

Case study smava

The company

smava is Germany's first online marketplace for person to person loans. Just like ebay facilitates selling goods from person to person on the Internet, smava transfers this idea to the financial market in the form of private loans from person to person. Founded in late 2005, smava GmbH is domiciled in Berlin and took its "money ebay" scheme online in March 2007.

Business model

smava enables borrowers and lenders to contact each other directly without going via commercial banks. Lenders invest their capital for a good return, and borrowers have access to cash at a reasonable interest rate. Both benefit financially from the fact that there is no bank with high overheads involved, while the highly specialised approach makes for very efficient transactions. Investors decide for themselves to whom they want to lend their money, while their invested capital is protected by lender pools. smava itself earns money by charging borrowers a one-off mediation fee of one percent of the amount loaned. The service is initially free of charge to investors.

Not only private persons but more and more self-employed people and freelancers are borrowing money from other private persons in the form of quick and easy-to-get, low-cost private loans. The average loan requested and granted is between 6,000 and 7,000 euros. In all, smava has already mediated loans with a total volume of about 4 million euros (figures as of September 2008). Market prospects are excellent. In Germany, 15 million people have already taken out private loans. At four percent however, the share of online deals in the overall credit market (worth about 60 billion euros per year) is still very low. However, smava anticipates that this share will increase rapidly in the years to come, with growth rates of 30 percent per annum.

Earlybird's commitment

Earlybird was the first institutional investor to take a stake in smava in April 2007. This was one of Earlybird's first investments from its new fund, which closed in July 2008. In October 2008, a second funding round was launched together with Neuhaus Partners. Earlybird will support smava's ongoing development by providing capital and know-how.

Future prospects

smava is planning to expand its core business and to export its business model to other European countries. The focus is on expanding the client base on both the investor and borrower side. In this context, smava intends to develop its own creditworthiness rating system to be able to cater better to potential categories of borrowers such as the self-employed, who often fall through the mesh of banks and credit agency rating systems despite their actually strong debt repayment capability. Even today, almost half the loans arranged via smava are taken out by self-employed persons and freelancers.

Assessments

In a review of platforms for private loan deals, the consumer watchdog Stiftung Warentest came to the conclusion that: "The only service that makes the grade at this time is the smava platform."



ALEXANDER ARTOPÉ
Managing Director and
co-founder

"Earlybird is the ideal partner for us while our company is still developing. Our objective is to gain a reputation with private and institutional clients as an alternative to commercial banks – and we have many ideas for achieving this."



Dr. CHRISTIAN NAGEL
Managing Partner
Earlybird

"We are interested in enterprises and management teams that have come up with a really new idea and are able to put it into practice efficiently and professionally – in the case of smava, that fits the bill precisely. We are looking forward to our continued cooperation."