projects were funded through crowdfunding in Denmark. (Reumert, 2015) (Massolutions, 2015).

All the major platforms carry out robust credit checks. This is partially influenced by the fact that a vast majority of the people building the credit models and systems behind the scenes are headhunted from banks. However, the Economist reports that by the end of 2015 "nearly a third of all Chinese Peer-to-peer lending, an area of crowdfunding, (henceforth referred to as P2P) companies (1,263 out of 3,585) had run into difficulties." (Economist, 2016). One such company, Yirendai, was reported to have become the first Chinese "fintech" company to go public abroad and was listed at a valuation of approximately 585 Million USD on the New York Stock Exchange. (Economist, 2016). Yet, on the other side of the globe, in May 2016, USAs Lending Club fired their CEO, Renaud Laplanche, after an internal investigation found anomalies with loans sold to investors to a value of 22 Million USD causing a 34% fall in share price following the announcement. (Corkery, 2016) (Rudegeair, 2016)

Whilst these two specific examples are some distance from Denmark geographically, there is also evidence of the risks involved in crowdfunding as close to home as Sweden with the Swedish P2P lending platform, Trustbuddy. After 6 years of operating, Trustbuddy declared bankruptcy resulting in approximately 5,1 million USD[1] disappearing. (Mandrup, 2015). When investigating each of these examples more deeply, it is evident that mismanagement of these P2P platforms is the underlying pattern for their failure.

While crowdfunding is typically associated with start-up companies, this report seeks to focus only on one area of crowdfunding on a positive trend in its own right; that is P2P lending. Whilst P2P lending is growing rapidly in the USA (Wardrop, et al., 2016), the UK and several areas of Europe; including

[1] All currency conversions are based on currency exchange rates from Valutakurser.dk on 9th August 2016

Switzerland and Germany (Griffiths, 2016), it is still in its infancy stage in Denmark.

This report seeks to investigate the future potential of P2P lending on the Danish market from the aspect of the financial sector and more specifically, financial institutions. For this purpose, and in order to gain a multi-fold perspective of the sector as a whole, the research focuses on the two predominant high street banks on the Danish market; that is Nordea Bank and Danske Bank (Finansraadet, 2016), as well as a smaller local cooperative bank.

The investigation will focus not on the more mature consumer tied to their traditional financial provider by larger loans e.g. mortgage, car etc. but rather on a more mobile target group, a younger generation with a currently low income and thus no major tie-in to their financial institution. As such, in considering the digital nature of P2P lending the researchers seek to couple the low tie-in to financial institution with a target group defined as disloyal to any specific service provider, thus actively mobile and where digital platforms are a fundamental part of their everyday life. Furthermore, the paper focuses on Generation Z, a generation having grown up with the internet and often referred to as the "Digital natives". (Mendgaard-Larsen & Krogh Knudsen, 2015)

In addition, the research will use as a case study the first, and at the time of conducting the research, August 2016, only P2P lending platform on the Danish market; that is Better Rates A/S (henceforth referred to as Better Rates). Operating since August 2015 Better Rates proclaims themselves as Denmark's first real social P2P investing and lending platform. (Rates, 2016). During the study contact was attempted with Better Rates A/S in order to secure an interview however, these attempts proved unsuccessful. Even so, the platform – being the only P2P lending platform available on the Danish market – was still deemed a worthy case study by the authors.

Whilst the study focuses on Generation Z, where individuals are typically partaking in some or other form of further education, the study does not consider the Danish state educational grant and loan scheme known as 'SU'. It can be argued that this is a relevant consideration. However, in order to concentrate the study, the authors consciously chose not to include SU into the perspective of the study as this in itself could constitute a new and related area of research. Instead, the paper concentrates focus on private lending opportunities and more specifically, P2P lending. This does not include funding for start-ups or intra-family loans but rather concentrates on P2P lending between existing and new networks; whether real life, digital i.e. via social media and/or gaming or formed via a P2P lending platform or existing outside of said. One could argue that cultural dimensions, for example individualism and collectivism (Geerthofstede.com, 2016), are a necessary consideration for a study looking into the interactions of individuals with one another within a society. However, this will not form a part of this study.

The research seeks to identify the potential of P2P lending on the Danish market. Whilst literature was originally collected from a wide range of international sources, in order to gain insight into the Danish market, it was considered necessary to interview experts within the Danish market and the sector of focus; i.e. the financial sector, as well as experts in the area of the focus target group, Generation Z. For this purpose, interviews were conducted with a diverse range of actors including; professors, private researchers, financial institutions and regulators.

Furthermore, in order to verify the data collected from existing sources and expert interviews, the researchers carried out focus interviews with students from several disciplines. Having a varied representation of students, served a secondary purpose, that of minimising bias - as it is well known that certain types of individuals are attracted to certain fields of education (Humburg, 2012). The focus on students was primarily aimed at capturing verification from Generation Z. In order to further minimise the possibility of bias, students participating did so on a voluntary basis. A total of 20 students participated. One group from a state college and 3 groups from a business academy; of these 1 marketing management and 2 finance management groups. The average age of the 20 students was 22 years old, with both sexes represented during the focus groups. Due to the voluntary nature of participation in the focus groups, the representation was of an uneven character with 14 boys and 6 girls participating in total.

Crowdfunding as a concept is evolving rapidly in several directions and is embraced by the private sector, consumers and the public sector. It is not a complex phenomenon and is defined simply by several experts in the field. The following section is a compilation of various viewpoints that form a consensus in their own right of the concept of crowdfunding.

Definition of crowdfunding and P2P lending

According to Miller, crowdfunding expert, crowdfunding is the concept of "bringing together various individuals who commit money to projects and companies they want to support." It is a rapidly growing market transforming both consumer and business lending behaviour. (Miller, 2015)

Crowdfunding is a part of the digital sharing economy wherein anyone with disposable income has the possibility to support start-up companies or projects with financial support (Reumert, 2015). Furthermore, crowdfunding is an umbrella term that can be divided into 5 subcategories as demonstrated with examples of existing successful platforms in the table below:

Table 1: Types of crowdfunding

Crowdfunding	
Reward-based Crowdfunding Funding small businesses and non-profits in return for some type of incentive, most often a product sample. Kickstarter (USA) Indiegogo (USA)	**Peer-to-Peer Lending** Also known as consumer-to-consumer lending. Private individuals funding one another. LendingClub (USA) Prosper (USA) Better Rates A/S (DK)
Donation-based Crowdfunding Funding not only humanitarian projects but also private projects that are deemed worthy. Kiva.org (USA) GoFundMe (USA)	**Equity Crowdfunding** Funding businesses in return for share capital. AngelList (USA) FundersClub (USA) Flexfunding A/S (DK) Lendino A/S (DK)
Other types of crowdfunding	

Source: Adapted from (Reumert, 2015)

According to the Financial Times Money guide, the type of crowdfunding focused on in this study, i.e. P2P lending, involves matchmaking whereby individuals willing to lend their disposable income or savings to interest-paying borrowers connect via online platforms. The online platforms act as facilitators of the lender/borrower relationship without taking them on to their own balance sheets. There are different types of P2P lending; lending to small businesses, lending to individuals and a combination of the two. According to Williams, P2P lending is cutting out the intermediary, that is the banks, by attracting customers away from traditional lending. This is due to the fact that P2P platforms are able to offer attractive rates by amongst others, cutting out traditional costs; such as bricks and mortar branches and capital requirements. (Williams, 2016).

