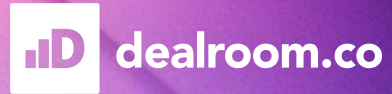


Adevinta Ventures



Fintech-enabled marketplaces

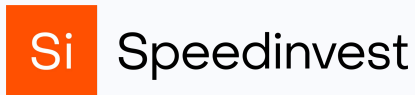
The future of marketplaces part 1

September 2021

Adevinta Ventures

Investing in the future of marketplaces.

Adevinta Ventures is the VC arm of the Adevinta group, a global online classifieds specialist operating leading digital marketplaces in 16 countries. We invest in fast-growing European startups (Series A and B rounds) that can shape the future of mobility, real estate, work and fintech. We also foster collaboration opportunities between our portfolio companies and Adevinta brands.



Game-changing support for early-stage tech founders.

Speedinvest is a European venture capital fund with more than €500M AUM and 40 investors working from Berlin, London, Munich, Paris, Vienna and San Francisco. Our sector-focused investment teams fund innovative early-stage technology startups in the areas of Consumer Tech, Deep Tech, Digital Health, Fintech, Industrial Tech, Marketplaces, and SaaS.



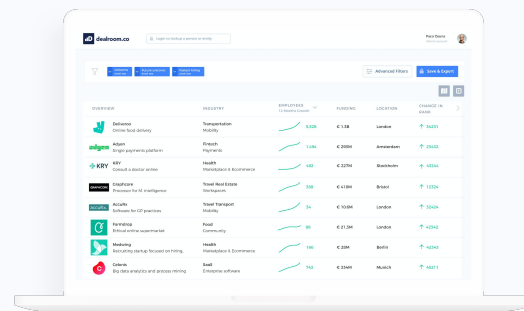
GoStudent



Global startup & venture capital intelligence platform.

Dealroom.co is the foremost data provider on startup, early-stage and growth company ecosystems in Europe and around the globe.

Founded in Amsterdam in 2013, we now work with many of the world's most prominent investors, entrepreneurs and government organizations to provide transparency, analysis and insights on venture capital activity.





Previous reports.

The future of marketplaces 2021

Online marketplaces 2020

The future of online marketplaces 2018

Why this report.

Consumer spending is increasingly online, with huge room for continued growth.

Online marketplaces sales now account for 19.5% of all consumer spending, vs. 18% last year and 13.6% two years ago*. While this has been accelerated by the pandemic, it is a trend that was already well underway, and will continue to grow.

Fintechs are taking a cut of marketplaces success.

Fintech solutions are capitalising on online consumer spending, through payments commission, Buy Now Pay Later interest, escrow and other services. With payment momentum moving from legacy banks to fintech solutions.

Newer markets offer even bigger growth opportunities for both marketplaces and fintechs.

Un- and underbanked populations in rapidly growing and digitizing markets offer a huge growth area for both online marketplaces and fintechs.

The lines between marketplaces and fintechs are looking increasingly blurred.

Online marketplaces are increasing taking advantage of both “plug and play” embedded fintech solutions, and fintech products built in house, to create new monetization streams, improve user experience, and boost customer retention. This report explores this new trend.

Key takeaways.

- Financial services + online marketplaces = outsized returns.

Fintech-enabled marketplaces have EV/Sales 6.7x, compared to 5.3x and 4.6x for other marketplaces and financial services, respectively.

- Record investment in online marketplaces (€78B in 2021YTD) means that marketplaces have significant dry powder available to invest in building or acquiring new financial services in-house.
- Fintech-enablement has been validated by soaring valuations of fintech products aimed at marketplaces (e.g. Buy Now Pay Later), and in addition, huge potential remains in serving un- and underbanked global communities.

Where are we in the evolution of marketplaces?

The first generation of online marketplaces translated town squares and bulletin boards into eBay and Craigslist. A recognisable online migration. But marketplaces have evolved more in the last 20 years than in the previous 200.

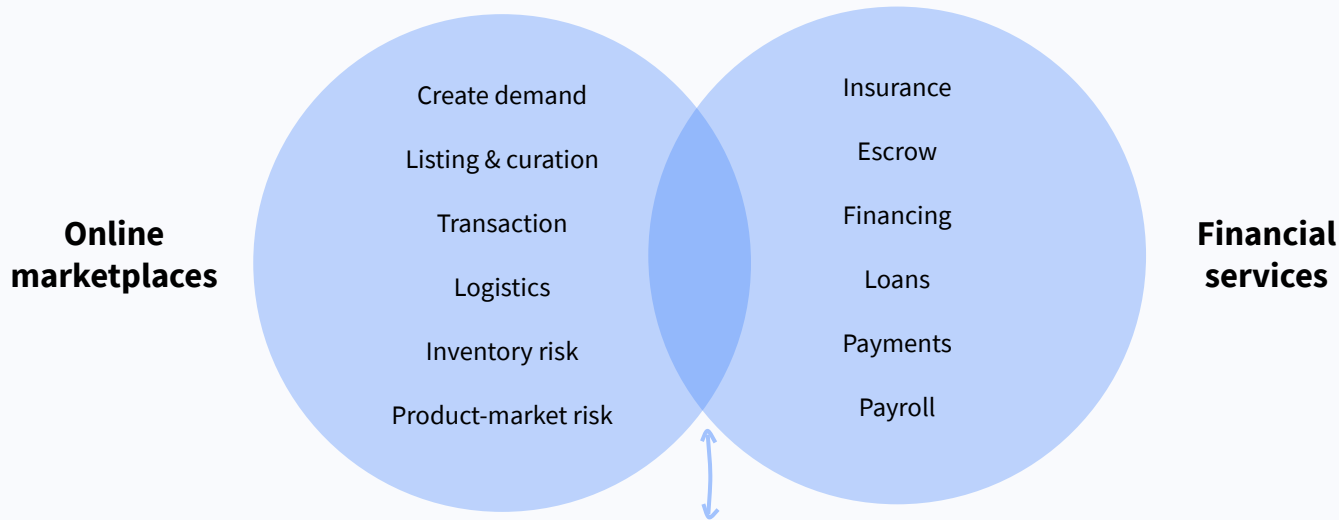
The initial wave of marketplaces from the 2000s tended to be supply-driven and vertically focused. The next wave of marketplaces enabled the transaction to take place on the platform. In the 2010s, marketplaces became on-demand, location-based and almost fully managed by the operator to improve the user experience.

