


























































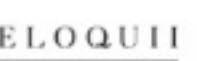









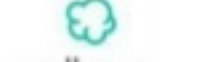


FJ LABS

LESSONS LEARNED BUILDING ONLINE MARKETPLACES

JUNE 22ND, 2018

PRIOR INVESTMENTS

VENTURE CAPITAL

- Seed / Series A focus
- Average investment size \$400K
- Global strategy: Active in U.S., Europe, LatAm, India
- 60-80 investments per year
- 65% new investments + 35% follow-ons
- Do not lead rounds or join boards
- Co-invest with larger funds we know and trust

COMPANY BUILDING

- Build 1-2 businesses from scratch per year
- Invest \$2.5M to \$5M per company
- Executive chairman role
- Hands-on role in product, marketing, hiring, strategy & fundraising
- Expertise in scaling using TV advertising (FJ has bought over \$1B of TV ads)
- US focus but have built companies in Europe + Brazil

INVESTMENT HEURISTICS



\$1B+ Potential Value



Valid Business Model



Initial Unit Economics



Market Leader Potential



Scalable & Capital Efficient



Growing Market




No Disintermediation Risk



Execution Know-How



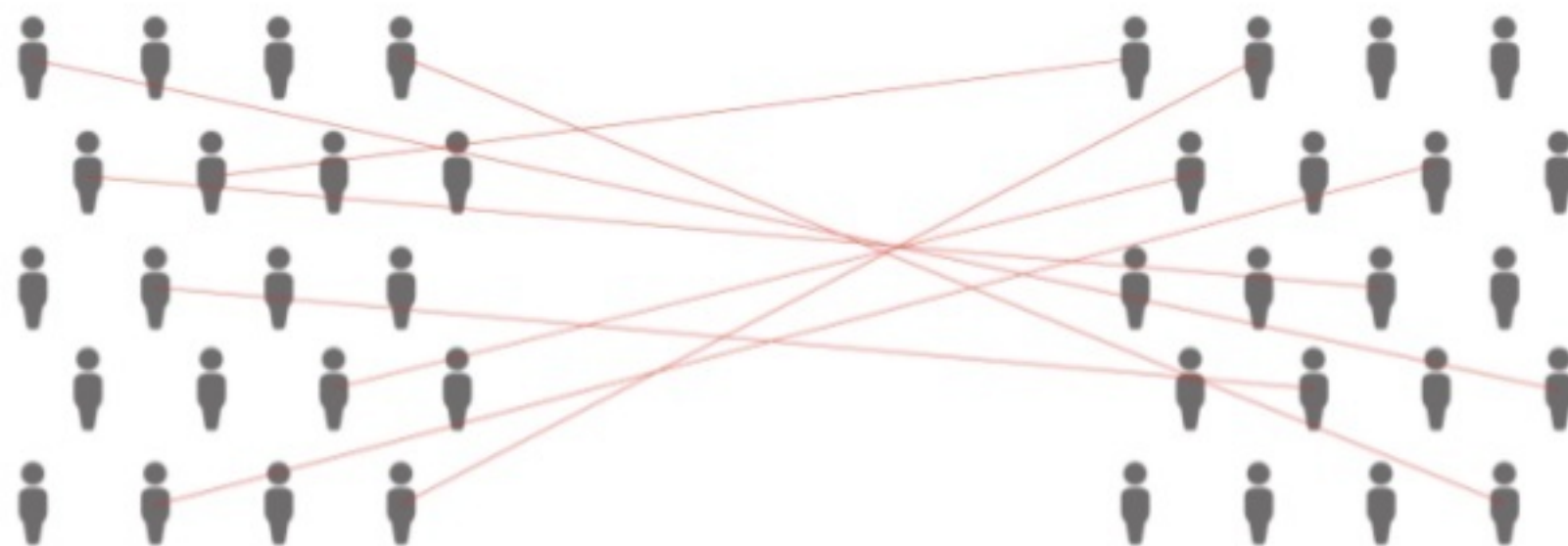
Quality of Team



Lessons learned

Fragmented supply

Fragmented demand



Discovery



Trust



Communication



Price transparency



Payment



Logistics

Supply

- Financially incentivized
- Higher recurrence
- Excess capacity
- Less time-sensitive

Demand

- Selection incentivized
- Lower recurrence
- Finite consumption
- Just-in-time purchasing

Most marketplaces focus on building supply first

Double commit

Buyer



Supplier

UpWork, Craigslist

Complex, custom

Buyer picks

Buyer



Supplier

Ebay, StockX

Variety

Supplier picks

Buyer



Supplier

Uber, Rev

Commodity

Listing Fee

- Pay per post
- Location and category matter

Craigslist fees in SF Bay

- Jobs – **\$75** per post category
- Services – **\$5** per post
- Brokered apartments – **\$10** per post

Visibility

- Pay for reach and visibility
- Location and category matter

Leboincoin "Popup" fees by category

- Jobs – **€4** per ad
- Cars – **€3.50** per ad
- Real estate – **€4** per ad

SaaS

- Buyer or seller subscription
- Access to marketplaces, services

Knowde seller-side SaaS subscription

- Knowde sellers pay **\$4,000** per premium product page with Lead Gen and Analytics

Rake

- Buy side and/or sell side
- Typical range: **10% - 25%**
- Extremes: **1% - 75%**