According to the Financial Services Authority (Henceforth referred to as FSA) of Denmark the term P2P lending is attributed to activities where people or companies wish to make or receive loans from other people or companies. The two parties typically register with a P2P lending intermediary via a platform accepting the terms and conditions laid out by the P2P lending intermediary. Both parties are then given the option to receive or make loans to other registered borrowers and/or lenders and lenders' funds are typically broken down and spread across a range of diverse borrowers in order to minimize the lenders risk. (Finanstilsynet, 2013).

As stated during the introduction, the focus of the research is on the P2P lending market; i.e. where private individuals interact on a crowdfunding platform. Furthermore, the research will focus on banking customers at the early stages of the banking customers' lifecycle; i.e. those existing banking customers within the Danish market who do not currently have a high usage of their bank; that is Generation Z.

Generation Z definition and characteristics

Generation Z is characterised as the generation group following the millennials, born between the mid '90s and '00s (Randstad, 2014) - typically 18-25 (at time of writing) - having grown up with the internet.

Business Insider defines Generation Z as those born after 1995 and as such, individuals whom are unaware of a world without the internet.

Furthermore, Generation Z is the first generation to have internet technology readily available from a young age (Prensky, 2001).

According to research by MADE, Generation Z are the same generation known as the "Digital natives". (Mendgaard-Larsen & Krogh Knudsen, 2015) Indeed, they have borne witness to the risk of new technologies quickly becoming obsolete and as Benhamou states "they have become the ultimate "self-educators"." (Benhamou, 2015) Turkle provides an explanation that Generation Z find online life more satisfying than real life, (Turkle, 2011, p. xi) describing real life as "just one more window," and not necessarily their best (Turkle, 2011, p. xii). This generation is more mobile than previous generations who were tied to their desktops "tethered by cables to cumbersome computers (Turkle, 2011, p. xii). They carry their network with them so that they can be with each other all the time. They are the generation who have grown up with mobile phones and thus expect more from technology and less from each other (Turkle, 2011, p. xii). According to Benhamou, they "live in constant "FOMO", fear of missing out. They can't stand the idea of not being in the loop when something new and exciting comes along. "Facebook is their main poison" (Benhamou, 2015). Business Insider describes Generation Z as "more conservative, more money oriented, more entrepreneurial and pragmatic about money compared to millennials." (Edwards, 2015).

Trust is a keyword for this generation as they are the generation that have grown up during and after the financial crisis and therefore have a higher rate of awareness of risk and a fear of having a bad private economy. They are called the 'Crisis generation' stemming from their scepticism of the financial world. (Mendgaard-Larsen & Krogh Knudsen, 2015)

Whilst the financial crisis has had a large and significant impact on Generation Z's attitude towards the financial sector. At the same time, the financial crisis is proving to be a thing of the past with the Danish private economy showing a steady recovery.

Current Danish private economy status

Compared to other European countries, Danish private economy is traditionally characterised by high debt. (OECD, 2016) At the same time, household income in Denmark is rising as a result of rising wages and employment. Thus, driving private consumption; with a growth in domestic demand expected at 2% from 2015 to 2017 and real disposable income forecast at an average growth rate of 2% per annum in coming years. In addition, low interest rates have boosted disposable income by reducing net interest expenses for households. (Nationalbank, 2015)

According to Denmark's National bank's lending survey, overall credit standards for retail and corporate customers were virtually unchanged from the 4th quarter of 2014 to the 1st quarter of 2015. However, competition has contributed to further easing of conditions by the banks with demand from both existing and new retail customers increasing in the 1st quarter of 2015. Overall, the banks and mortgage lenders expected demand for loans from all customer segments to rise in the 2nd quarter of 2015. (Nationalbank, 2015, p. 25)

The fall in interest rates has a direct impact on consumption and investment by increasing disposable income and reducing financing costs, whilst at the same time affecting the housing market in the form of upward pressure on prices, increasing household wealth and consumption. This development is supported by high consumer confidence and could potentially be even stronger than forecast in the projection if the consumption ratio normalises rapidly. (Nationalbank, 2015, p. 27)

The correlation between household wealth and private consumption is traditionally strong, i.e. increasing wealth leads to higher private consumption. Since 2012, however, the development in private consumption has been weaker than warranted by the increase in wealth, it is this that implies potential for stronger growth in consumption than forecast in the projection; given the current positive sentiment among households as reflected in the consumer confidence indicator. (Pedersen, et al., 2015, p. 46)

In 2010 the total value of quick loans on the Danish market was approximately 5,5 Million USD growing to approximately 78 Million USD in 2015 (Allingstrup, 2016) (Konkurrence -og forbrugerstyrelsen, 2015). An increase of 1318%. At the same time, the increase in quick loans in Denmark from 2014 to 2015 was 17%. (Sope, 2016), thus indicating that whilst there is continued growth, the growth is slowing.

According to Euromonitor International (2016), 2015 saw a continued improvement in the Danish economy stimulating consumer credit in the same period. This led to an overall positive growth in consumer lending. At the same time, the number of quick loan options increased. Whilst consumers act more cautiously as a consequence of the financial crisis; when considering their financial liabilities, the aggressive marketing tactics of the quick loan providers has led to an increase in the number of consumers taking such loans; mainly due to the ease at which the loans can be taken. (Euromonitor International, 2016)

At the same time, in their attempt to dissuade consumers of hoarding their cash, most banks have carefully avoided charging consumers for current accounts and deposits as a means of offsetting negative interest rates. However, Richard Milne, Nordic and Baltic Correspondent at the Financial Times states that Scandinavian bankers may well change this if the negative interest rates continue over a longer period (Milne, 2015).

The aftermath of the financial crisis had a significant effect on Generation Z's attitude towards the financial sector. This, coupled with other factors such as continual advancement in technology and general consumer demand for convenience has led to the financial sector responding in several ways.

