



ANGEL CAPITAL ASSOCIATION

# How to Invest (Successfully) in Marketplace Startups

December 11, 2019

# HOW TO GET VALUE FROM THIS DEMO



- Use chat to submit questions
- Yes, you'll get the slides and video
- We're recording, so come back and listen again
- Contact Heather Krejci with questions:  
[hkrejci@angelcapitalassociation.org](mailto:hkrejci@angelcapitalassociation.org)

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# ANGEL CAPITAL ASSOCIATION TODAY

World's largest association of active accredited angel investors - [www.angelcapitalassociation.org](http://www.angelcapitalassociation.org)



14,000+ investors across North America



Data Analytics



Gold Standard  
Education



Advocacy in DC



Great Connections

Mission: fuel the success of the accredited angel investor community  
through advocacy, education, data and connection building



ANGEL CAPITAL ASSOCIATION

Jeff Weinstein

Principal - FJ Labs

Kauffman Fellows Class 24

Co-leads the investment team, responsible for 400+ investments, domestically and internationally.



**FJ** LABS

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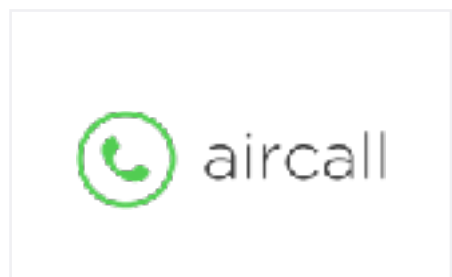































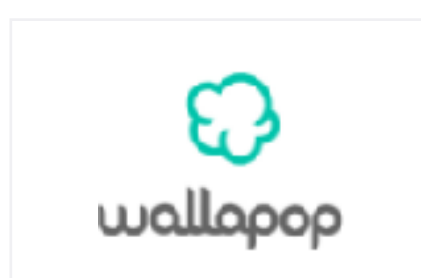
**INVESTING IN ONLINE MARKETPLACE STARTUPS**

**DECEMBER 2019**

FJ Labs builds and invests in online marketplaces.

We are the **World's most prolific** marketplace investors.

## SELECT PRIOR INVESTMENTS

- Seed / Series A focus
- Average investment size \$400K
- Global strategy: Active in U.S., Europe, LatAm, India
- ~100 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



# Why do we like marketplaces so much?

Founded 1995

City #2 in 2000

# [craigslist](#)

[contact](#) [post a listing](#)

[FAQ](#) [subscriptions](#)

## search craigslist

community ▾ >

[classes](#) - [events](#) - [tech](#)

S M T W T F S

[19](#) [20](#) [21](#) [22](#) [23](#) [24](#) [25](#)

[26](#) [27](#) [28](#) [29](#) [30](#) [31](#) [1](#)

[2](#) [3](#) [4](#) [5](#) [6](#) [7](#) [8](#)

[9](#) [10](#) [11](#) [12](#) [13](#) [14](#) [15](#)

### [discussion forums](#)

["best-of-craigslist"](#) new

[some feedback and status on the new revenue ideas](#)

[webby awards](#) - thanks!

[school/nonprofit wishlists](#)

[songs inspired by literature](#)

[policies](#) | [about](#) | [feedback](#)

# san francisco bay area

[other craigslists](#)

## [community](#)

[activity partners](#)

[arts / artists](#)

[music / musicians](#)

[carpool / rideshare](#)

[childcare / kids](#)

[general community](#)

[pets / animals](#)

[political forum](#)

[volunteers](#)

[progressive directory](#)

## [personals](#)

[women seeking women](#)

[women seeking men](#)

[men seeking women](#)

[casual encounters](#)

[men seeking men](#)

[missed connections](#)

## [services](#)

[resumes](#)

[freelance / 1099](#)

[small biz ads](#)

## [housing](#) / [graph](#)

[apts / housing](#)

[apts - broker / fee](#)

[apts / housing wanted](#)

[rooms / shared](#)

[rooms / share wanted](#)

[sublets / temporary](#)

[sublets wanted](#)

[office / commercial](#)

[parking / storage](#)

## [sale / wanted](#)

[barter / swap / free](#)

[bicycles](#)

[motorcycles](#)

[cars / trucks](#)

[computer / tech stuff](#)

[general for sale](#)

[furniture](#)

[general wanted](#)

[tickets](#)

## [jobs](#) / [resumes](#)

[accounting / finance](#)

[admin / office / cust service](#)

[architect / engineer / cad](#)

[art / media / print / design](#)

[business / e-biz / mgmt](#)

[education / teaching](#)

[human resources](#)

[internet / web engineer'g](#)

[legal / paralegal](#)

[market'g / advertis'g / pr](#)

[medical / health / biotech](#)

[network / telecomm](#)

[nonprofit sector](#)

[retail / hospitality / food](#)

[sales / biz dev](#)

[skilled trade / craft](#)

[software / QA / DBA](#)

[system administration](#)

[technical support](#)

[tv / film / video / radio](#)

[web / info design](#)

[writing / editing](#)

[et cetera](#)

[part time](#)

[create a posting](#)

[my account](#)

search craigslist

event calendar

M	T	W	T	F	S	S
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1	2	3

[help, faq, abuse, legal](#)