Today, we are at a time of abundance of capital, e-commerce adoption and millions of unbanked consumers in growth markets. The next generation of online marketplaces embed financial services to create a better value for the customer, increase retention and monetization.

We have covered the evolution of marketplaces in more detail in [past reports](#).

New models						New models?
Managed marketplaces						
On-demand						
Transactional						
Vertical specialists						
Supply aggregators						
	1990s	2000s	2005-2010	2010-2015	2015-2020	2021+

Marketplaces are embedding financial products to combine the power of fintech and the reach of online marketplaces to compound growth opportunities.



Fintech-enabled marketplaces

- ✓ Expanding total addressable market
- ✓ New and recurring revenue streams
- ✓ Lower Customer Acquisition Costs
 - ✓ Sustainable unit economics
 - ✓ Reduce friction at order



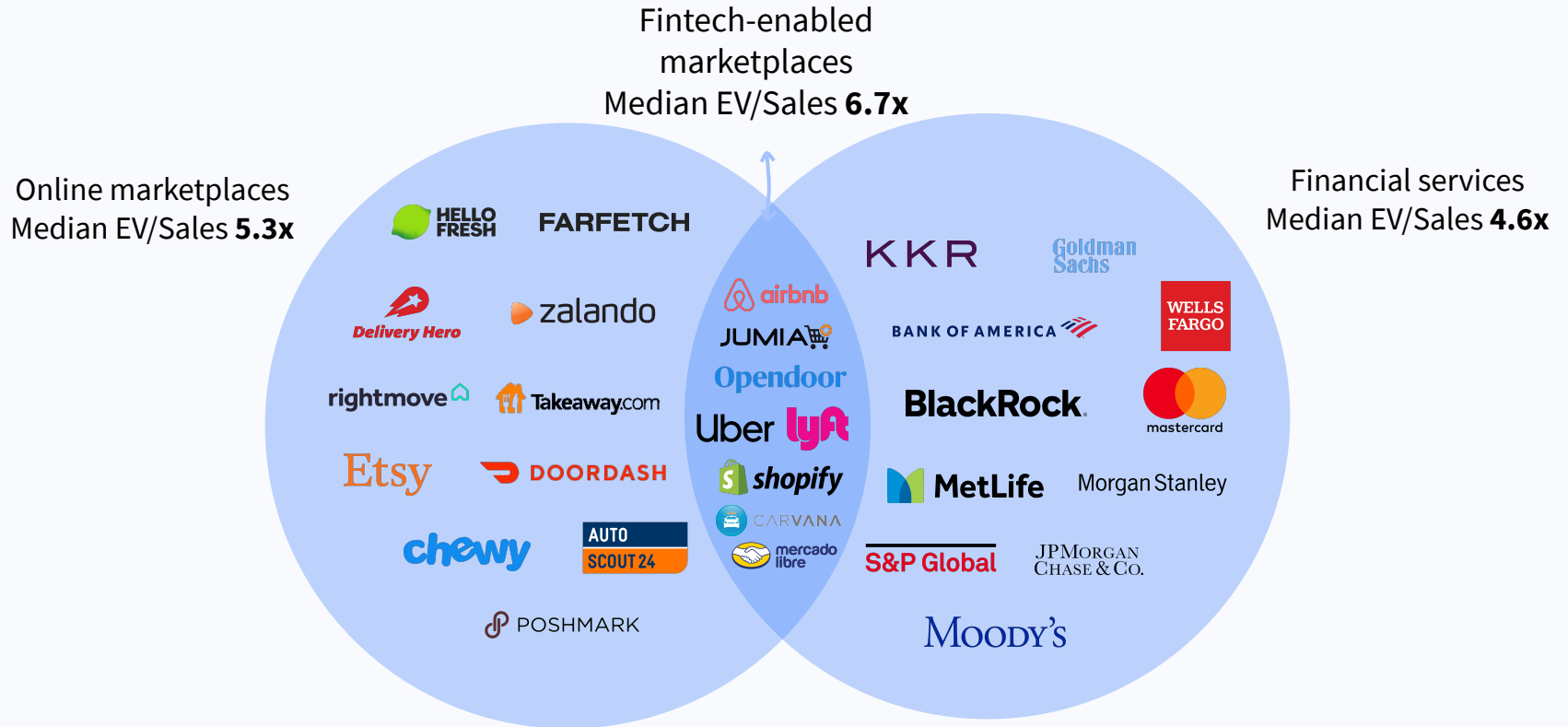
Pete Flint
General Partner,
NFX



“Marketplaces relentlessly evolve to improve the user experiences and economics for the demand side, the supply sides as well as the core marketplace itself.