Danish banking trends

Reports of banks closing down branches and restructuring in Denmark have been plentiful over the last few years. This is neither due to the effect of the financial crisis nor is it focused on an attempt to cut costs as they avoid charging consumers for accounts and deposits but rather, according to Kenni Leth, press secretary for Danske Bank, it is due to consumer behaviour, as customers utilise their financial institutions differently than before. One example of this is Danske Bank's observations of an example of the time taken to process financial services, i.e. that of mortgage loans where in 2016 it takes an average of 818 minutes to process the credit evaluation, collection and administering of diverse documents and registration etc. The proposal by Danske Bank's Director of Wealth Management and Personal Banking is that the process be cut down to 80 minutes. According to Berlinske Business some progress has been made, for example, previously it could take 2-3 days for a consumer to receive an answer on a mortgage loan whereas today (2016) it can be done in a quarter of an hour. (Berlinske Business, 2016). This goes to prove that the Financial sector is moving in the right direction where consumers are concerned.

Further evidence of consumer behaviour driving change can be found in Leth's statement that it is the customers of the banks that decide the development and that the trend for internet banking is growing exponentially amongst bank customers. (Berlinske Business, 2016). This is evident in the fall by 41% in traditional over the counter transactions that Danske Bank experienced in the period 2009-2012 corresponding to the number of branches falling by 31%. (Holm, 2012) However, Singh argues that it is not only digitalisation that has changed consumer habits, the financial crisis of 2008 has also affected the consumer relationship as banks started tightening their consumer lending policies. (Singh, 2016)

Furthermore, Danish banks have shown evidence of responding to consumer trends with the development and wide adoption of mobile payment facilities such as MobilePay [2] (DanskeBank, 2016) and WeShare (Madsen, 2016).

According to Danske Bank's statistics on MobilePay for 2016, it is the 3rd most used app in Denmark after Facebook and Facebook messenger with 9 out of 10 smart phones having registered the MobilePay mobile phone application (henceforth referred to as app) with 155 Million transactions worth a total of over 6,3 Billion USD (DanskeBank, 2016) and with what can be considered an even distribution of sexual orientation with 52% of users women and 48% men. This is a substantial leap from the 2,7 Billion USD transferred in 2015 and the 1 Billion USD transferred in 2014. At the same time, as of December 2015, MobilePay represented a mere 0.4 % of the total in store card payments. (Rychla, 2016)

Further facilitators of the rising trend of mobile payment facilities is the wide acceptance of such payments from various vendors. Danish consumers

[2] **MobilePay**™ is an application for payments via smartphones developed by Danske Bank. The application was released on May 7, 2013.

can amongst others, buy train tickets, postage stamps and support charity organisations using such payment apps. In addition, 87 out of 98 municipalities have an agreement with MobilePay whilst more than 2,700 web shops accept MobilePay as payment. (DanskeBank, 2016)

It can thus be argued that the Danish banks, realising the opportunities made available via digitalisation, continually focus on developing and offering multiple digital platforms to feed the hunger of consumers' need of time saving convenience and mobility. However, they cannot be complacent to the effect of digitalisation on other areas of their traditional product offerings. This is no more evident in lending, where crowdfunding and P2P lending are becoming more competitive and, especially since the FSA changed the rules opening the market up to competitors other than banks and thus opening opportunities for the likes of crowdfunding; and with it P2P lending. This is not to say that the traditional financial institutions themselves should not consider embracing the opportunity to extend their product portfolio. One example of this can be seen in Nordea bank's Finish branch who have introduced their own crowdfunding platform; after changes to local legislation made it possible. Their intention is to grow the market further focusing on the Nordic countries; as and when the current local legislation changes have been made in each country (Nordea, 2016). This indicates their confidence in expected legislation change in the financial sector.

At the same time, several mergers took place in 2015; for example, Jyske Bank merged with BRFkredit Bank and Nordjyske Bank merged with Nørresundby Bank. While not an anomaly of the financial crisis, this behaviour creates a more competitive environment meaning more opportunities for consumer in terms of both products and services. (Euromonitor International, 2016)

Current P2P lending in Denmark

According to the Danish FSA, there has been a development towards acquiring financing for diverse projects through other sources of finance than traditional banking over the past few years; both abroad and in Denmark. (Finanstilsynet, 2013)

At the time of writing, and as mentioned previously in the introduction, the only P2P lending platform in Denmark is Better Rates. Statistics provided on the platform demonstrate that the majority of loans fall under categories similar to those of consumer loans. Headings include, amongst others; 'låneomlægning' refinancing of existing loans and 'Større Køb' major purchase at 26,3%. This does not include mortgage loans, home improvement loans, or car loans as these come under a separate category of their own. With home improvement the second highest category at 20,% [3]. Other categories include 'Rejse' travel and 'uddannelse' education. Table 2 below demonstrates the rapid development of the Better Rates P2P lending business model.

Table 2: Better Rates A/S growth

Date 2016	Members	Loan applications	Value in Million DKK	Value in Million USD[4]
09.08	2562	2125	54,2	8,0
22.11	3440	2911	76,6	11,3

Source: (Better Rates A/S, 2016)

Whilst table 2 above demonstrates an impressive growth rate of 41% based on value and 37% based on the number of loan applications within a time period of approximately 3 months, the most recent profit and loss account 2014/2015 dated almost a year earlier, 30th September 2015, is less impressive with a gross loss of the equivalent to 10,643 USD compared to the previous year of 6,287 USD. At the same time, it is noteworthy that out of total assets worth 59,736 USD, there is a cash amount of 49,366 USD thus leaving little opportunity for investments; such as marketing.

Furthermore, the number of loan applications is considerably limited when comparing to the traditional high street banks whom, at the end of August 2016, had outstanding loans to Danish households worth approximately 73,7 Billion USD thus leaving an extremely limited market share to Better Rates (Danmarks NationalBank, 2016).

Examples of investor returns offered by Better Rates range from 6,99%-15,99% (Rates, 2016). Furthermore, Better Rates offers better returns on investment than simply leaving cash in the bank,

[3] As at 13th October 2016 (Better Rates A/S, 2016)

[4] Based on the exchange rate of 675 as of 13th October 2016 from valutakurser.dk

usually at deposit rates close to 0%. Better Rates state that the borrower is able to borrow at lower interest rates than in a traditional financial institution. (Rates, 2016). When comparing borrower interest rates of Better Rates, for example with Nordea bank. Nordea bank's interest rates are at an average of 10,7%[5] (Finansrådet & forbrugerrådet, 2016). With Better Rates' lowest annual percentage rate (APR) at a comparable 9,40% (Better Rates, 2016). Additionally, for the borrower, rates are marginally lower when compare to a quick loan; for example, the lowest effective APR available at Ekspres Bank is currently, at the time of writing, 12,03%-27,12% APR (Bank, 2016) compared to 9,4% APR offered by Better Rates. According to Lars Nielsen, reporter for Privat Økonomi Finans, bank loans are no longer the cheapest solution when considering a consumer loan of approximately 3,700 USD with a running time of 5 years. (Nielsen, 2016) Indeed, Better Rates (2016) states the following on their website "Compared with bank deposit rate(s), investors can obtain a better interest rate on their money by investing in loans directly outside the bank and borrowers can obtain a lower interest rate on their loan when utilising P2P platforms as it is more cost effective than the banks; which have high costs related to staffing, branches, handling and regulation." (Rates, 2016) Thus the advantages of P2P lending as an alternative to depositing ones hard earned cash, at a time where interest rates at traditional banks are at record lows and added fees are expected, can be seen as an opportunity for consumers.