[avoid scams & fraud](#)

[personal safety tips](#)

[terms of use](#) new

[privacy policy](#)

[system status](#)

[about craigslist](#)

[craigslist is hiring in sf](#)

[craigslist open source](#)

[craigslist blog](#)

[best-of-craigslist](#)

[craigslist TV](#)

["craigslist joe"](#)

[craig connects](#)

community

- [activities](#)
- [artists](#)
- [childcare](#)
- [classes](#)
- [events](#)
- [general](#)
- [groups](#)
- [local news](#)
- [lost+found](#)
- [missed connections](#)
- [musicians](#)
- [pets](#)
- [politics](#)
- [rants & raves](#)
- [rideshare](#)
- [volunteers](#)

services

- [automotive](#)
- [beauty](#)
- [cell/mobile](#)
- [computer](#)
- [creative](#)
- [cycle](#)
- [event](#)
- [farm+garden](#)
- [financial](#)
- [household](#)
- [labor/move](#)
- [legal](#)
- [lessons](#)
- [marine](#)
- [pet](#)
- [real estate](#)
- [skilled trade](#)
- [sm biz ads](#)
- [travel/vac](#)
- [write/ed/tran](#)

discussion forums

- [android](#)
- [apple](#)
- [arts](#)
- [atheist](#)
- [autos](#)
- [beauty](#)
- [bikes](#)
- [celebs](#)
- [comp](#)
- [cosmos](#)
- [diet](#)
- [divorce](#)
- [dying](#)
- [eco](#)
- [feedbk](#)
- [film](#)
- [frugal](#)
- [gaming](#)
- [garden](#)
- [haiku](#)
- [help](#)
- [history](#)
- [housing](#)
- [jobs](#)
- [jokes](#)
- [legal](#)
- [linux](#)
- [manners](#)
- [marriage](#)
- [money](#)
- [music](#)
- [open](#)
- [pets](#)
- [philos](#)
- [photo](#)
- [politics](#)
- [psych](#)
- [recover](#)
- [religion](#)
- [rofo](#)
- [science](#)
- [spirit](#)
- [sports](#)
- [super](#)
- [tax](#)
- [travel](#)
- [tv](#)
- [vegan](#)

housing

- [apts / housing](#)
- [housing swap](#)
- [housing wanted](#)
- [office / commercial](#)
- [parking / storage](#)
- [real estate for sale](#)
- [rooms / shared](#)
- [rooms wanted](#)
- [sublets / temporary](#)
- [vacation rentals](#)

for sale

- [antiques](#)
- [appliances](#)
- [arts+crafts](#)
- [atv/utv/sno](#)
- [auto parts](#)
- [aviation](#)
- [baby+kid](#)
- [barter](#)
- [beauty+hlth](#)
- [bike parts](#)
- [bikes](#)
- [boat parts](#)
- [boats](#)
- [books](#)
- [business](#)
- [cars+trucks](#)
- [cds/dvd/vhs](#)
- [cell phones](#)
- [clothes+acc](#)
- [collectibles](#)
- [computer parts](#)
- [computers](#)
- [electronics](#)
- [farm+garden](#)
- [free](#)
- [furniture](#)
- [garage sale](#)
- [general](#)
- [heavy equip](#)
- [household](#)
- [jewelry](#)
- [materials](#)
- [motorcycle parts](#)
- [motorcycles](#)
- [music instr](#)
- [photo+video](#)
- [rvs+camp](#)
- [sporting](#)
- [tickets](#)
- [tools](#)
- [toys+games](#)
- [trailers](#)
- [video gaming](#)
- [wanted](#)
- [wheels+tires](#)

jobs

- [accounting+finance](#)
- [admin / office](#)
- [arch / engineering](#)
- [art / media / design](#)
- [biotech / science](#)
- [business / mgmt](#)
- [customer service](#)
- [education](#)
- [etc / misc](#)
- [food / bev / hosp](#)
- [general labor](#)
- [government](#)
- [human resources](#)
- [legal / paralegal](#)
- [manufacturing](#)
- [marketing / pr / ad](#)
- [medical / health](#)
- [nonprofit sector](#)
- [real estate](#)
- [retail / wholesale](#)
- [sales / biz dev](#)
- [salon / spa / fitness](#)
- [security](#)
- [skilled trade / craft](#)
- [software / qa / dba](#)
- [systems / network](#)
- [technical support](#)
- [transport](#)
- [tv / film / video](#)
- [web / info design](#)
- [writing / editing](#)