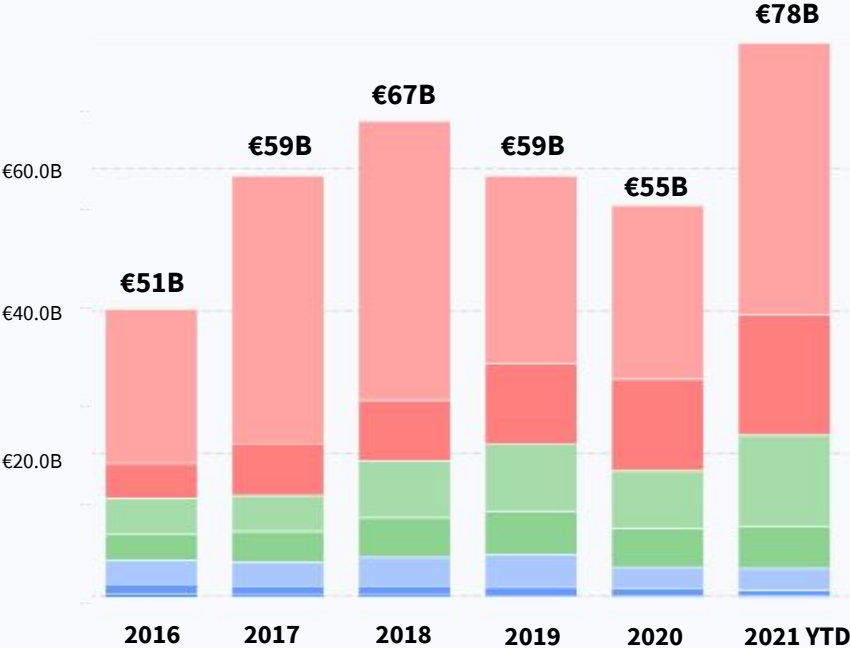
Embedding financial services within new digital marketplaces, presents an exciting frontier where operators are potentially able to launch breakthrough product experiences that can significantly reduce friction, increase liquidity and capture new economics.

Marketplaces that embed financial services build more shareholder value.




Record amounts of funding enable marketplaces to invest and launch in-house financial services.

Global VC investment in marketplaces by year








Notable funding rounds in 2021

 \$3.6B Growth Equity	 \$2.0B Growth Equity	 €600M Late VC
 €450M Series F	 €1.2B Growth Equity	 \$1.3B Late VC
 \$1.2B Series B	 \$500M Series F	 \$485M Series D

Some marketplaces have invested in building their own fintech products in-house.

Investments, strategic acquisitions and in-house products

	Payments	Lending	Insurance	Cash
Amazon	   	  		
Shopify				
Jumia				
MercadoLibre				