P2P lending's biggest criticism is that it has not yet experienced a financial downturn and has yet to come under any significant pressure. (Williams, 2016) However, Meekings, UK Managing Director of Funding Circle, one of the top three providers of P2P loans by market share in the UK, argues that whilst this is certainly the case, when stress testing at a UK GDP drop of 4%, interest rates risen above 4% and inflation surpassing 6% still produces a satisfying return for investors at 5,5%. (Williams, 2016)

Relationship Manager of Private Banking Exclusive at Jyske Bank Denmark, Smidstrup stated during an interview that P2P lending appears riskier than traditional crowdfunding, i.e. crowdfunding supporting start-ups and entrepreneurs.

When asked if Jyske Bank have any interest in crowdfunding, Smidstrup answered that crowdfunding is not something that is discussed. However, she is aware of platforms, in particular, *Outside of Bank* ("Udenom Banken") (Smidstrup, 2016). A niche crowdfunding platform concentrating on mortgage loans. (Udenom Banken, 2014). Described in the Danish Financial Times as an alternative form of internet service for those who are refused a mortgage and furthermore as a competitor to banks throughout Denmark. (Ritzau Finans, 2014). During the research for her thesis, Smidstrup conducted a field study of consumers on the streets of Århus on crowdfunding. Smidstrup found that while many had heard about crowdfunding, they were not aware of the details and many appeared sceptical about these platforms. (Smidstrup, 2016).

Leading Danish crowdfunding platforms

As part of the study the researchers interviewed the CEOs of the two leading crowdfunding platform companies in Denmark; Flexfunding and Lendino. Unlike Better Rates, they are both primarily focused on crowdfunding for start-ups. We wanted to investigate whether their growth plans included considerations of the P2P lending market. Both expressed little interest in the P2P lending market presently.

Vad M.Sc. Law, with his 17 years' experience as CEO in ScandiaBanken, is currently Founder and CEO of Flexfunding, Denmark. According to Vad, the regulatory demands from the Danish FSA for banks is larger than that for alternatives especially when considering capital requirements. (Vad, 2016). This could be seen as an opportunity and low entry barrier for alternative financing. Furthermore, the PSDII Directive of 25th November 2015, will be implemented into the Danish law no later than 13th January 2018. The Directive seeks to improve competition by opening up payment markets to new entrants, thus fostering greater efficiency and cost reduction (Commission, 2016). This means that consumers are better protected and that new entrants can request, by permission of the individual consumer, the consumer's information pertaining to

[5] Cost of interest rate applies for customers of the loyalty programme "fordel+kunde". Advantage+ customers

the transaction at hand. (Ernst & Young Global Limited, 2016, pp. 4-5).

Vad explains that there are no laws regarding crowdfunding in Denmark and that the EU do not want to overregulate this area of the market, rather, they are more keen on following the development. At the same time, it is important to point out that currently, law regarding crowdfunding is on the national level. (Vad, 2016) Both Vad and Christensen, CMO and Partner of Lendino, Denmark, expressed their own concern of the hindrances of the potential for developing the crowdfunding market due to the mismatch of their business concept and current financial regulation. However, when interviewing Hansen, External Lecturer at Copenhagen Business School and Author of Årgang 2012, he commented that if existing crowdfunding companies think that there is not an opportunity in P2P lending then they are sorely mistaken. (Hansen, 2016)

On the other side of the ocean, in the UK, former FSA Chief Lord Adair Turner is quoted in FT Money as predicting, "The losses which will emerge from P2P lending over the next 5 to 10 years will make the worst bankers look like lending geniuses". (Williams, 2016, p. 2) Turner's predictions of risk are mirrored in warnings by the Danish FSA, issued in 2013; that activities connected with crowdfunding include white washing and terrorism financing. (Finanstilsynet, 2013)

At the same time, according to Vad, both politicians and the media are not only interested but also positive about the development of alternative financing opportunities on the Danish market. As part of the research the authors interviewed Annette Broløs, CEO and Cluster Manger of Copenhagen Fintech Innovation and Research (CFIR). Broløs stated that the Financial sector is not a priority for politicians. In Broløs's opinion, awareness of crowdfunding is generally not very large. With the challenge being a question of the demand for security, it could be this that affects demand for crowdfunding. Broløs continues to explain that it is a question of how large a need there is for trust between lender and borrower. (Broløs, 2016). Furthermore, Broløs continues that in Denmark consumers are used to a very traditional market and a known concept. When asked directly to predict the future growth of the crowdfunding market in Denmark, Broløs stated that there is a possibility for banks to create their own crowdfunding platform. However, they could end up cannibalising their own product offering by doing this. (Broløs, 2016). According to Smidstrup, politicians appear to be in favour of promoting crowdfunding and Smidstrup expects that investments such as pension funds could be allowed to be used to invest in crowdfunding platforms in the future. (Smidstrup, 2016).

Williams (2016) reports in the UK Financial Times on the potential of P2P lending as a pension investment and a more positive alternative to tax free 'ISA' accounts. In the UK, the P2P lending industry grew to 4,2 Billion USD from 2005-2016. One determining factor of this is the attractive returns on offer and, even though critics warn of the greater risks involved, the prolonged low interest rates coupled with the cautious and more risk averse lending from traditional institutions has continued to pull interest in the direction of P2P lending at a growing rate.