gigs

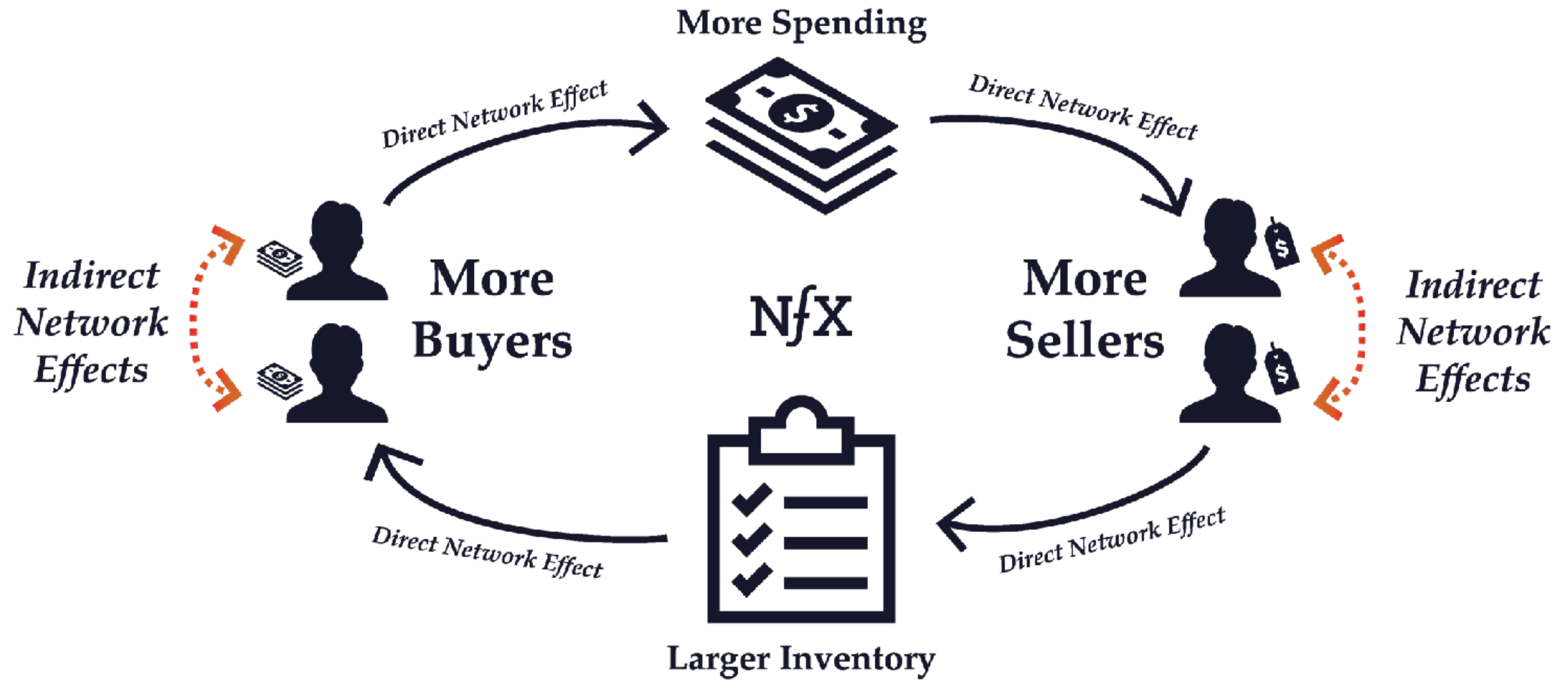
- [computer](#)
- [creative](#)
- [crew](#)
- [domestic](#)
- [event](#)
- [labor](#)
- [talent](#)
- [writing](#)

**\$1B REVENUE.**

**50%+ EBITDA MARGINS.**

**TERRIBLE USER EXPERIENCE.**

The screenshot shows the Craigslist website for New York City. At the top, there are navigation links for different cities: mnh, brk, que, brx, stn, jsy, lgi, wch, fct. The main header includes the Craigslist logo, links for 'create a posting' and 'my account', and a search bar. Below the search bar is an event calendar for the month of November, with the 11th highlighted. A sidebar on the left contains links for help, FAQ, abuse, legal, avoid scams & fraud, personal safety tips, terms of use (marked as new), privacy policy, and system status. The main content area is divided into several categories: community, housing, jobs, services, for sale, and discussion forums. Each category has a list of sub-items. For example, the 'community' category includes activities, artists, childcare, classes, events, general, groups, and local news. The 'housing' category includes apts / housing, housing swap, housing wanted, office / commercial, parking / storage, real estate for sale, rooms / shared, rooms wanted, sublets / temporary, and vacation rentals. The 'jobs' category includes accounting+finance, admin / office, arch / engineering, art / media / design, biotech / science, business / mgmt, customer service, education, etc / misc, food / bev / hosp, general labor, government, human resources, legal / paralegal, manufacturing, marketing / pr / ad, medical / health, nonprofit sector, real estate, retail / wholesale, sales / biz dev, salon / spa / fitness, security, skilled trade / craft, software / qa / dba, systems / network, technical support, transport, tv / film / video, web / info design, and writing / editing. The 'services' category includes automotive, beauty, cell/mobile, computer, creative, cycle, event, farm+garden, financial, household, labor/move, legal, lessons, marine, pet, real estate, skilled trade, sm biz ads, travel/vac, and write/ed/tran. The 'for sale' category includes antiques, appliances, arts+crafts, atv/utv/sno, auto parts, aviation, baby+kid, barter, beauty+hlth, bike parts, bikes, boat parts, boats, books, business, cars+trucks, cds/dvd/vhs, cell phones, clothes+acc, collectibles, computer parts, computers, electronics, farm+garden, free, furniture, garage sale, general, heavy equip, household, jewelry, materials, motorcycle parts, motorcycles, music instr, photo+video, rvs+camp, sporting, tickets, tools, toys+games, trailers, video gaming, wanted, and wheels+tires. The 'discussion forums' category includes android, apple, arts, atheist, autos, beauty, bikes, celebs, comp, cosmos, diet, divorce, dying, eco, feedback, film, frugal, gaming, garden, haiku, help, history, housing, jobs, jokes, legal, linux, manners, marriage, money, music, open, pets, philos, photo, politics, psych, recover, religion, rofo, science, spirit, sports, super, tax, travel, tv, and vegan.