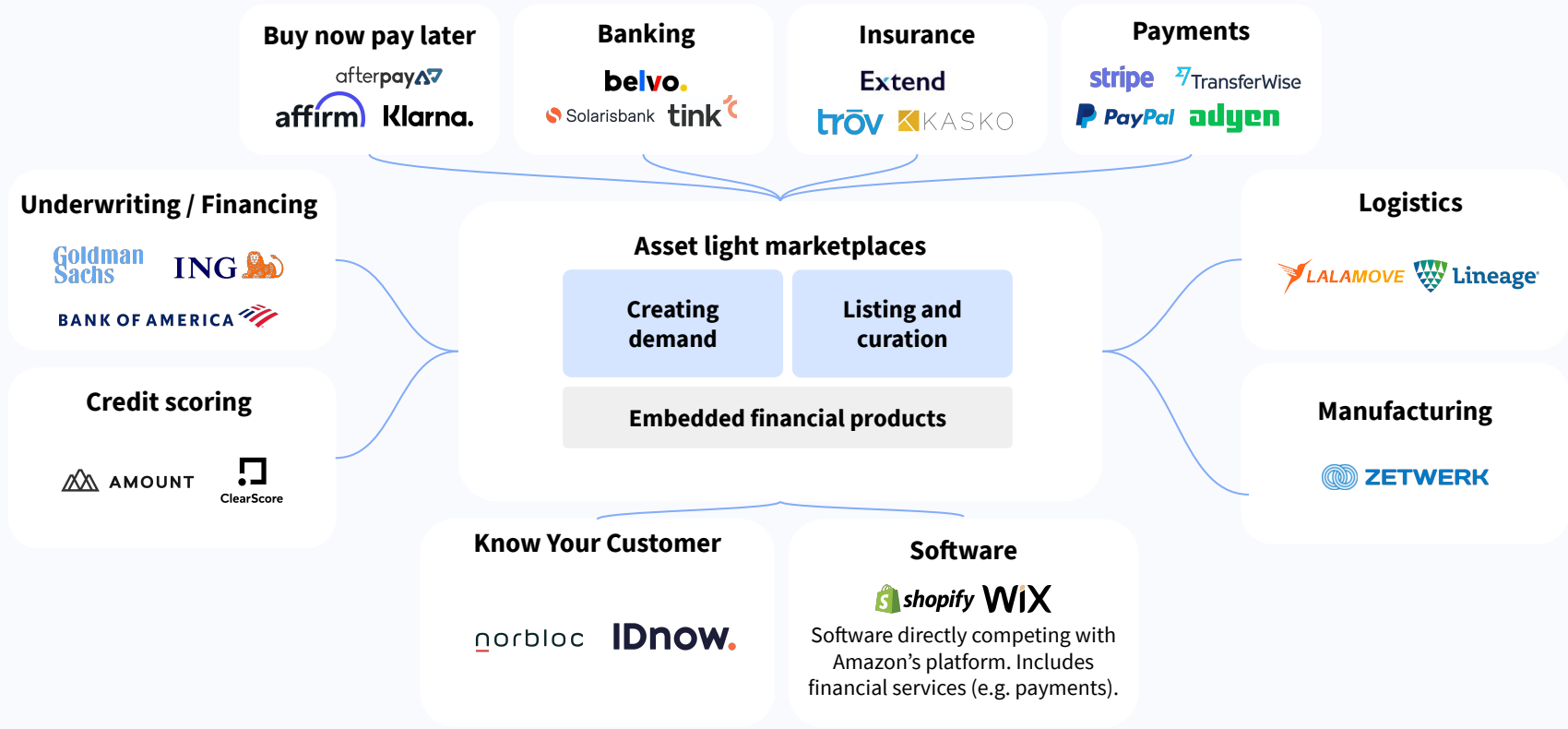
Marketplace operators develop financial services products in-house to strengthen its core ecosystem (e.g. Amazon, Shopify), increase financial inclusion and extend payment infrastructure to third parties to collect consumer data (e.g. Jumia, MercadoLibre).

Starting with MercadoLibre (marketplace) the team has built an ecosystem, adding payment solutions (MercadoPago), logistics (MercadoEnvíos), financing (MercadoCredito), advertising for sellers and publishers (MercadoAds) and software to help offline businesses digitize and have an online shop (MercadoShops). Also, Mercado Pago already [represents 50%](#) of the company value in terms of revenue generated and transactions.

Shopify uses its merchant solutions (mainly payments) to drive higher retention for its core subscription product.

Developing financial services product in-house is expensive and time-consuming (e.g. build compliance, credit risk, anti-money laundering teams from scratch).

While other marketplaces partner with third-party fintech startups, to control and improve the user experience at lower initial costs.





Alex Chesterman
Founder & CEO,
Cazoo

CAZOO

“The acceleration in the shift to online retail has been partly enabled through the increased integration of financial products and services”.

This has been particularly true for higher value transactions like cars, where offering financial services with instant decisioning as part of the checkout process has materially increased the addressable market.

Financial integration can generate unexpected new revenue streams. Flight-booking startup Hopper now outsource their own finance product.

How it started

Founded in 2008 in Montreal by former Expedia employees.

Hopper started as a travel search product. It accumulated vast amounts of data and applied machine learning to make recommendations to customers.

Recent past and current

In 2019, Hooper introduced a financial product “Price Freeze” that now accounts for 30% of total transactions.

In 2020, revenues grew 100% year-over-year. Demographics (customer base tilted towards millennials and gen Z) and financial services contributed to that.

In the future

Become financial services company

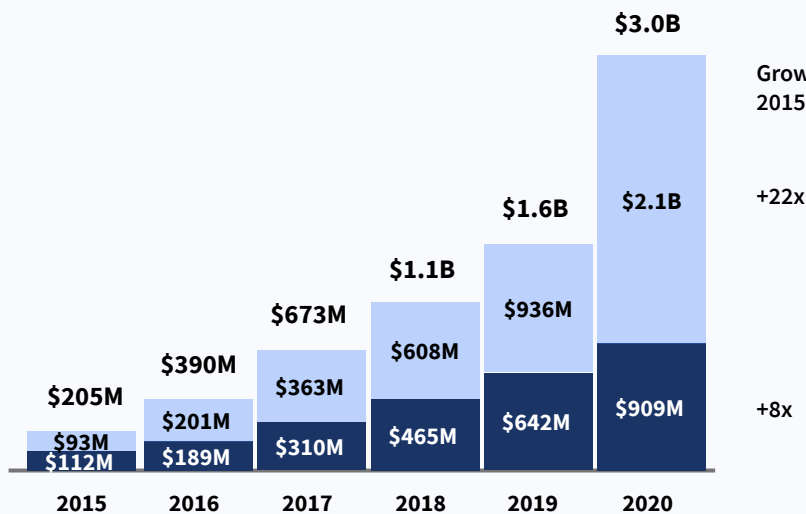
Launched Hopper Cloud, a B2B offering of its machine learning algorithm

Holds risk on its own P&L

Lending: Shopify sustains merchants' activities and strengthens its core subscription business through finance products.