Interestingly, Christensen stated in his interview that left winged political parties appear more favourable towards crowdfunding than right winged parties. (Christensen, 2016). From the political side, Smidstrup (2016), states that policy makers are responding positively to opening up the possibility of competition by accommodating alternative financing possibilities (Smidstrup, 2016). Alternative financing is not always included under the scope of the existing financial laws, as such, the Danish FSA published a report in November 2013 focusing specifically on crowdfunding and P2P lending, with an update in April 2014, setting out the rules that alternative financing forms must observe and meet. This was a spin off from the note specifying that alternative financing forms must adhere to marketing laws and good ethics. (Finanstilsynet, 2013)

When asked what they saw as their main challenge in entering the financial market both Vad and Christensen stated a lack of awareness by stakeholders. Both agree on the need to inform customers, stating that there are many who don't know who or what they are. Christensen stated in his interview that there is a need to inform and educate investors. Furthermore, when asked whether Lendino is a competitor or alternative to banking, Christensen states that in some instances crowdfunding companies compete with traditional financial institutes. Yet, on the other hand, many of the borrowers who come to them are those whom cannot borrow from the banks. (Christensen, 2016). These two Danish companies consider themselves as facilitators of lenders and borrowers where in some instances they compete with the current financial sector and in other instances they complement it as they are a better match for start-ups that have not been awarded a loan by the banks and where the banks have assessed the start-up as being of too high a risk. In this instance they are addressing a need and filling a market gap. The challenge for alternative financing is informing customers what it is about whilst simultaneously convincing them that it is secure. As according to Vad some customers see alternative financing as a threat whereas others don't know what it is about (Vad, 2016). In Vad's perception crowdfunding businesses are not necessarily competing with the traditional banks, they are merely expanding the market. When asked directly to predict the future growth of the P2P lending market in Denmark, Vad replied that it is merely a question of time (Vad, 2016). At the same time, Vad describes P2P lending as a market that he does not find interesting as it usually involves individuals who do not have an overview of their economy. Rather, Flexfunding's long-term strategy is to concentrate on offering multiple products, in multiple currencies e.g. car, house and retail loans. That is to say that Flexfunding is concentrated on operating cross border. In this respect Flexfunding have acquired the largest license available from the Danish FSA which they see as their competitive strength. In 2015, Flexfunding developed their own credit scoring system and ran a beta loans system for a year. The beta loans generated a turnover of 1,5M USD in 2015, the same turnover was generated again in Q1 of 2016. From Flexfunding's Profit and Loss account for 2015 it is evident that they are still in start-up stage themselves, not being able to prove their profitability with an EBIT loss of 511,343 USD compared to 402,414 USD in 2014.

Lendino's Profit and Loss account paints a similar picture. At the same time, both companies appear to have sufficient funds to make further investments in the market with Flexfunding having approximately 1,7 Million USD available cash as of 31st December 2015 and Lendino having 903,948 USD. (Flexfunding, 2015) (Lendino, 2015)

During our interviews with Vad (2016) and Christensen (2016) it became evident that both companies are concerned and focused on the risk of borrowers defaulting on loans, as cases of defaulting could gravely harm the potential market for crowdfunding in general. Whilst both companies currently conduct traditional credit assessments in order to minimise their chances of risk through defaulting, at the same time they are both looking at alternative credit assessment options in order to improve the overall credit assessment process.

Digital credit assessment

One alternative method that could be used to improve the cost and efficiencies of the credit assessment processes is the technological development of the use of big data. Whilst data mining is not a new phenomenon, the ability to process big data for purposes such as credit assessment is. More recent examples of uses of big data when data mining include companies such as Upserve. Upserve, a US based start-up, harvests consumer data from 7000 restaurants and has teamed up with Square Capital a division of Square Inc., a mobile technology firm, supplying the data that is then used for credit scoring restaurants looking for loans for growth and expansion. Square Capital currently have a default rate of 4%. (Upserve, 2016) (Wang, 2016)

Denmark is no stranger to the mining of consumer data. Danish-Spanish start-up Plytix ApS established in April 2014 appeared on the market at the end of September 2014 and received an initial investment of 0,55 Million USD in their second attempt at raising capital. (Steensgaard, 2015) Similarly, Lenddo, launched in the Philippines in 2011, can be described as an alternative method for individuals with a lower income and limited, if any, credit history to qualify for and receive loans by assessing credit risk using Facebook data. This enables the individual's online social networking community to judge borrowers' creditworthiness. As a borrower, the algorithm behind the app developed by Lenddo pulls the applicant's data from social media sites creating a tested and reliable predictor of likelihood of repayment based on, amongst others; what is liked, number of likes as well as individual comments. (Hempel, 2015).

More specifically, the LenddoScore is a predictor of an individual's character or 'willingness to pay'. It is seen as a complement to traditional underwriting tools and credit scores, rather than a replacement, due to its exclusive reliability on non-traditional data derived from individuals' digital trail and online social behaviour and can also be used as a stand-alone product. (Lenddo.com, 2016) According to the website, it is proven to better discriminate between high and low risk loan applicants and, by the summer of 2014, enough data had been gathered to prove that the Lenddoscore algorithm created a trustworthy score of credit worthiness. (Lenddo.com, 2016) This has meant a change in business for Lenddo moving from financial lender to supplier of a trustworthy credit scoring algorithm 'The LenddoScore' to financial institutions. According to Stewart, the digital trails left by loan applicant, through their use of the likes of Twitter, Facebook, LinkedIn, Google, Yahoo, and Hotmail provides a stronger indication of ability and willingness to repay a loan than traditional credit scorings especially when it comes to consumers that are moving up from lower to middle class. (Hempel, 2015)

Stewart states, "We don't share any of the data, only a score." (Hempel, 2015) In some cases, Lenddo also asks members to select a group of "trusted friends" as references, drawing from a proven microfinance strategy. If the borrower is unable to pay back the loan, their references will be deemed less creditworthy (Hempel, 2015) thus adding a sense of responsibility to the equation. Whilst some individuals are sceptical about P2P lending (Corkery, 2016), the transparent nature of the platforms, allowing lenders to access information on the borrowers, can be seen as a creator of trust. Thus allowing lenders to make an informed decision on who and what they want to lend to. The Danish platform Better Rates confirms that information is provided for each individual loan such as; "RKI / Experian data and verified data from the Danish Tax Authorities (SKAT), which the lender may use before a decision is made to fund the loan. The lender can also see the principal loan amount, interest rate, maturity and monthly payment. The lenders choose how much of the principal loan amount they wish to fund which can be as little as 15 USD.

Consumer trends

In his book The Thank You Economy, Vaynerchuk (2011, p. 8) states that "From now on, the relationship between a business and a customer is going to look very different from the way it has looked in the recent past." Whilst referring specifically to the effects of social media, this statement can easily be superimposed onto the effect of digital disruption as a whole.

This is supported by Mainwaring (2011, p. 151) as he states "The combined consequence of the internet, social media, and smartphones heralds what is potentially the greatest disruption… . .. these tools accelerate the public's access to information, communication, and awareness on an unprecedented scale in terms of how many individuals can be reached, the number of ways they can be connected, and the amount of information they can access instantaneously."