Average take rates

- Uber: drivers pay **25%** (Rider Fee)
- Airbnb: host **3%** / guest **6% - 12%** (by location and length of stay)
- UpWork: freelancer pays **5% - 20%** (by billing amount)

Lifetime Value

Gross GMV

(- discounts, promotions)

Net GMV

(*take rate %)

Revenue

(- variable transactional costs and/or COGS)

Profit margin

(- CAC)

Contribution margin

(Net) LTV = Contribution margin * number of transaction per user

Customer acquisition

Paid-only CAC = $\frac{\text{Fully-loaded Marketing and Sales Cost}}{\text{\# new paying users from paid channels}}$

Blended CAC = $\frac{\text{Fully-loaded Marketing and Sales Cost}}{\text{\# new paying users}}$

What we look for

12 month LTV \geq 2x Paid-only CAC

18 month LTV 2x Paid-only CAC

Organic vs paid CAC

<25% organic growth = synthetic growth

<40% paid growth = underinvested in paid channels

FOCUS ON UNIT ECONOMICS FROM THE START



Features horizontals can't match (1)

Where do you want to sit? Play around with the map to see what is available.




NO SURPRISE FEES
ONLY GOOD SURPRISES

1,283 tickets available
All prices in USD and set by sellers

Compare	Sort	Price: Low to High
400 Level End 400	Row 10 Qx2	\$35.00
400 Level End 417	Row 10 Qx1	\$36.15
400 Level End 415	Row 10 Qx1	\$36.30
400 Level End 416	Row 10 Qx2	\$36.30
200 Level Lower Corner	Row 14 Qx2	\$36.41
200 Level Upper Corner	Row 13 Qx1	\$39.98
200 Level Lower Corner	Row 13 Qx2	\$40.87
200 Level Upper Corner	Row 14 Qx2	\$41.76
200 Level Upper Corner	Row 14 Qx2	\$41.80
200 Level Upper Corner	Row 14 Qx2	\$41.80

Features horizontals can't match (2)