Source: NFX Network Effects Bible

Global connectivity means even previously “niche” verticals can achieve **massive scale**.

# THE RISE OF VERTICAL MARKETPLACES



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



**NO SURPRISE FEES**  
ONLY GOOD SURPRISES



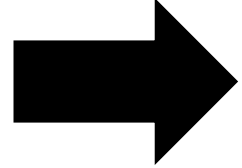
**1,283 tickets available**  
All prices in USD and set by sellers


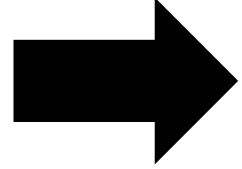
**Compare** Sort: **Price: Low to high**


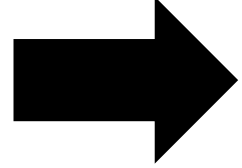

<input type="checkbox"/>	<b>400 Level End 420</b> Row 6  Qty2 Electronic	<b>\$35.00</b> <a href="#">Go</a>
<input type="checkbox"/>	<b>400 Level End 417</b> Row 3  Qty1 Instant Download	<b>\$36.15</b> <a href="#">Go</a>
<input type="checkbox"/>	<b>400 Level End 415</b> Row 6  Qty1 Instant Download	<b>\$36.58</b> <a href="#">Go</a>
<input type="checkbox"/>	<b>400 Level End 416</b> Row 2  Qty2 Electronic	<b>\$38.36</b> <a href="#">Go</a>
<input type="checkbox"/>	<b>200 Level Lower Corner 213</b> Row 14  Qty2 Electronic	<b>\$38.41</b> <a href="#">Go</a>
<input type="checkbox"/>	<b>200 Level Upper Corner 222</b> Row 23  Qty1 Instant Download	<b>\$39.98</b> <a href="#">Go</a>
<input type="checkbox"/>	<b>200 Level Lower Corner 208</b> Row 10  Qty2 Electronic	<b>\$40.67</b> <a href="#">Go</a>
<input type="checkbox"/>	<b>200 Level Upper Center 223</b> Row 16  Qty2 Instant Download	<b>\$41.76</b> <a href="#">Go</a>
<input type="checkbox"/>	<b>200 Level Upper Corner 209</b> Row 19  Qty2 Instant Download	<b>\$41.80</b> <a href="#">Go</a>
<input type="checkbox"/>	<b>200 Level Upper Center 225</b> Row 20  Qty2 Electronic	<b>\$41.80</b> <a href="#">Go</a>


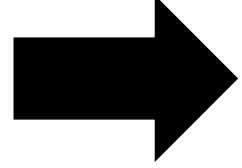


VERTICALIZATION OF THE HORIZONTALS CONTINUES

ebay  Reverb

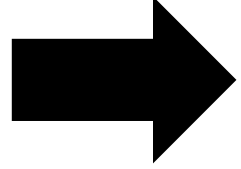
You   twitch

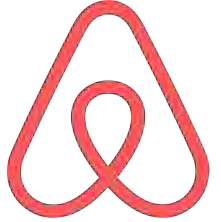
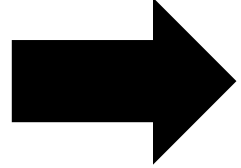
  