Gladwell (2010) cited in Mainwaring (2011) argues that social media creates weak ties. However, there is strength in weak ties and the internet is "terrific at the diffusion of innovation, …, seamlessly matching up buyers and sellers,…". (Mainwaring, 2011, p. 154) It is well known and documented within literature that individuals congregate around shared values. Whether the shared values are strong or lead to looser connections as the network disperses and spreads out doesn't necessarily have a lesser effect on the individuals within the network and within bridged networks, in fact as stated by Gladwell, weak links "can drive a shift in awareness as weak links are still useful for learning and disseminating ideas to create cognitive dissonance." These links extend beyond our 'friends' out to our acquaintances and further through friends of friends and friends of acquaintances. "Our acquaintances-not our friends-are our greatest source of new ideas and information." (Gladwell, 2010) cited in Mainwaring (2011, p. 156).

According to Matthesen (2016), if the network is willing to vouch for one another then there is potential for credit approving one another. Consumers are asking one another for advice over social media; amongst others, Google and Facebook, and they are consulting a wider network, this includes when they are looking for a financial institute. Personal financial matters are moving from a more private to a more open subject. (Matthesen, 2016). Matthesen continues, this is true both for when consumers are specifically seeking information and has an effect when they use social media to communicate that they have received a good product or service from their financial institution. Thus creating awareness of products and services, for example; when one consumer hears that someone within their network has received a better product or benefit where they are, then they may ask themselves "Why don't I get the same as the others". They share so much with each other today. Therefore, the financial institutes need to both offer and give good products and good experiences. (Matthesen, 2016)

According to Mainwaring consumers are empowered to change as an opportunity to raise the level of "cognitive dissonance. … the mental state of ambiguity that results when people are faced with two opposing ideas. When people live according to one worldview, … , and they encounter a new one, … , it forces them to question their belief system. Working through that cognitive dissonance can lead them toward a new mind-set." (Mainwaring, 2011, p. 153). Furthermore Boyd (2011) states "…, increased density of information flow (the number of times that people hear things) and of the emotional density (as individuals experience others' perceptions about events, or 'social contextualisation') leads to an increased likelihood of radicalization: when people decide to join the revolution instead of watching it." (Boyd, 2011) cited in (Mainwaring, 2011, p. 161). Johnson (2010) cited in Mainwaring (2011, p. 153) suggests a four-stage model to explain how social transformation evolves:

1. Individuals come into contact with a new idea and recognize it as different from their current worldview.
2. Individuals reframe their consciousness of that idea in juxtaposition to their current values.
3. Individuals experience cognitive dissonance between the new idea and the current worldview they hold, which creates a pressing desire to resolve it.
4. Either individuals decide they believe in the new idea and change their behaviour to align with it, or they reject the new idea and retrench themselves in their current beliefs. (Mainwaring, 2011, p. 153)

Thus, through their network – albeit strong or weak ties, when Danish banking customers come into contact with the concept of alternative financing; in the form of P2P lending, i.e. the 'new idea' the pressing desire to resolve the cognitive dissonance they may come to experience due to the alternative solution to their financial needs could cause the customers to either accept or reject the idea of P2P lending.

One such example of the power of networks, regardless of whether the network consists of weak or strong ties, is that of the crowdsourcing event CitizenGulf as the organiser and cofounder of Zoetica, Geoff Livingston writes; when individuals "become a part of something and not told what to do, but literally, make it their own, make it part of their life, make it feel like their 10 USD and two hours of time means something" they become empowered (Kessler, 2010) cited in (Mainwaring, 2011, p. 208). Thus, "consumers can powerfully influence how companies make their products, how they practice business, and even how an entire industry functions." (Mainwaring, 2011, p. 162) As previously discussed, the LenddoScore function of credit risk assessment tool is based on data from social media creating transparency of the borrower's creditworthiness within the existing online social network community. These two factors; i.e. that of positive creditworthiness and an existing online social network connection, whether strong or weak, can be seen to be drivers of trust and as such individuals, regardless of the strength of their relationship, would be more likely to influence and be influenced by one another.

Generation Z's relationship with their bank

Whilst financial institutions' focus on digitalisation is moving in a positive direction regarding accessibility, when it comes to financial advising the lack of focus on the relationship is moving in a negative direction. In a study of Generation Z's relationship with the financial sector carried out by MADE, it is stated that the youth find it difficult to come in contact with their bank advisor, mainly due to the fact that they do not know who to contact or whether they have a bank advisor in the first place. (Made Design, 2015). At the same time, according to the results of the study, the banking sector is mostly traditional and does not know its customers. (Mendgaard-Larsen, 2016) (Made Design, 2015). Furthermore, Generation Z consider themselves as unimportant to the banks and most often when they do come into contact with their existing bank, their experience is of a negative nature. (Made Design, 2015, p. 18)

According to Mendgaard-Larsen, banks do not proactively go out and chase customers as they know that they are an important part of an individual's life as consumers move through different stages of their financial life cycle (Mendgaard-Larsen, 2016). Matthesen explains this mismatch as caused by Generation Z not knowing what to use the financial institutions for until they need their first large loan. It is then that they approach the financial institutions and if the financial institutions at that point give them a refusal then they see it as a bad experience and go to the next competitor. In Matthesen's opinion, financial institutions need to explain why they refuse the loan in great detail and, furthermore should work out a financial plan for the refused applicant. When Generation Z experience what they consider bad service with their financial institution then trust is low. In this case Generation Z could look to an alternative such as P2P lending if it was available on the market. With Generation Z's focus on non-financial costs they are not ready to talk interest and fees until they have formed a relationship with their advisor. Only then are they ready. (Matthesen, 2016)

When considering costs, Generation Z focus on the non-financial costs such as the time and hassle taken to switch. The European Union Directive PSDII which comes into effect in January 2018 will make it a lot more simple and low cost for consumers to change banks. When considering Generation Z as consumers, Hansen (2016) points out the importance they attach to time over physical presence. The "Digital natives" (those between 18-28 years of age, according to Hansen) are situation dependent on a good offer. Meaning that if this target group get a good offer, in the right situation they would more easily accept said offer. Thus, the new directive could make it more attractive to Generation Z to switch banks and look for alternative financing. This can also be seen to create opportunity for the smaller banks as they are more focused on building and servicing the relationship (Matthesen, 2016). At the same time, the financial institutions could provide a credit stamp, a type of approval, to say that this is a credit worthy person, it would all depend on the FSA. For example, mortgage loans are at such good interest rates that the number of loans beyond these would be very small. At the same time, there is potential in smaller loans linked to mortgage loans e.g. the 5 % mortgage deposit necessitated by Danish law. P2P lending could be an option for the first 5% in which case the mortgage loan would need to be considerable in order for it to give a decent return. One example of such a scenario is that of the UK company LendInvest who concentrates on short-term mortgage loans. In this scenario, the lender typically invests in property that needs to be renovated to some extent, makes the necessary repairs and then sells quickly for a profit. The risk to the investor is lowered by securing against the property being bought. According to Business Insider the lender can gain a ROI of over 5% per year (Williams-Grut, 2016). Currently, LendInvest is reported to make up 10% of the short-term mortgage market in the UK. Co-founder and CEO Christian Faes is quoted as saying that the UK property market is "ripe for disruption" (Williams-Grut, 2016) Furthermore, recently appointed board member Mattia Ljungman states that LendInvest is "bringing speed, efficiency, and transparency to a traditionally cumbersome process" (Williams-Grut, 2016).