\$104 Per Night

Check In: 01/05/2015 Check Out: 01/22/2015 Guests: 1

\$104 x 17 nights \$1770

Service fee \$132

Total \$1901

Request to Book

Appartement adorable à Bastille !
Paris, Île-de-France, France

Claire&Ludo Entire home/apt 2 Guests 1 Bedroom 1 Bed

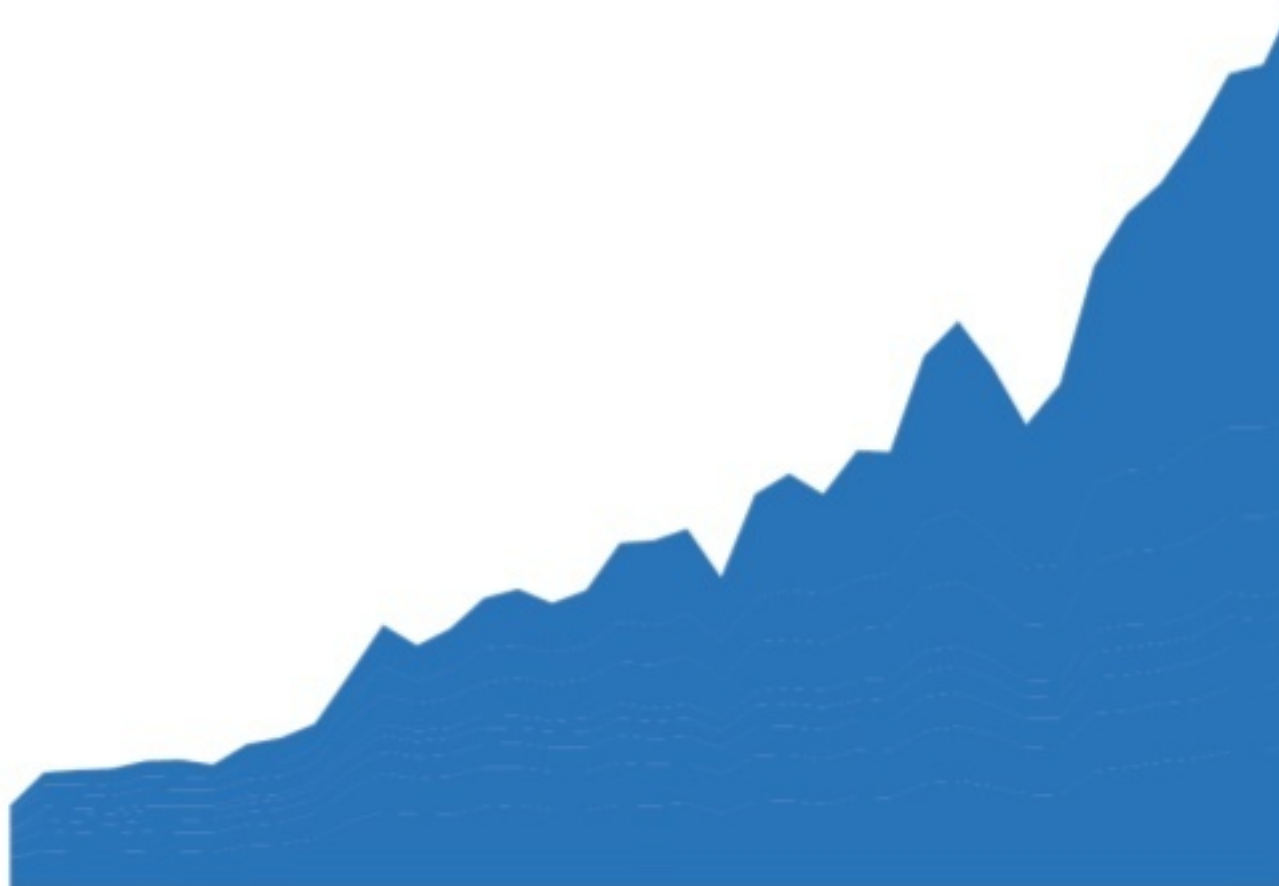
About This Listing

With Airbnb, you can find unique accommodations in people's homes—from houses and apartments, to tree houses and igloos. The listing details below explain what you'll find in this space. If you have any questions, you can contact the host directly.