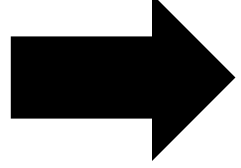
  robin <sup>TM</sup>

  
UBER  
EATS

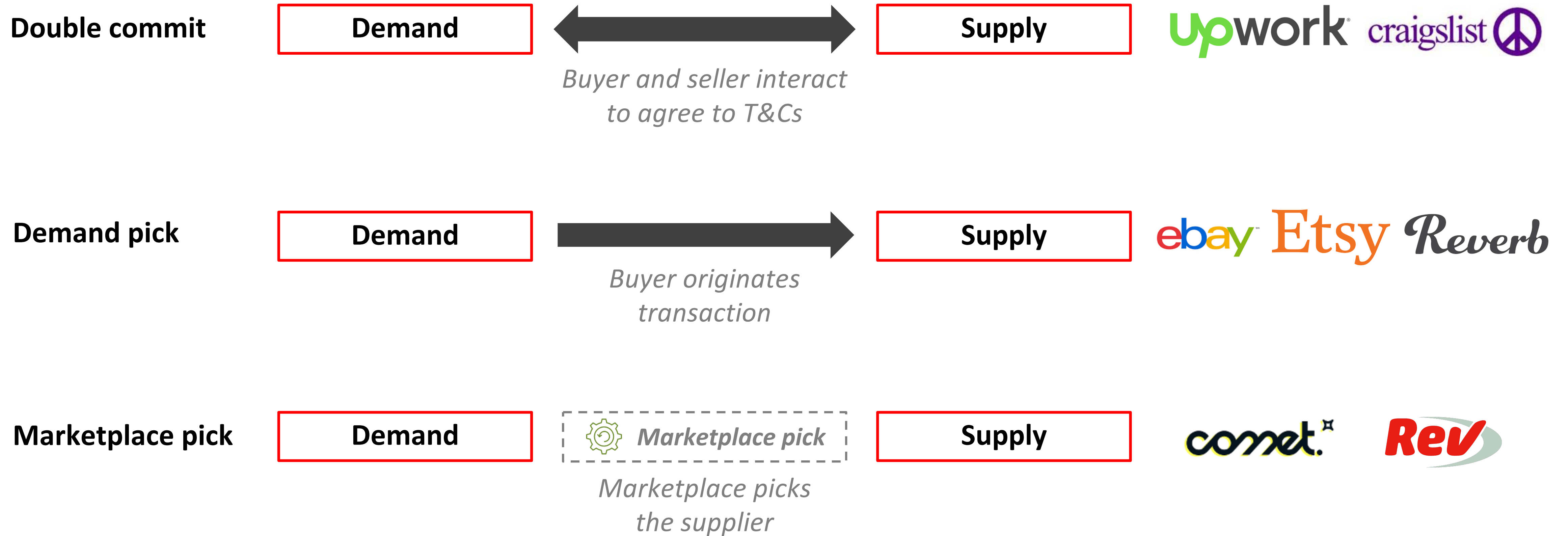
 SLICE

upwork <sup>TM</sup>  comet <sup>TM</sup>

 airbnb  LUXURY  
RETREATS

 FUNDBOX  PRODUCEPAY

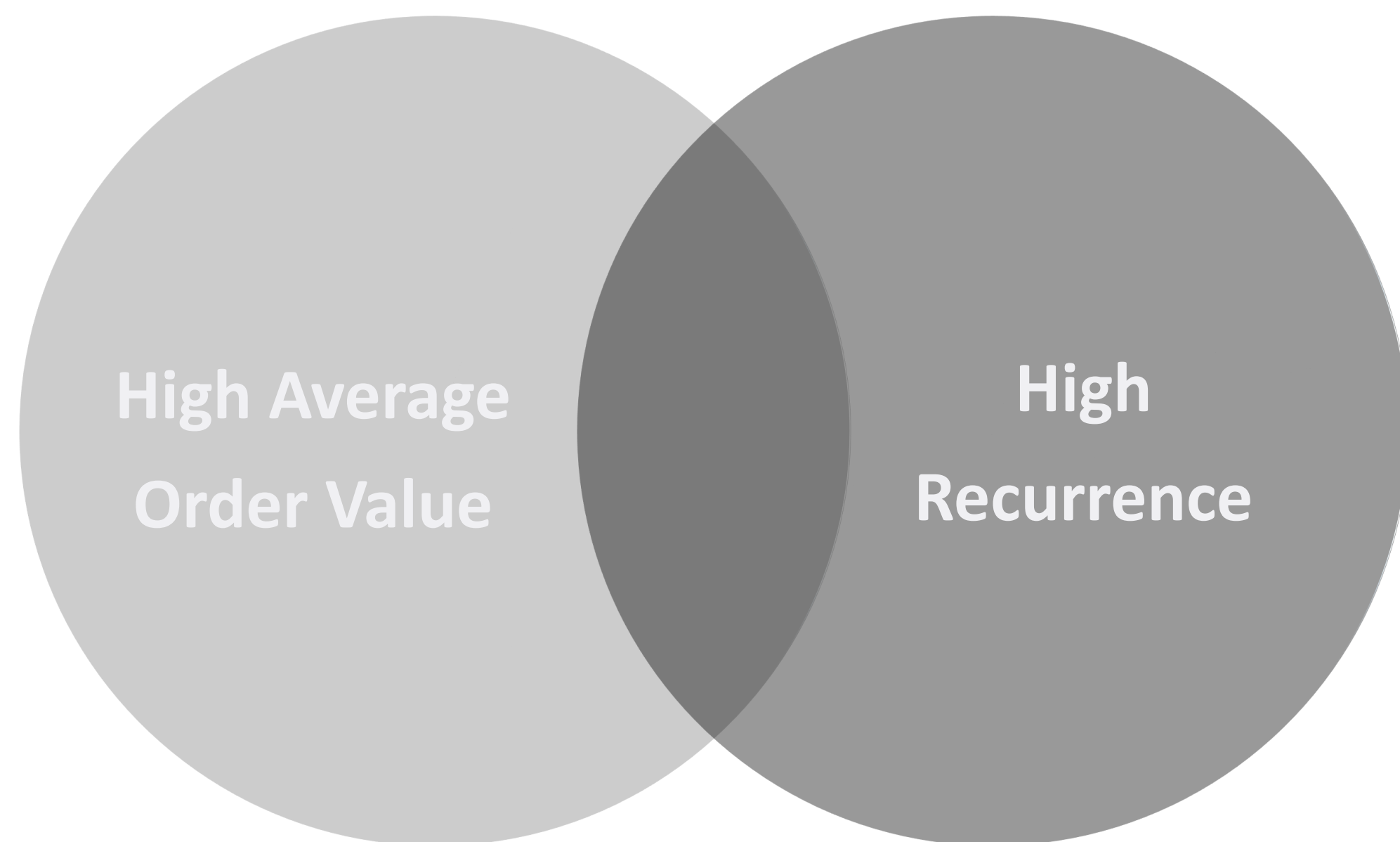
MOVING FROM DOUBLE-COMMIT TO MARKETPLACE-PICK



