Who is Buying Community Shares? Key Findings

The aims of this research were to find out who was buying community shares; what were their motivations when they bought the shares; what was most important to them – the financial, social or environmental returns on their investment; and, informed by the findings, what marketing techniques would be best suited to this form of capital raising. An internet questionnaire to 11 Societies which had recently issued Community Shares was emailed out to 1785 members and 240 respondents completed the survey (a healthy response rate of 13%). This was followed up with 30 semi structured interviews by telephone. Data was also analysed from the share register of Societies on amounts of individual shareholding and location of members. From this research we have been able to build up a picture of who is buying community shares.

- There are 4 categories of investor
  - **The Local Community Investor** – an individual who wants to create or maintain local facilities for social return, can also include those with connections to, but no longer living in the area (e.g. investing in a community owned shop or pub); *"…seemed like a good idea to own the store between us and maintain it…"*
  - **The Community of Interest Investor** – an individual who wants to create or maintain facilities they have an interest in for social return (e.g. investing in a community owned railway); *"..purely out of interest! I am interested in railways and railway management…"*
  - **The Social Investor** – an institution or high net worth individual interested in receiving a blend of social and financial return, possibly social investment is only a small part of a larger investment portfolio (e.g. investing in a co-operative wind farm); *"…the finances have to stack up or we won't invest, but if the social impact and mission isn't there then we won't invest either…"*
  - **The Ethical Investor** – an individual with no obvious connection to a Society other than approving of its social aims, sometimes motivated by democratic structures and ideology, and wishing to invest as a means of receiving primarily a social return (but not foregoing financial compensation – a small amount of interest or a tax incentive); *"…When we have a bit of extra money we'll put a £1000 in something if it seems good…"*

- The word 'investment' doesn't really describe how people view buying community shares! 93% of members interviewed (of all categories apart from those Social Investors who are also institutions) have **no** plans to withdraw their shares. Yet these members do not consider the shareholding as a donation. Respondents described how their shareholding gives them **influence**, **information** and **a sense of belonging** : *"If it was a donation, I wouldn't be a member so with this I do have more say"; "the reason I invested was purely to be part of this social initiative" "I'm pleased to have a share in what they are doing, with a donation there is a feel-good factor, here there is a feel-good factor and a sense of belonging"*.

- The location of our community investor is either **local** to the Society (within 10 miles) or 50 miles away and further. There is a trend for more **distant** members to be investing larger sums. The top 10% by value of investors invest at least 30% and sometimes 50% of the capital needed to

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- help the project succeed. Depending on the amount that a Society wishes to raise it will need to consider how it can access this market of investors, both locally and further afield. There is only a limited amount that can be raised directly from the Community (both local and "of interest"). For further capital the Society will need to tailor its marketing and communication efforts towards Social and Ethical Investors too. This will need to be reflected in the design and production of share offer documents.

- People don't tend use **financial advisors** when they decide to buy community shares (98% of questionnaire respondents). This is because they don't believe that financial advisors will understand the offer, because they felt that the sums involved were too small to warrant advice, and they want control of their investments. The vast majority of members stated that they had selected an amount to invest that they could afford to lose. As members are not seeking external advice Societies have a great **responsibility to detail risks clearly** in any share offer documents; *"we looked at the prospectus, it set out all the risks, we did not consult an advisor as they would probably feel it was a bad investment and I wasn't making it as a financial investment"*. However, when asked what would encourage investment, some respondents suggested **making investing easier**, and a service to match investors with projects they would be interested in *"..it is easy to go to a big financial institution and invest in a unit trust, I could probably do it over the internet with a credit card, you can invest smaller sums over a longer time. The ethical side doesn't seem to have that, maybe they don't have the resources to do this… people are not imaginative about how they invest, there are lots of small enterprises out there that could do with investment and lots of investors who would like to invest in them, but no way of matching…"*

- Some statistics from the questionnaire
  -The demographic profile our community investor is:
    - Older, **aged 45+**;
    - Gender ratio showed **59.3% male: 40.7% female**

  - Investors tend to be **higher managerial or professional occupation or retired**.
  - **82%** claimed to be either **very satisfied or satisfied** with their investment
  - **One third** of our questionnaire respondents **held shares, loans or bonds within other community enterprises**
  - For **93%** of members community shares are **a small proportion of their savings / investments**
  - **65%** read **the Guardian or Observer**
  - **18%** read **the Big Issue**
  - **17%** read **New Scientist** (members of a spread of different Societies)
  - **52%** are members of the **National Trust** (again, members of a spread of different Societies)
  - **45%** have **purchased other shares** (not just acquired them, but actively purchased them)
  - The **most important factor** to most people when deciding to buy community share is that the organisation has a **social purpose** (63% ranked this as very important), closely followed by the organisation providing **environmental benefits** (57% ranked this as very important), receiving a **good financial return was not seen as being important** (35%, said this was neither important nor unimportant, 28% said it was not really important, 23% said it was not important at all).