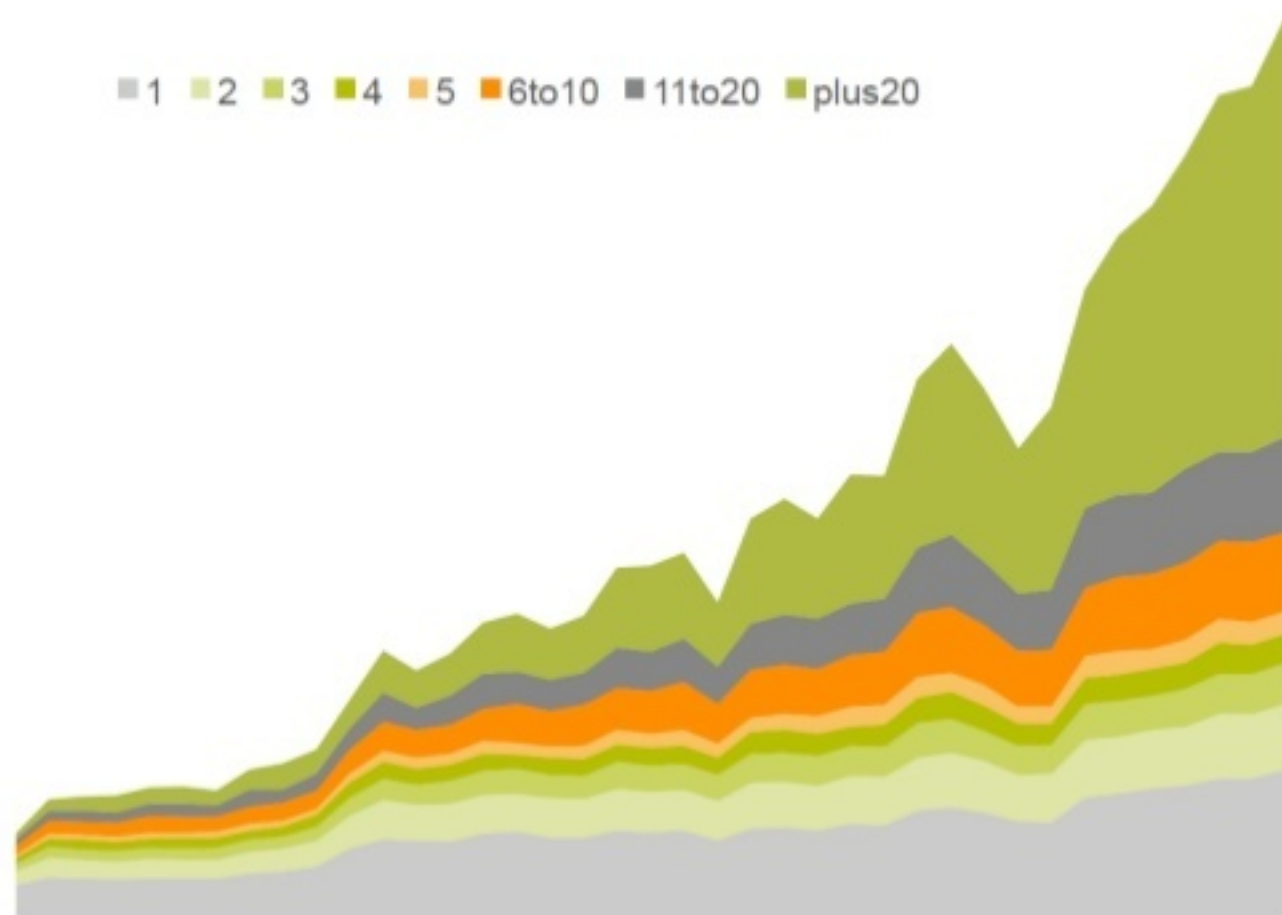


Measuring growing marketplaces

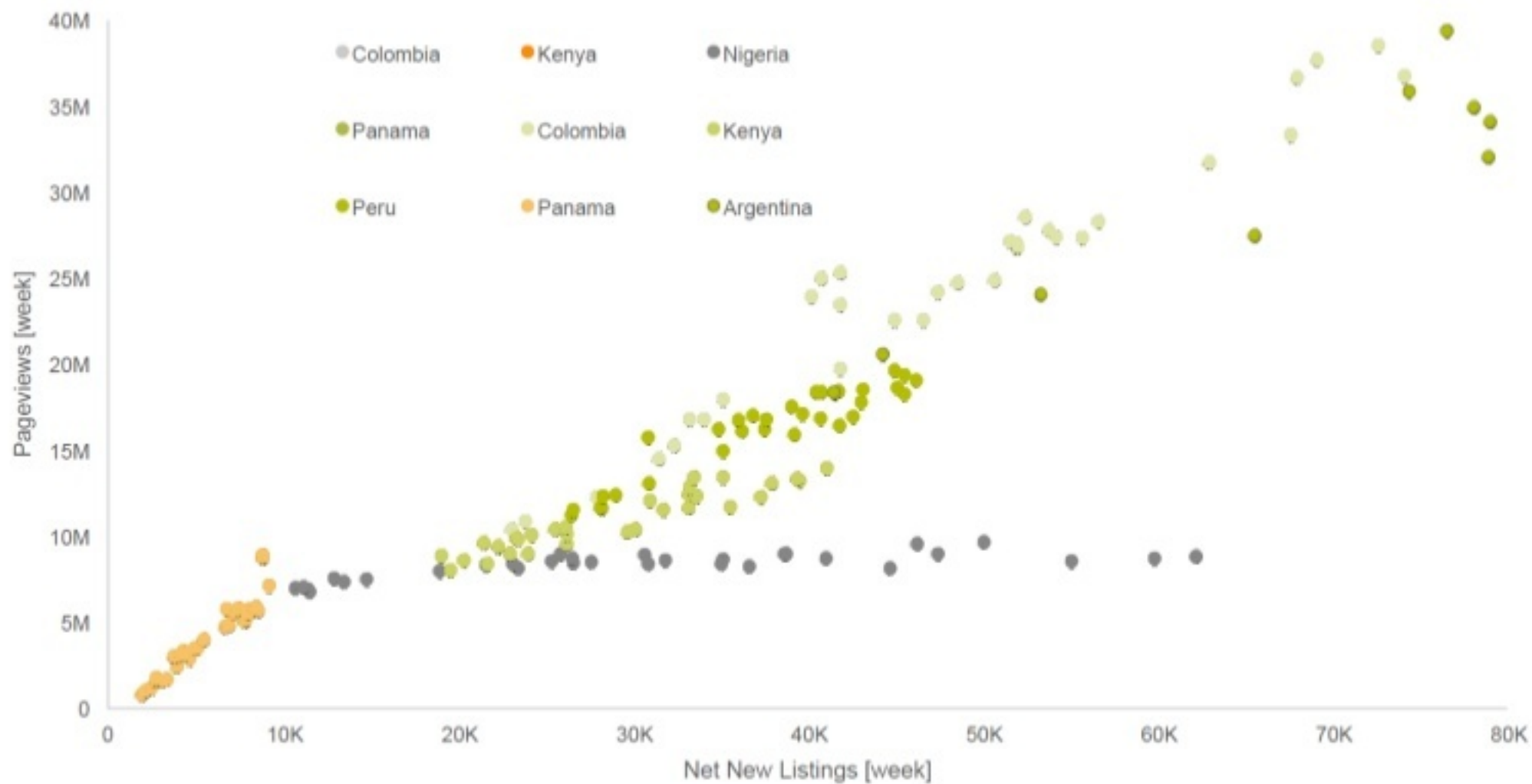
New listing in Nigeria – somewhere in 2014