Thus, financial institutions could create a platform of their own were the scenario could be that the financial institution supports a partial loan and the customer could seek the remaining loan via the financial institution's own P2P lending platform. In this scenario, the financial institution could offer membership to their own P2P lending platform based on; for example, customer loyalty and credit worthiness, similar to their current method of product offerings i.e. standard accounts versus advantage+ accounts. This method would have a multi-purpose benefit for the financial institution of amongst others; retaining their existing customers, guaranteeing their solidity, earning on the transaction without incurring a direct risk, and from the customers' point of view this could be seen as a way to build on the relationship.

Considering that Generation Z view relationships with their financial institute as important, the researchers broached the subject of 24/7 online banking, such as Nordea 24/7, where customers have total online availability thus moving completely away from personal interaction with a financial advisor towards convenience and digital accessibility. We were curious to discover whether this offering was in an attempt to gain disloyal customers from competitors. Matthesen believes that this is a temporary situation and that as soon as young customers are in an important situation regarding their finances they will consider switching to another financial institution to gain the personal interaction that they need in order to build a strong and trusting relationship. However, he is critical and states that on the other hand, there could be multiple segments in the market some of which are more suited to and positive towards purely online banking. An example Matthesen (2016) gives is, “when they are 19 and they don’t have a large economy, where they use most of their income at the beginning of the month then 24/7 internet banking could be suitable to them. At this stage an advisor is not important for them.” At the same time, Matthesen is experiencing that customers are becoming tired of meeting over the internet and telephone especially when it is a large decision they need to make. “It’s just not good enough for them. Here they want to know who they’re going to be talking to for the next few months.” “We are proactive and contact them because suddenly they are in the situation were they have a need and that need includes one of trust.” (Matthesen, 2016)

According to Matthesen Generation Z want physical eye contact with their advisor in order to build the trust that they desire. In general, this generation are open to online contact including Skype meetings. However, for the first meeting they prefer and expect to see a real person; “they want to come in to the branch and shake hands” with the advisor. In general, we stereotype this generation as demanding digital solutions and preferring to use their mobile devices. However, “when it comes to important things, especially big things, then they would like face-to-face contact.” (Matthesen, 2016)

According to Mendgaard-Larsen, Generation Z is focused on building trusting relationships whereas banks are focused on products and bad at building relationships. As far as Generation Z is concerned banks should aim at scoring high on Generation Z’s “trust account” (Mendgaard-Larsen, 2016). This could be one of many reasons why generation Z does not read the small print when it comes to financial terms, as confirmed by our focus group interviews. At the same time, if the banks do not focus on the “trust account” then generation Z are more likely to focus on costs, interest rates and the small print. However, if the trust is there then this generation are more interested in a cinema ticket or a café voucher than competitive rates of interest and products. This was confirmed in all of the focus groups and our interview with Matthesen who stated that interest rates and fees are not as important as trust, if they don’t have trust, then interest rates and fees mean nothing (Matthesen, 2016). According to the Economist, complex partnerships, those that make long-run economic growth possible, require higher degrees of trust. One facilitator of this is new technologies which make it easier for individuals to trust unfamiliar groups. For example, peer reviews and ratings have been found to facilitate judgement of unfamiliar groups (Economist, 2016). At the same time, Generation Z has a higher rate of trust in their parents and close family than in their bank advisor. (Mendgaard-Larsen, 2016) This was verified during the focus groups. According to Generation Z, banks are not good at building relationships, they have a tendency to patronise, treating them as a number as appose to an individual. Generation Z are more likely not only to seek financial advice from parents and close family but also to consider opening an account with the same financial institution as their parents and close family rather than search for a suitable financial provider on the internet. Personal finances and morals are closely connected in the mind of Generation Z, therefore, not having control of your personal finances can have a negative impact on your character and social status within your social network; be it real life or virtual.

Generation Z’s perception of their bank

Whilst Generation Z are more likely to seek financial advice from parents and close family, this was somewhat contradicted in the findings from the focus group interviews. When asked who they would go to for financial advice, a pattern of two choices became evident; close family and banks. Banks were considered as knowledgeable within their field. At the same time, scepticism was evident in comments were participants suggested that banks perhaps have their own interest in mind; for example, the sale of products. On the other hand, parents and close relations with some perceived knowledge of financing; for example, in-laws due to their experience and friends’ parents when they have more knowledge in the area of finance than own parents were also mentioned. Furthermore, Generation Z is focused not only on expertise in financial advice when it comes to their choice of bank, they also consider close others’ experience based on the close others’ relationship with their bank advisor. In this instance recommendations from close others’ based on their relationship with the individual bank advisor is in focus rather than the product offering and the costs (sometimes higher than an alternative).

When asked if they would prefer to be in control of investing their own capital themselves or rather receive advice from a more experienced person, no distinct pattern emerged. Comments were spread over a range where participants would listen to the perceived experts, i.e. parents, close family, friends' parents, friends and bank advisor a little blindly, to wanting to participate actively in the decision making, but not carry out all the legwork themselves to wanting full control of the decision making. The tendency that did emerge was the want to be more in control and proactive in information gathering rather than paying for an investment advisor or bank to advise.

When asked about lending money to peers, no clear pattern emerged. Some respondents within the same focus group were against the idea commenting that their peers should be in control of their finances and manage their finances on their own, whilst others would consider lending under specific written terms and conditions including, how strong the network tie was; iterated by terms such as 'close friends, nearest three and those known for at least the past 8 years. Whilst most were concerned with whether they would get the loaned amount returned none of the focus group participants mentioned any interest in financial gain as lender. This indicates that focus is on risk and perception of risk is based on the strength of the relationship to the borrower.

Focus group participants were asked to consider what they would expect in return for help from the P2P borrower. Here a pattern emerged from all focus groups. No financial gain is expected in return however a personal acknowledgement in the form of a trip to the cinema or cafe together, a verbal thank you would be nice or for the borrower to reciprocate if and when the P2P lender has a need – whether this be financial or otherwise. From our focus groups and interviews we found that interest rates are not something that Generation Z focus on. Furthermore, from our interviews with the existing crowdfunding companies in Denmark, we found that neither is it a high priority for new start-ups looking for initial capital funding (Christensen, 2016). Matthesen (2016) agrees that interest rates is not what attracts Generation Z's attention. Reiterating that they value other more tangible benefits such as cinema tickets over interest rates. The lack of focus on expected financial gain was furthermore reinstated when participants were asked what rate of interest they currently receive from their financial institute. In all cases, participants were unaware of the current interest they receive in their financial institute today. This was amplified during the focus group interviews as participants looked searchingly at one another and started to laugh. Furthermore, when asked explicitly if interest rates are important to them, the participants answered decisively that it is not something they think about.