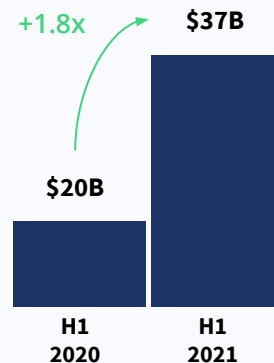
Shopify revenue by segment

- Subscription solutions
- Merchant solutions (mainly Payments)

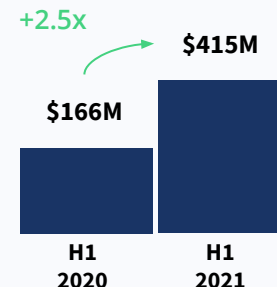


Merchant solutions select figures

Gross Payments Volume



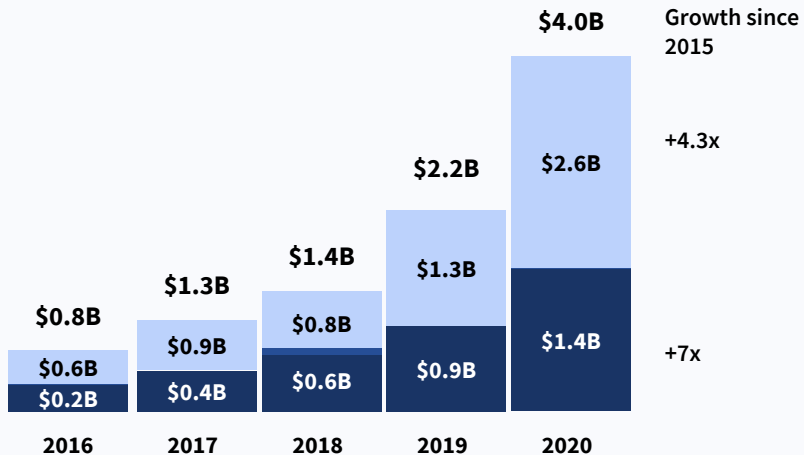
Merchant Cash Advances & Loans



Fintech outpacing marketplace, collecting third party data enables to enhance consumer experience

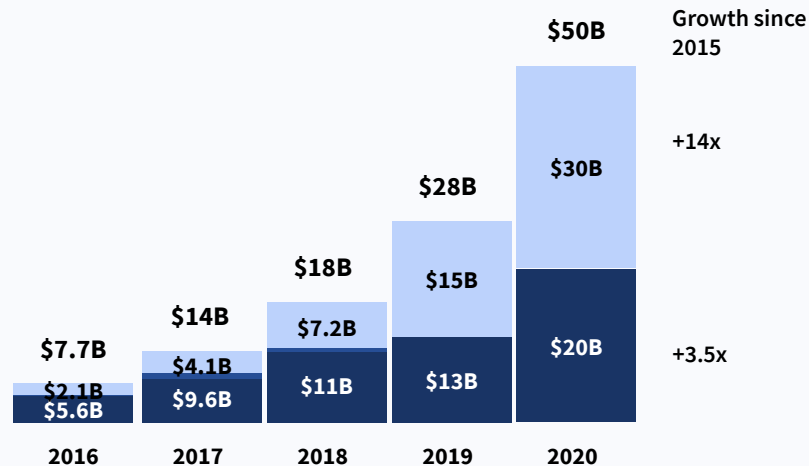
Revenue of MercadoLibre by stream

- Fintech
- Marketplace



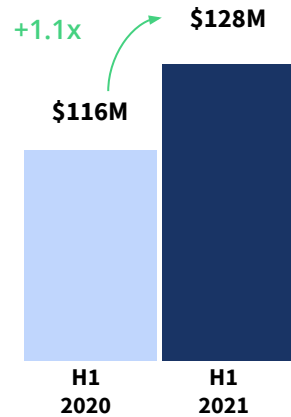
Payment volume of Mercado Pago

- Own marketplace
- Third-party marketplaces

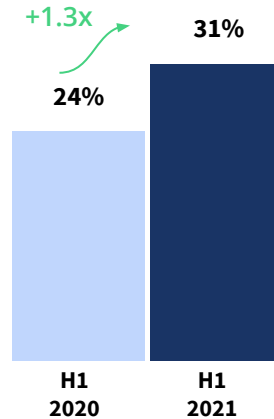


Jumia, a leading marketplace in Africa, launched digital payment platform, JumiaPay, that shows strong adoption.

Total payment volume



Total payment volume as % of GMV



Sacha Poignon
CEO, Jumia

“E-commerce marketplaces are very powerful engines to drive payments. Everywhere in the world, some of the leading payment companies were born out of and grown by marketplaces”

- in Quartz

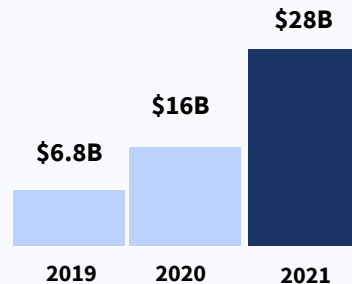
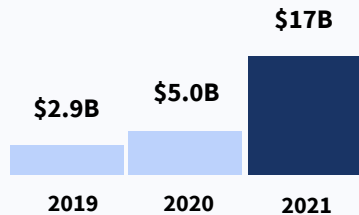
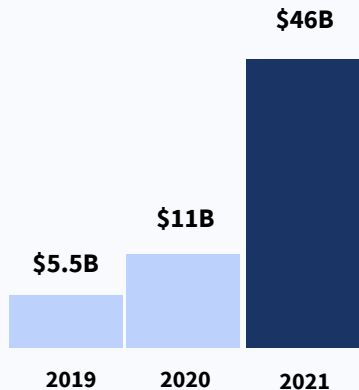
Soaring Buy Now Pay Later startup valuations are validating the new payment model in partnership with marketplaces.