Listings Nigeria per frequency of posting



Pageviews vs listings

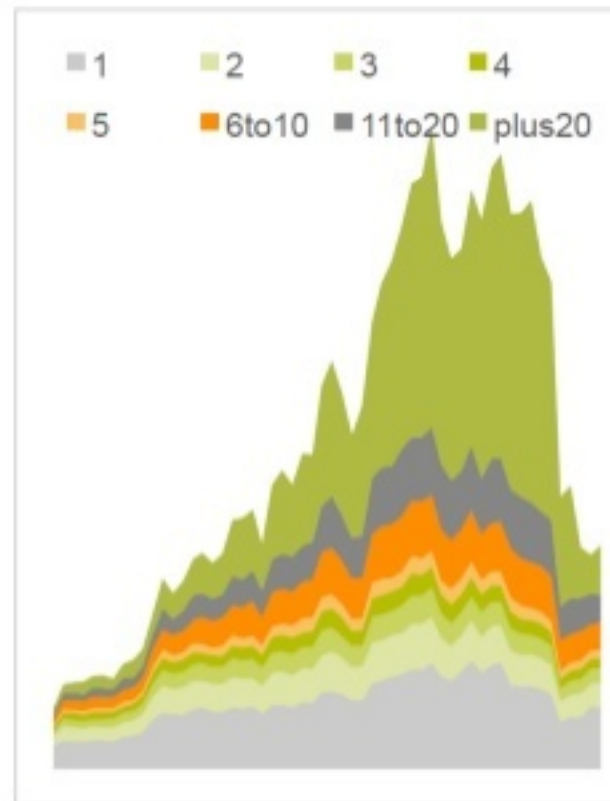


Connectivity



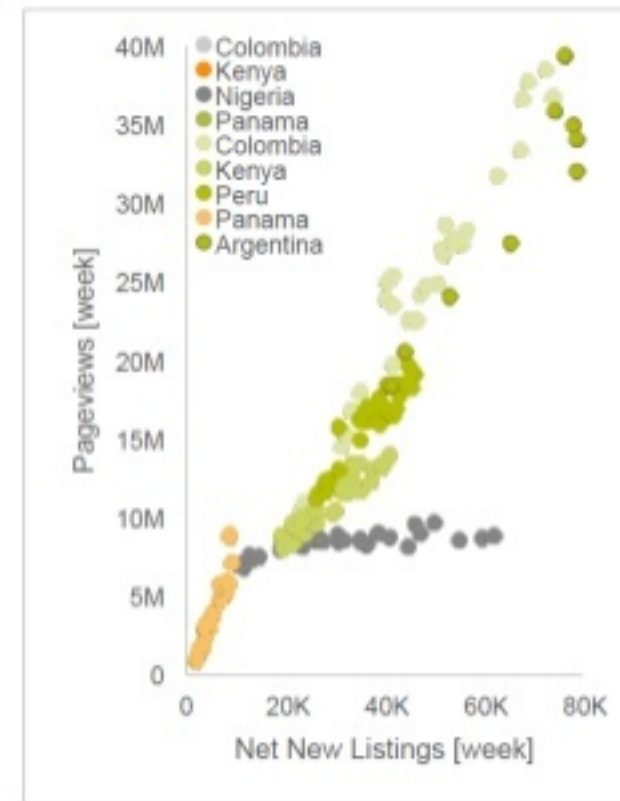
Is the new content we bring in meeting demand on our platform?

Lister type per frequency



Is the new content on our platform delivered by C2C listers who in the end ensure our 'monopoly'?

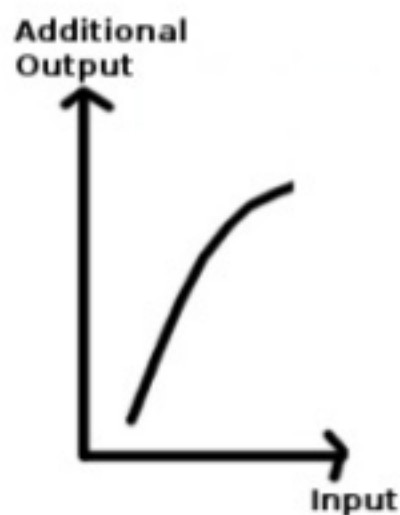
NNL vs. PV plot



On a macro/platform level, do we grow both supply & demand?

A top-down view of a person's hand interacting with a smartphone on a desk. The phone screen displays a list of items. A pen and a pair of glasses are also visible on the desk. The background is dark and slightly blurred.

Marketing strategy for marketplaces



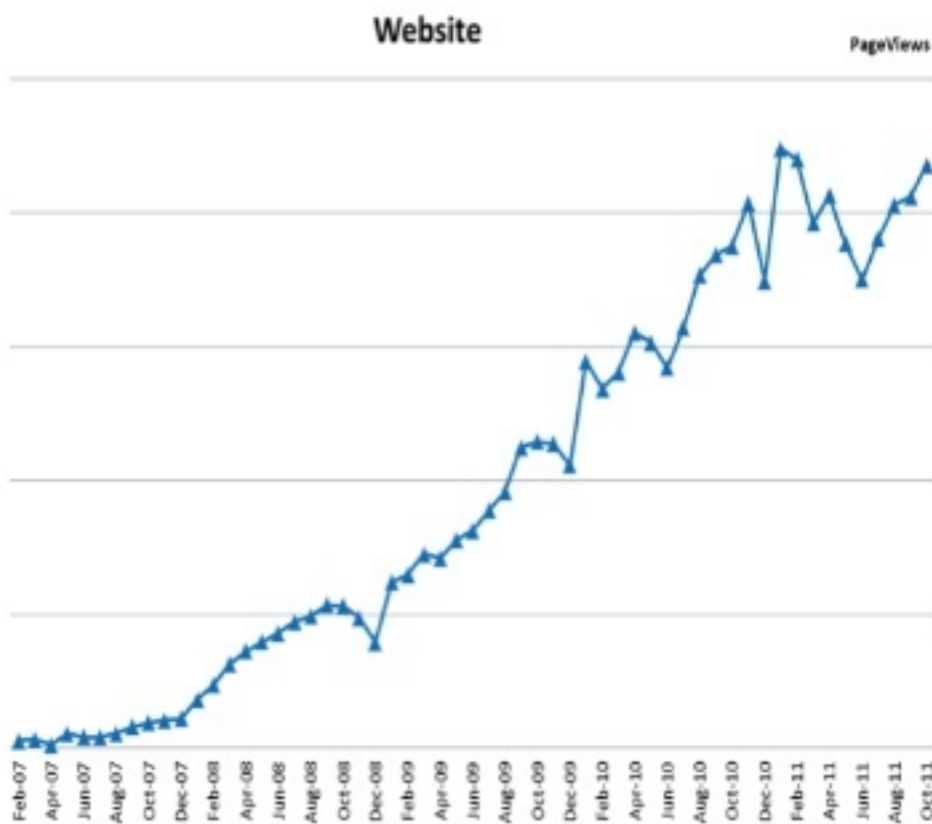
At small scale it is possible to increase spending and maintain low CPCs