When posing the scenario from the opposite point of view, asking participants who they would consider borrowing from, it is clear that parents and financial institutions are a first option. If borrowing from friends they would want a clear agreement, this was seen as a way to eliminate conflict and embarrassing situations that could arise from the situation.

The focus group participants' attitude towards their private data sharing was somewhat surprising, if not disturbing. All of the focus groups expressed little to no interest in terms and conditions of social media platforms or apps. In fact, the only private data that they would not consider sharing is their social security number. For some participants the choice of social media platform or app and number of users currently known to them was more important to them. The personal risk involved is assessed through the experiences, or rather lack thereof, of their friends as expressed by one participant saying that nothing has happened to friends yet so it is accepted by them. In further probing the possibility of opportunity for new entrants on the Danish market the researches changed the direction of questioning and asked whether the participants had ever considered not sharing personal information with social media platforms or apps. Participants stated that it would depend on the social media platform or app and how many individuals were currently using it and who those users are. Furthermore, participants named Facebook as trustworthy because of the brand and size. Overall, participants did not consider that they have any private information that should be held private. This can be summed up in one participants statement of not considering any of their personal information private. However, when considering the same question related to finances, it is evident that holding information private is important for them.

This is evident when participants state that they would share personal information but not their bank account details and that when it is regarding "Money" then they would read the small print. However, if they consider the brand large enough then they tend to approve it without consideration. The attitude by participants was not due to their lack of knowledge of organisations utilising their personal data for profit gains. Quite the opposite, participants expressed conscious knowledge of their personal data being used by large international organisations and brands and consider sharing their private information as part of existing today naming examples such as Google and Facebook. Participants believe that they cannot function as a person without giving their private information. This confirms Benhamou's notion of their "fear of mission out" (Benhamou, 2015). In addition, they express their knowledge of Facebook having all their information and sending it on to third parties. According to Matthesen (2016) Generation Z is ready to give their private details without hesitation. In fact, he describes them as being 'fast' at giving out personally, sensitive details.

It is clear from the focus groups that Generation Z has little to no knowledge of crowdfunding. When presented with the Better Rates website, the first opinions were positive. Participants described it as a game, with a user friendly appearance. In addition, they saw it as both a supplement to banking and as a better alternative to a quick loan. The idea of choosing their own risk profile was appealing to participants. Banks and family were rated top based on the 'personal' face-to-face service. Better rates was viewed as more like a bank than the quick loan alternative yet at the same time not a bank. Ranking of preference for borrowing was thus expressed as; 1. Bank or family, 2. Better rates, 3. Quick loan. As such, a target group for P2P lending platforms would be the parents as investors. This could have a knock-on effect of the young being more attracted to investing in P2P lending. (Mendgaard-Larsen, 2016)

Discussion and conclusion

Directives such as the up and coming PSDII directive indicates that the European Union is determined to open up for competition in the financial sector. This will make it easier for consumers to switch institutions where they do not feel the trust that they seek from their current provider.

The study shows that both politicians and the Danish FSA are positively inclined towards the development of alternative financial solutions. However, at the same time, there is no proactive action in Denmark as seen in other markets such as the UK's tax free savings accounts, pension investment and mortgage lending.

At the same time, from both our focus groups and interviews with the CEO's of the two current crowdfunding companies in Denmark, it is evident that there is a general lack of awareness of the concept of crowdfunding. However, according to their financial situation it would appear that they have the means to invest in marketing campaigns in order to increase awareness.

The study found that the Danish banks are improving their processes, specifically in the area of credit assessment, when combining this with the effectiveness that newer data companies, such as Lenddo and Plytix are able to offer it appears that the banks are indeed focusing on consumers. At the same time crowdfunding companies could too benefit from the services offered by the same data companies.

Through the interviews with both the crowdfunding companies and the banks we found that in some cases there is a cooperation and a desire to engage in strategic partnerships. However, there is also the threat of cannibalisation of banking products through such partnerships. At the same time the crowdfunding platforms could risk being dragged down by traditional and cumbersome banking methods and processes thus losing their competitive edge.

In considering the market potential and the current low interest rates individuals can earn on their cash in the bank, there appears an opportunity for P2P lending platforms; as they offer more attractive interest rates to the lender and comparably lower interest rates to the borrower. This potential is confounded by the trend of high street banks currently limiting the number of branches available to consumers; as demand for everyday over the counter transactions falls.

Generation Z is the generation that has been brought up in a society greatly affected by the financial crisis of 2008, a causal effect being their scepticism of the financial sector. This is confounded by the lack of focus on personal relationship by financial institutions in their attempts to offer digital solutions to this generation of digital natives. Whilst this generation is described as self-educating and in want of the convenience that digital solutions provide, at the same time, the financial sector is unfamiliar to this generation. This creates a miss-match where the financial institutions want to be, and believe that they are, accessible however from Generation Z's point of view they are inaccessible; due to their focus on products. Furthermore, Generation Z seek personal relations when considering their financial situation something they feel that they do not get from their financial institutions. Trust plays a large part when they consider financial partners, so much so that it has a larger effect on their decision making than the likes of interest rates, fees, product offering etc. The study shows that trust is the most important competitive advantage for this generation.

In ranking the preference of type of lenders, during the focus groups, Generation Z prioritise P2P lending over quick loans. In considering the substantial growth of quick loans on the Danish market, this would indicate a strong potential for P2P lending on the Danish market. When Generation Z judge a refusal for a loan as a bad experience with their financial institution; causing a lack of trust, this may in turn cause the individual to switch to an alternative financial option. If P2P lending is available on the market this could be the alternative they switch to. A solution for the financial institutions would be the scenario where they develop their own P2P lending platforms thus gaining a multitude of benefits. In this instance if the big players in the market include P2P lending in their product offering, then the small players would need to follow.

Recommendations for further studies

Cultural dimensions have not been considered as part of this study however, there could be a causal effect of individual cultural dimensions on the success and/or failure of P2P lending within a specific market due to the attitudes and behaviours of the individuals within that society. A study including this element could result in a different outcome. Furthermore, the study does not consider the Danish state educational grant and loan scheme known as 'SU'. A further study including this aspect could be of additional interest in this area of research. The topic of research is the potential of P2P lending on the Danish market focusing on the financial sector. The impending PSDII directive opens the market to entrants outside of the traditional financial sector which have not been considered in this paper and which have the potential of impacting the sector as we currently know it.

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