Market capitalization of leading Buy-Now-Pay-Later companies

Klarna.

affirm

afterpay



- ✓ Consumer data
- ✓ Recurring revenue
- ✓ Growing sales

Select clients

PELOTON Expedia ASOS

shopify WOO COMMERCE WIX

BED BATH & BEYOND lululemon URBAN OUTFITTERS








In Asia, embedded finance is very common, also due to a large un- and underbanked population.

In South East Asia, 50% of consumers are unbanked; another 20% are underbanked. 70% of SME merchants accept only cash in 2019. This has resulted in huge super apps that integrate fintech with marketplaces, such as Gojek, Grab, Flipkart, Paytm and Ant Group.

But there are also plenty of underbanked and poorly banked market segments in the U.S., Latin America and Europe, too.

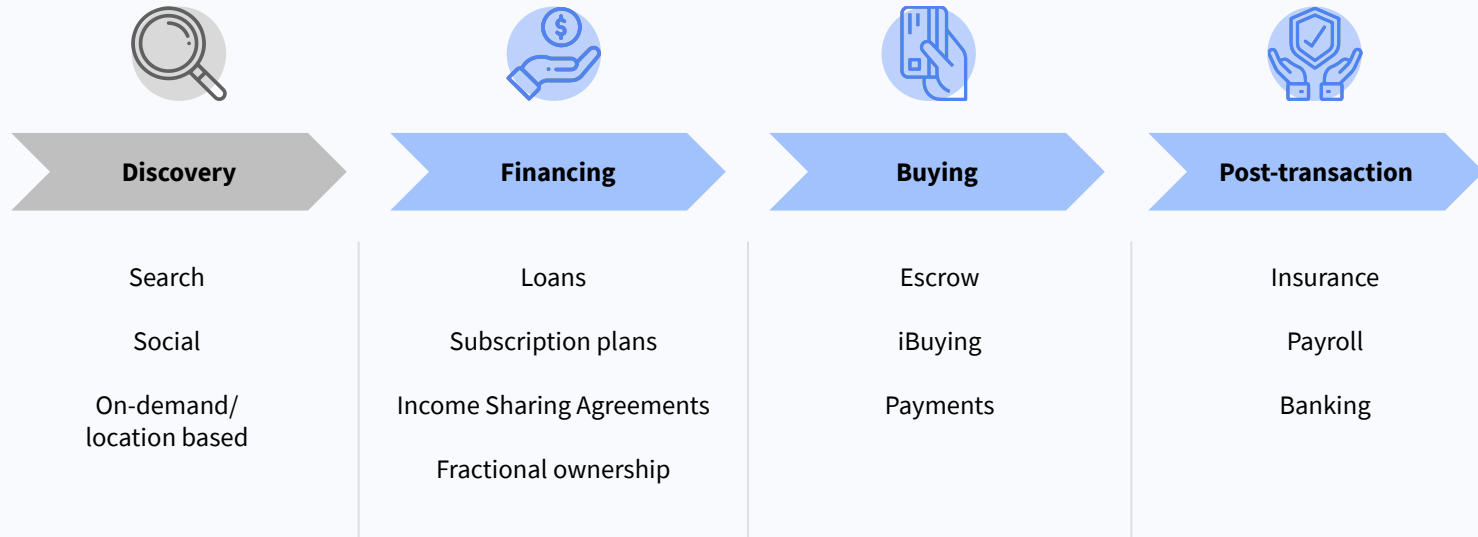
In the U.S. 42% of B2B payments are still made by paper cheque⁽¹⁾. A huge opportunity for fintech enabled services. Fintech innovation can remove friction and improve quality. In the EU, close to 40 million citizens are outside the banking mainstream. In Mexico, only 37% of adults have a bank account and about 90% of transactions are in cash.

Moreover, many market segments are poorly banked; think of freelancers, early entrepreneurs, creatives, eco farmers.