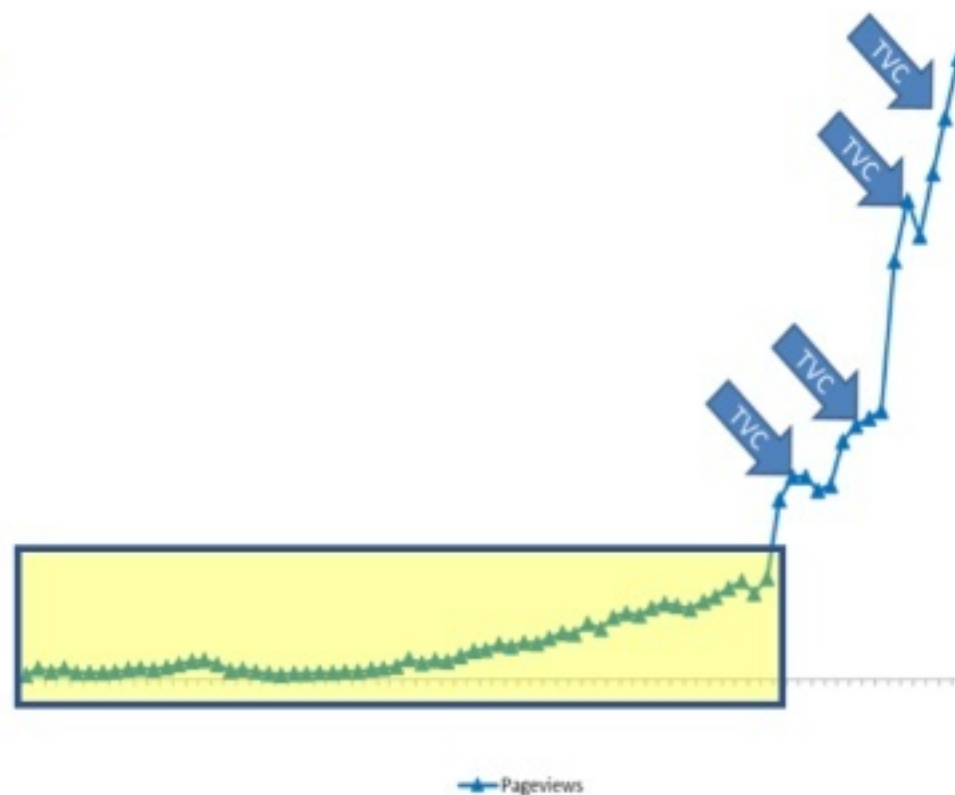
Increasing spend tenfold by 1) increasing CPC or 2) expanding number of keywords, will increase your marginal cost of acquisition

**Beware diminishing returns on online ad spend;
usually happens around a couple hundred thousand dollars monthly ad spend**

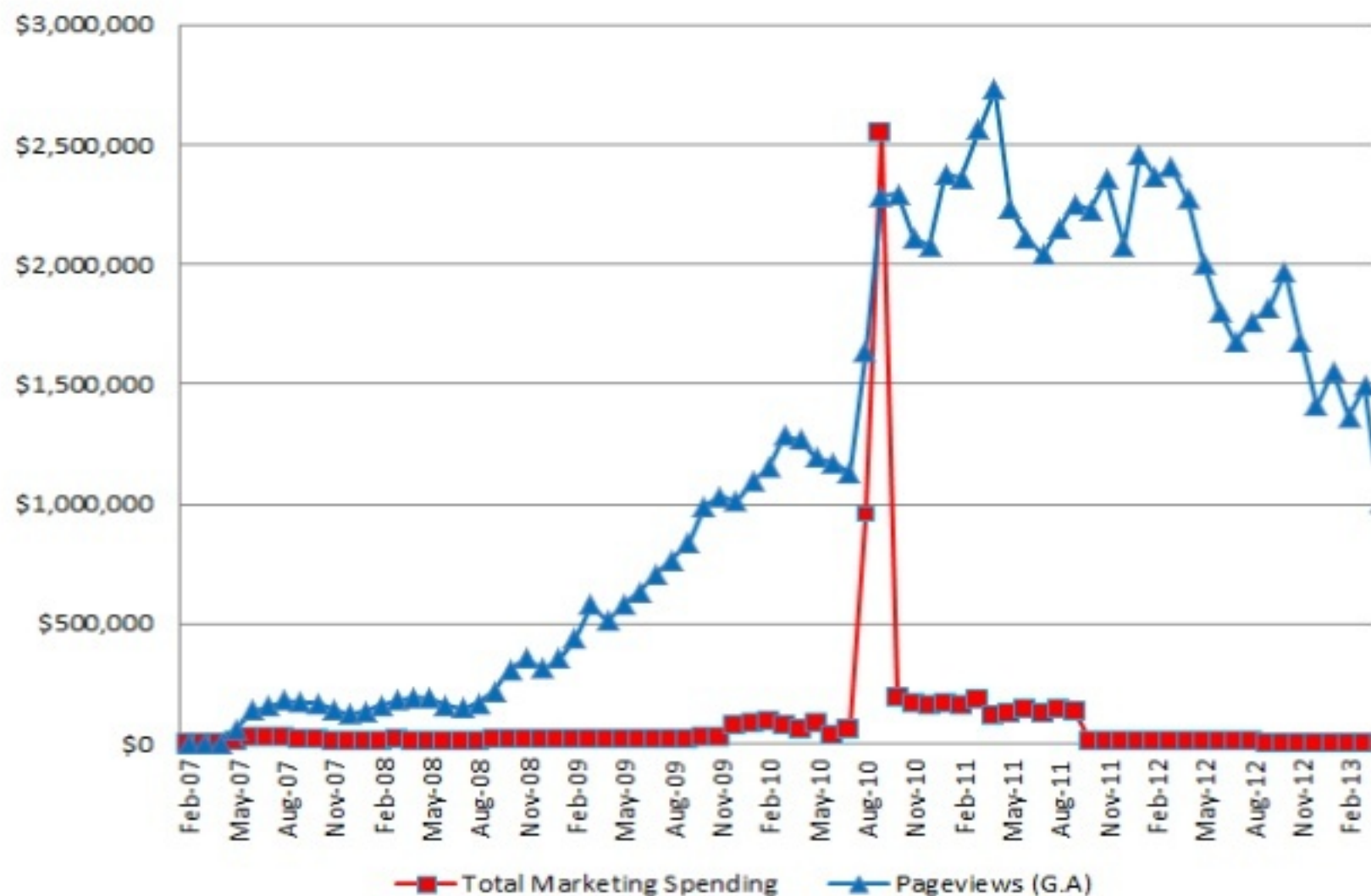
Digital marketing and SEO can grow your business nicely...