# Investing in B2B Marketplaces

B2B marketplaces can have attractive characteristics that makes them more resilient

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## Examples

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**FLEXPORT**

**procsea**  
ONLINE FISH MARKET

 **RIGUP**

 **knowde**

 **Medinas**

**Ag**

# The Key Marketplace Lever: Take Rate

Marketplace rakes vary based on value-add.

Take rates can vary from 0% to 40% or higher.

“Your margin is my opportunity” - Bezos

# Case Study: Vinted

# Vinted

Founded in 2012 in Vilnius, Lithuania.

Mobile-first online marketplace for secondhand clothing.

Raised a \$27M Series B in 2014 from Insight/Accel, but growth plateaued

**FJ Labs's Thomas Plantenga brought on in 2016 to orchestrate a turnaround.**



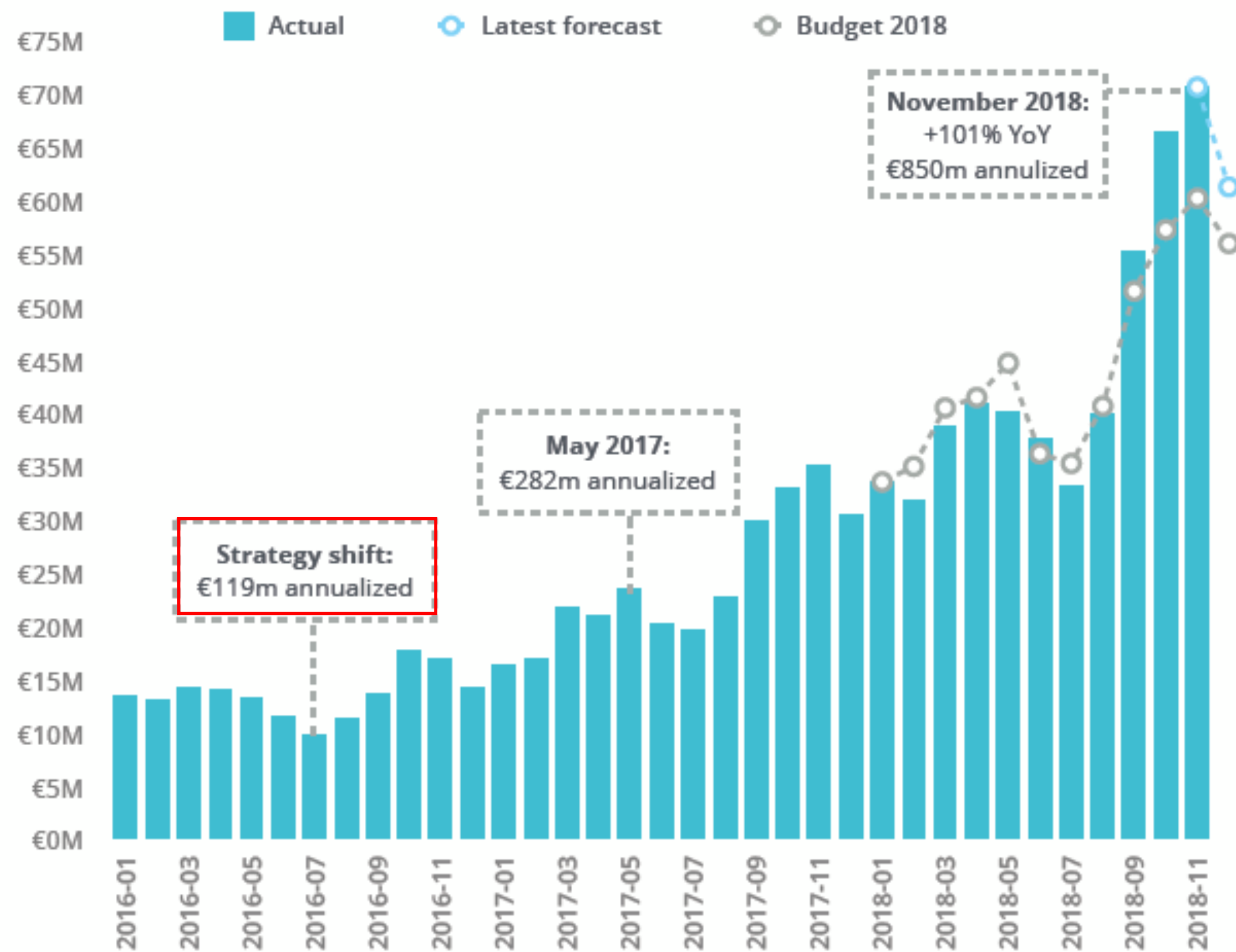
# Behind the turnaround that netted Vinted €50 million