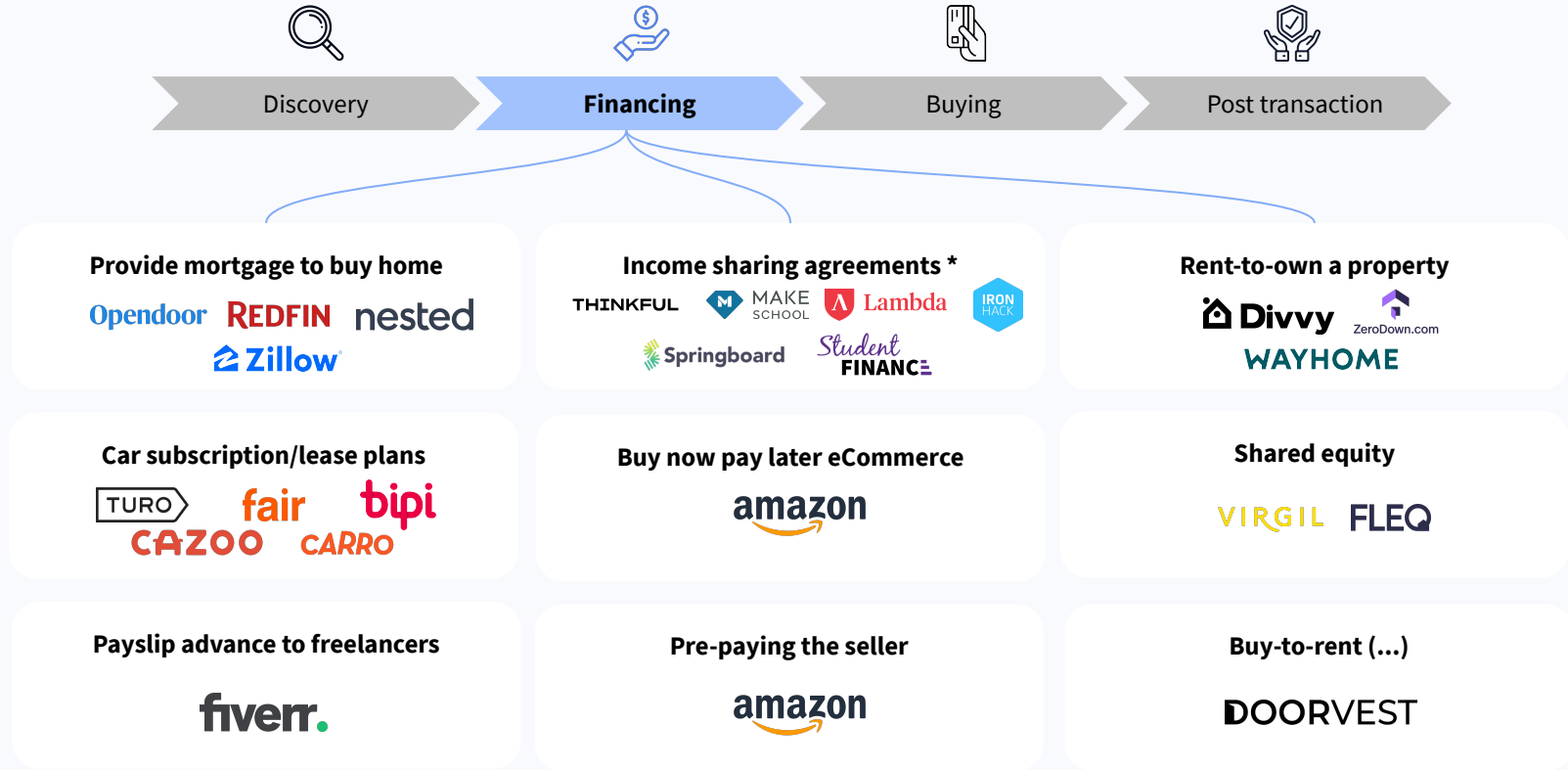
Banking for freelancers and founders	Banking for farmers	Banking for Minorities	Insurance for freelancers, job contractors and gig economy
			   

*Valued at \$320B prior to the regulatory clampdown since late 2020
(1) Association for Financial Professionals 2019 Survey

Financial solutions massively extend the value added in the process of matching supply and demand.



Marketplaces are increasingly providing financing for both buyers and sellers, to reduce transaction friction and add revenue streams.