... but offline marketing will really move the needle!




Long tail effect: Total Marketing Spend vs. Pageviews



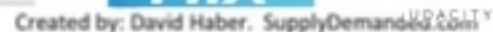
Even against an incumbent competitor you can win the market in a few months if you're the only one doing TV properly



A dark, grayscale photograph of a person's hands interacting with a smartphone on a desk. The phone screen displays a data visualization, possibly a bar chart. A pen and a pair of glasses are also visible on the desk surface. The overall image has a dark, moody aesthetic with a semi-transparent dark overlay.

Where is the industry
heading

100



 craigslist



Reverb

You 



twitch


Thumbtack



 **LAWN LOVE**

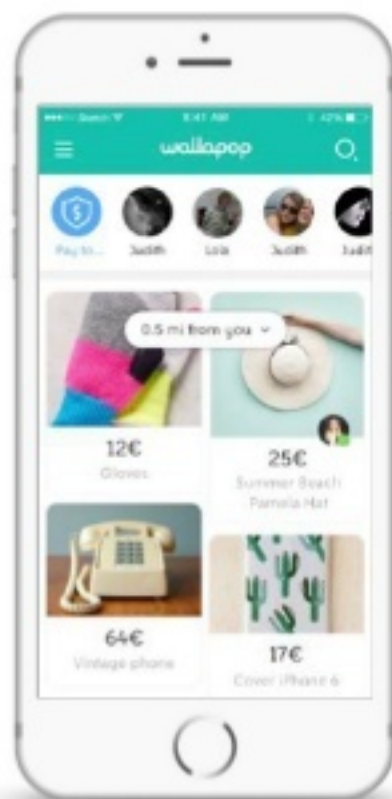
Rev 



robinTM

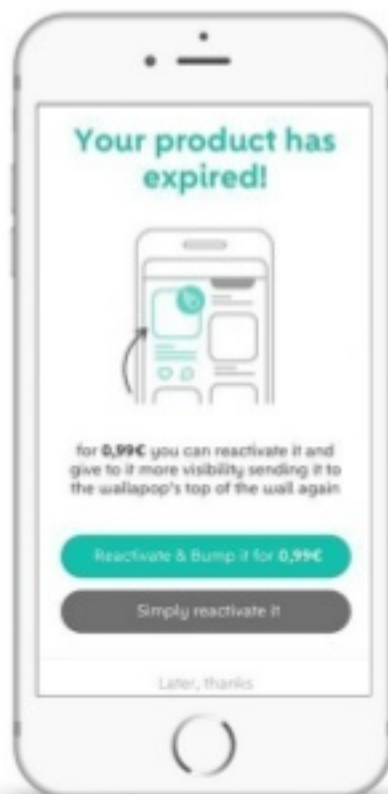