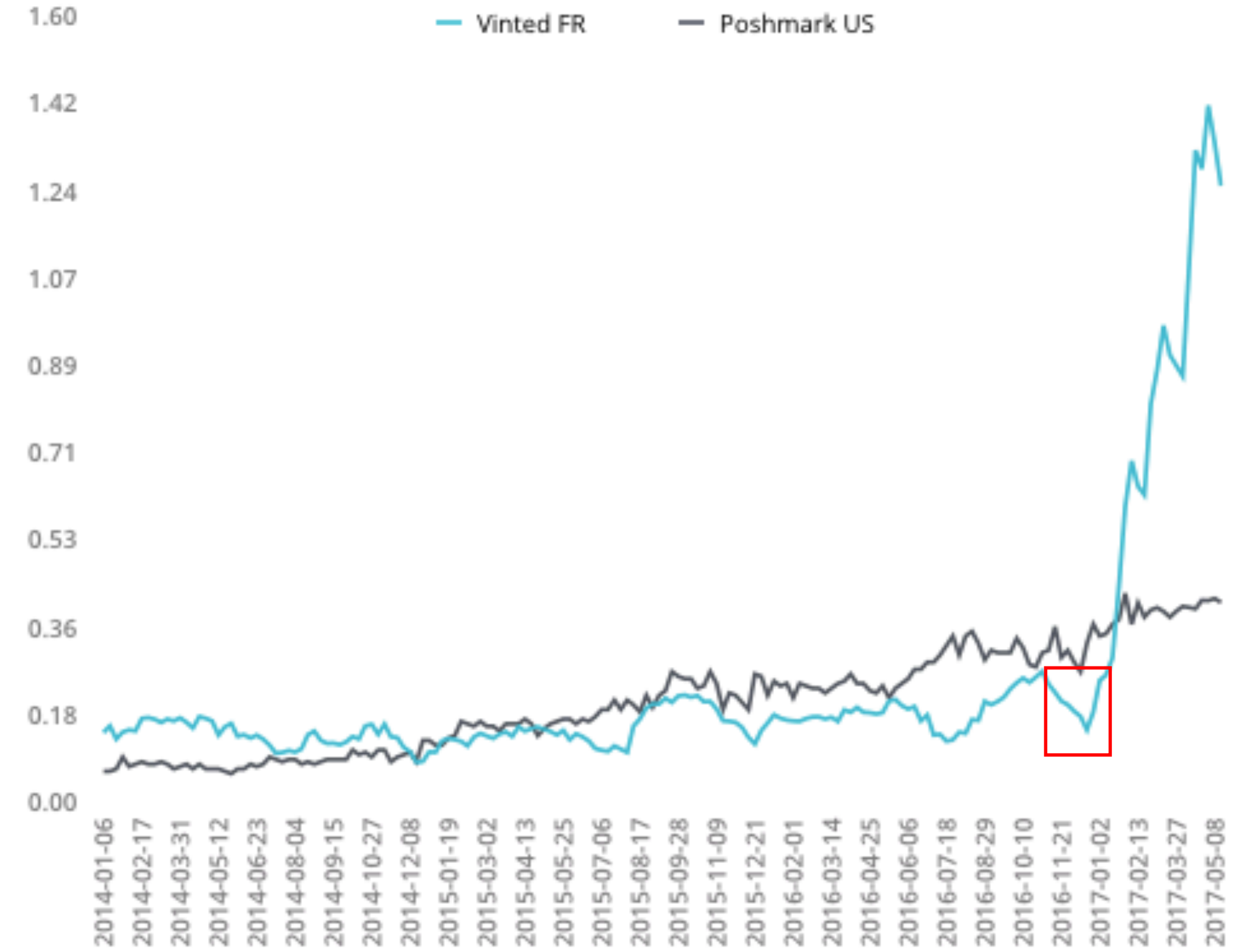
- Undercut the incumbent on price
- Add services which makes the experience in your niche optimal (e.g. nationwide shipping for clothing)
  - Monetize on value-added services (e.g. shipping, escrow) **on the demand-side only**

# Free to List Unlocked Explosive Growth

Monthly GMV, [€], (Vinted Global), (2016-2018)



Current maturity Poshmark US vs. Vinted France, [Daily average weekly listings per 1k capita], (2014 - 2017)



Source: internal scraping data combined with historical google trends curve.

# The Power of International Network Effects

- 99% of Vinted txns are shipped. Allows for easy cross-border commerce
- Scale created massive shipping discounts
  - Users ship from Brussels to Barcelona for €3.20. Independently this would cost €14.
  - International txns work as low as €20 AOV
- Netherlands, Belgium, Luxembourg, France, Spain are single platform.
  - ML to translate content, adjust diff websites
  - Immediate liquidity when launching in new countries