Hans Christ
CEO, Bipi

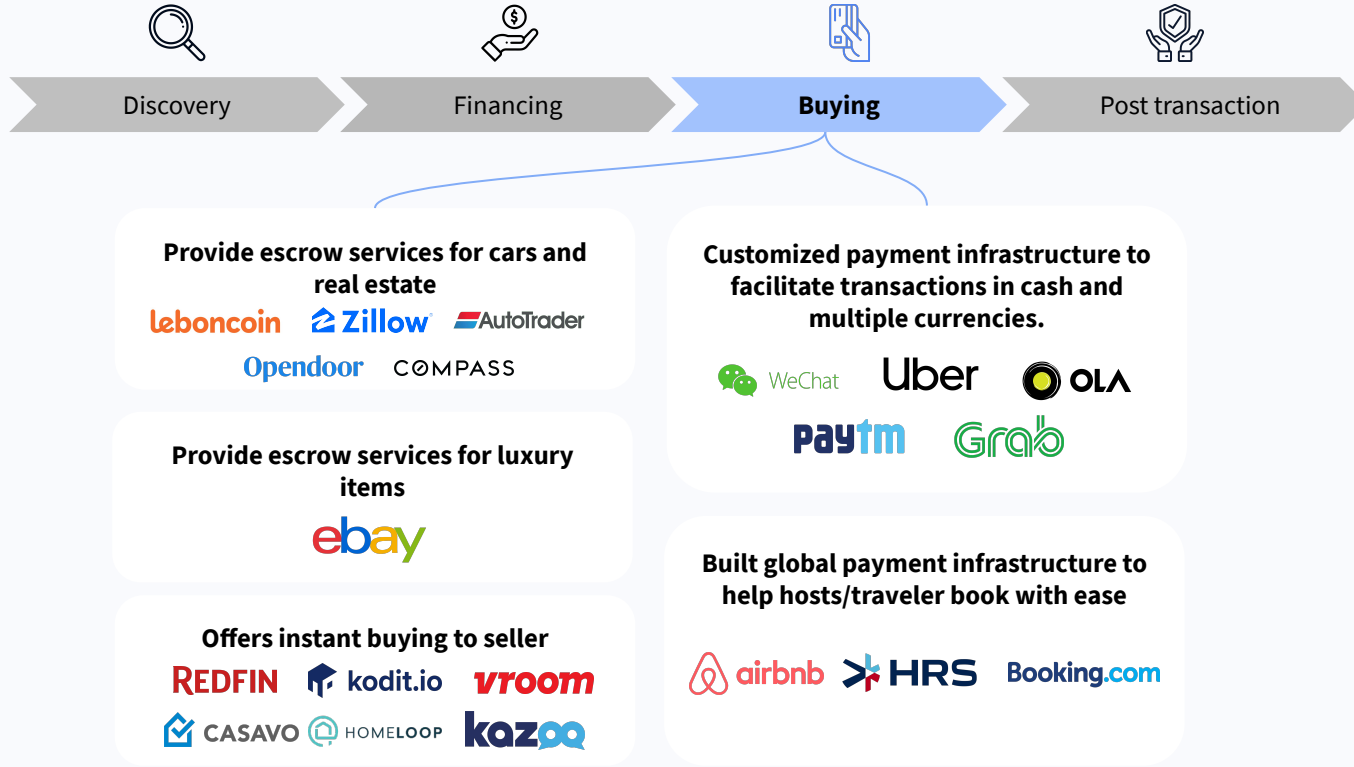


“Mobility and how we access cars is changing at the speed of light.”

“Before COVID 99 % of cars were bought and transacted in a physical place, today there are many players offering a full transactional and digital experience to access a car as easy as buying a pair of jeans online. Car Subscriptions is the best example with a 100 % online experience with everything bundled and included in the price (Insurance, maintenance, taxes etc).

In the next 5 years more than 30 % of car transactions will be online with everything included. Marketplaces like Bipi that control the supply, pricing and user experience are able to offer a bundle for the same monthly price are poised to succeed in the near and long term.”

Enabling the transaction: remove friction to increase conversion.





Kalle Salmi
CEO, Kodit



“At Kodit we are big believers in vertical integration of the real estate product stack and see huge opportunities to add more financing products into our offering.”

“We have recently expanded our offering beyond the pure instant home buying business to include sale and leaseback and rent-to-own products. These new products have really helped us to bring our customers more flexibility and better experience resulting our business to grow 5x during the past two quarters.”

Post transaction: extend customer relationship and thus lifetime value.



Provide third party insurance at the time of purchase



Handles payroll to speed up payout (and therefore satisfaction and liquidity)



Issue co-branded credit/debit card to offer rewards and cash-back for marketplace participants. Eventually will speed-up payout and transaction.



Bundles insurance
CAZOO tipi CARRO
Uber airbnb



**Joao Cardoso De
Jesus**

Founder & CEO, Lovys



“True customer-centricity happens when we can be seconds away from the moment when it is most convenient to buy.”

That is why embedded insurance is a growing trend for both new and well-established marketplaces. While financing services have found multiple entry points to work with marketplaces, the insurtech industry has just opened the door to this possibility. At Lovys, we partner with strong commercial players including leading marketplace brands to offer our 100% digital and flexible insurance solutions in the home, cars, electronics and pets categories to end users. We have been seeing strong growth in this B2B2C channel, confirming the strong user need for embedded insurance products.



Powered by [Adevinta Ventures](#)

Online marketplaces venture investing needs fresh data!

Welcome to the first [dealroom.co](#) weekly marketplaces newsletter! [Subscribe here](#) for updates. [Tell a friend!](#)

I'm [Iyan](#), marketplaces specialist at [dealroom.co](#) and I'll be writing weekly about key news and events from the world of startups driving the future of commerce, taking a dive each week into [dealroom.co](#)'s rich data on the sector to identify important and sometimes counterintuitive trends.

In August, global VC investment in marketplaces grew [32% year-over-year](#) to €8.3 billion. Last month, Turkey claimed its [first decacorn](#). [QuintoAndar](#) became the most valuable proptech marketplaces in Latin America, [Bolt](#) aims to become the Super App of Europe, and more.

👛 Latest online marketplaces deals:

Select deals in August:

- ️ [Trendyol](#), Turkish consumer-focused e-commerce platform, raised \$1.5 billion in a round led by SoftBank and General Atlantic at \$16.5 billion valuation, becoming the country's first decacorn. Trendyol started as a marketplace and evolved to what has become a SuperApp with its own last-mile delivery service, digital wallet, food and grocery delivery, and more.

- ️ [Bolt](#), Estonian ride-hailing and micromobility platform, raised €600 million at €4 billion valuation. With the Fresh fundraise, Bolt

Get the latest weekly insights, with the marketplaces newsletter.

Sign up

The new home for eCommerce & Marketplaces: marketplaces.dealroom.co

Access now

Over 32,000+ eCommerce & Marketplaces
startups & more

Powered by



dealroom.co

Adevinta Ventures