Fully transactional website

Optional buyer-paid escrow service



Visibility revenue

€0.99 per visibility Bump



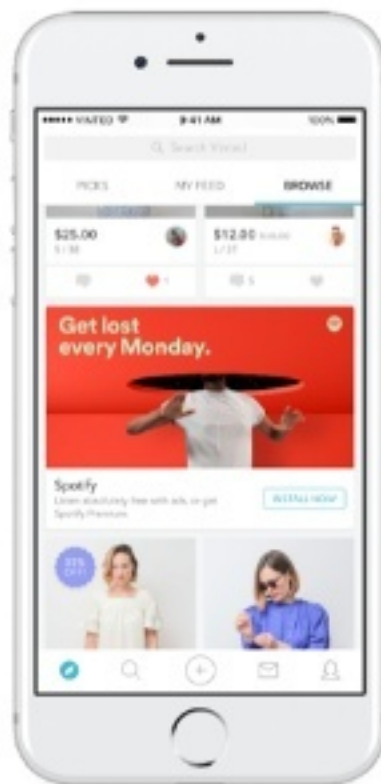
Shipping and logistics

Variable shipping + service fees



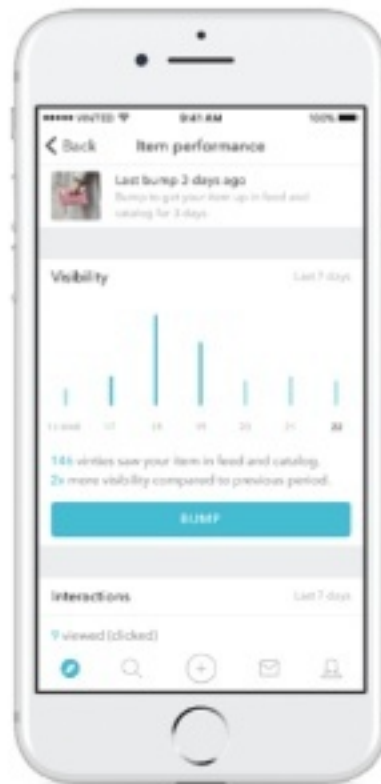
Fully transactional website

Buyers pay €0.70 + 5% of sale price



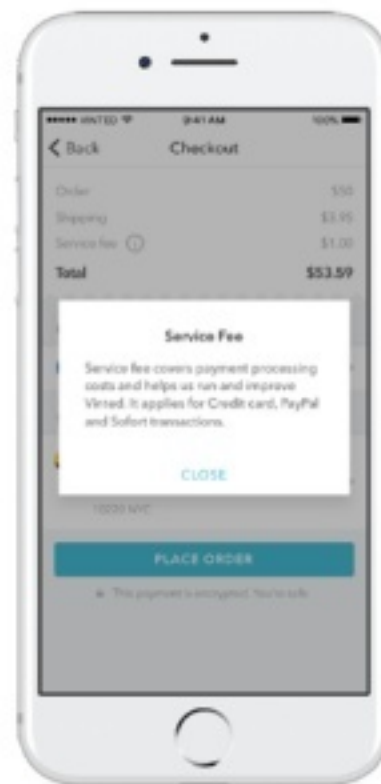
Visibility revenue

€1.95 per visibility Boost



Shipping and logistics

Variable shipping + service fees

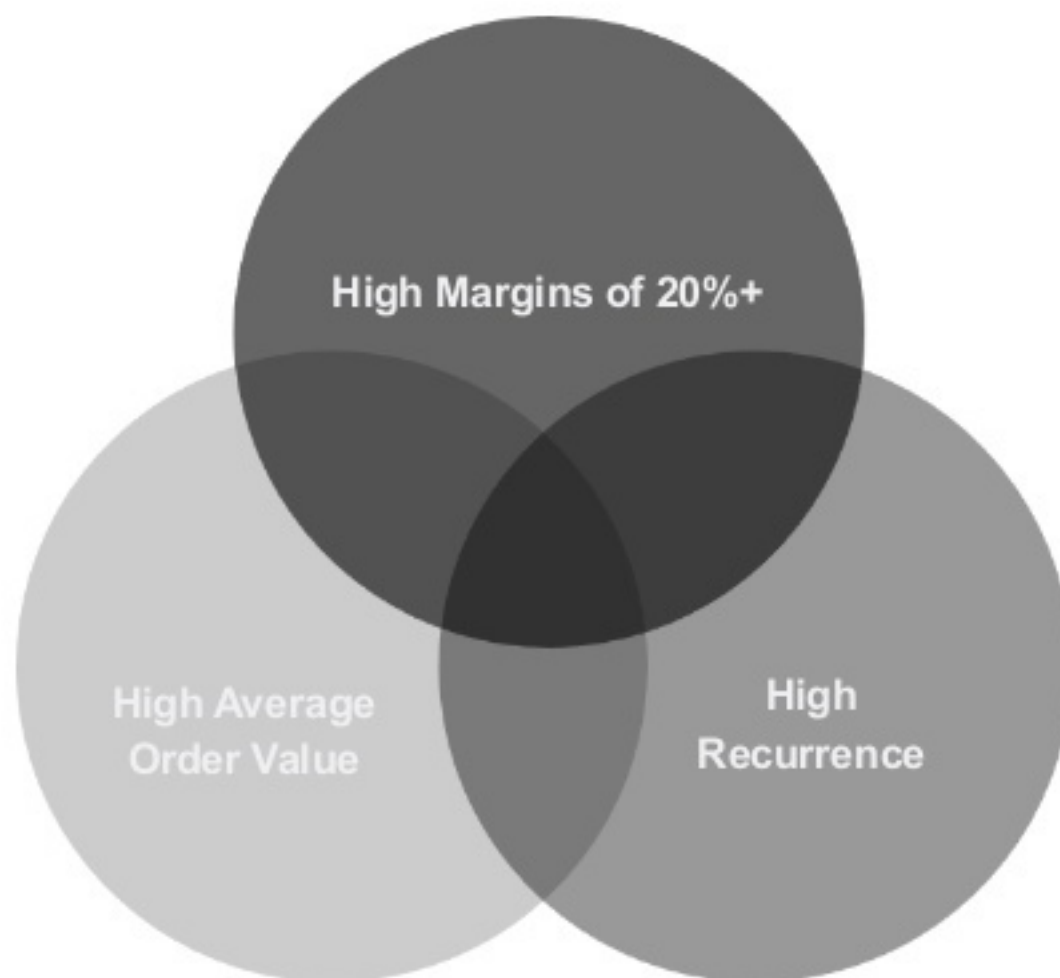




UBER



B2B Marketplaces have attractive characteristics that makes them more resilient



Examples

FLEXPORT

procsea
ONLINE FISH MARKET

 **RIGUP**

 **knowde**

AMAZING THINGS LIE AHEAD!

Thank you!

Thank you.

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