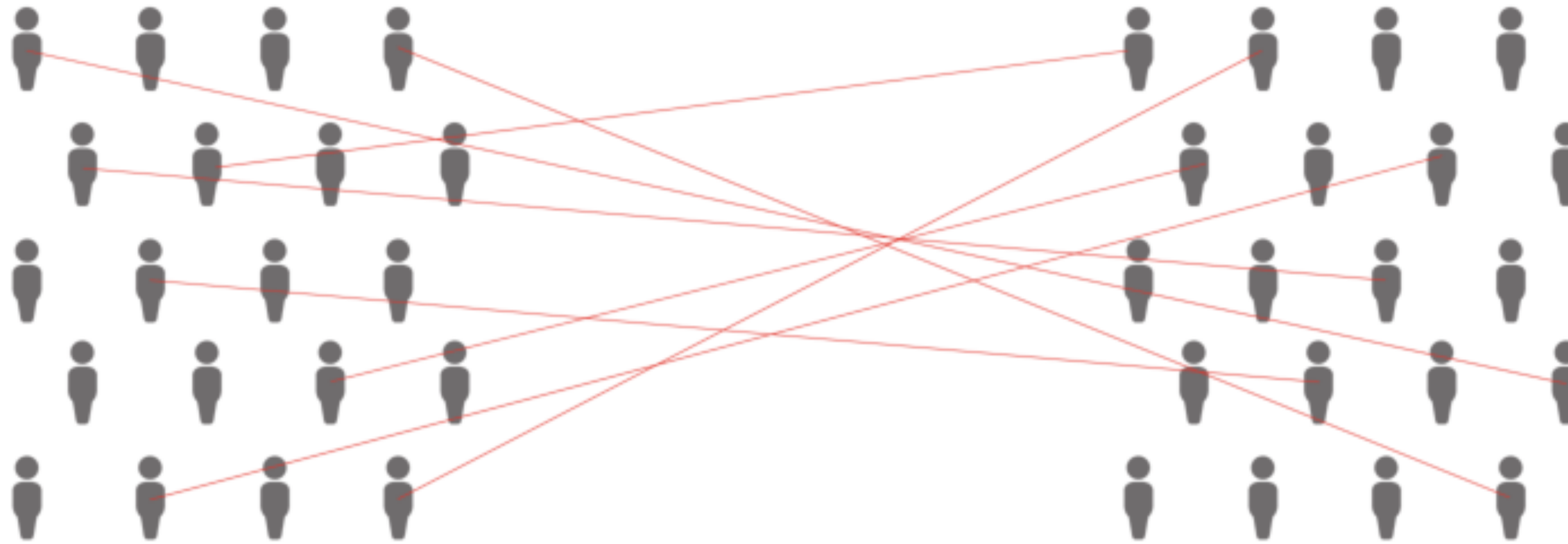
# Vinted Today – A Monster Emerges

- €1.9B GMV run-rate, €92M rev run rate. Growing 2.4X YoY
- Launched Spain in January 2019, acquired Chicfy for its userbase
- Raising €86M war chest at €1B. Lightspeed pre-empted.
  - €20M to support growth
  - €20M for M&A/acquihires
  - €30M for further expansion

What makes a good marketplace?

## Fragmented supply

## Fragmented demand



Discovery



Trust



Communication



Price transparency



Payment



Logistics

FOCUS ON UNIT ECONOMICS FROM THE START



What do we look for in marketplaces?



**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**

# The importance of unit economics

### 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

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

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

#### What we look for

12 month LTV ≥ 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

What is our investment checklist?



Is the **team** compelling?

- Storytelling skills
- Grit and tenacity
- Demonstrated passion
- Metrics driven and analytical



Is the **business** attractive?

- Attractive unit economics (actual or theoretical)
- \$1b+ potential enterprise value
- Low disintermediation risk
- Market leader potential
- Scalable and capital efficient
- Growing market



Are the **deal terms** reasonable?

- Attractive price relative to team, traction, and market opportunity



Does it meet **our thesis**?

- Verticalization of horizontals
- Transition to supply pick marketplace
- B2B marketplaces

**Thank you.**

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**FJ LABS**

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**JEFF WEINSTEIN**

Jeff@FJLabs.com

# QUESTIONS (AND THANKING OUR PARTNERS)



ACA Data Partner



ACA Education Partner



Small Business Innovation Research (SBIR)  
Small Business Technology Transfer (STTR)

Platinum Partner

Gold Partners



Feed the Future  
Rwanda Nguriza  
Nshore Project

Silver Partners



Bronze Partners



ANGEL CAPITAL ASSOCIATION

# UPCOMING WEBINARS AND DEMOS

Save the Upcoming Webinar Dates –

January 8<sup>th</sup> & January 22<sup>nd</sup>

[www.angelcapitalassociation.org/webinars/](http://www.angelcapitalassociation.org/webinars/)



ANGEL CAPITAL ASSOCIATION



# SEMINARS – BRING ACA PROGRAMS TO YOUR COMMUNITY

Programs you can present yourself – or bring in an ACA instructor:

- Fundamentals of Angel Investing
- Term Sheet Basics
- Advanced Workshop on Capitalization Tables
- Valuation Clinic
- Startup Boards
- Additional programs coming soon



[www.angelcapitalassociation.org/seminars/](http://www.angelcapitalassociation.org/seminars/)

# UPCOMING ACA GOLD STANDARD EVENTS & EDUCATION

- May 12-14, 2020, ACA Summit (*Denver, CO*)
- <https://events.angelcapitalassociation.org/2019summit>

