

# E-commerce Enablement Market Map

*Fall 2022*



Harlem Capital

# E-commerce Enablement at Harlem Capital

To date, we have made 17 investments in the e-commerce enablement space across our two funds.

In this report, we share how we view the e-commerce market by dividing it into ten verticals.

We have made investments in nine of the ten verticals, but see four developing verticals that we plan to double down on with new investments.

We compiled [a list](#) of some of the top diverse founders across the verticals based on our research.



# E-commerce Enablement Market Overview

The global E-commerce enablement market has shown significant growth over the past decade and accelerated during the pandemic. A growing number of e-commerce startups and brands flourished in cheap capital markets, but sweeping industry changes to user privacy and tracking will likely impact future growth. To understand how Harlem Capital will respond to this changing market, we wanted to review the current state of the market and how this influences our portfolio and investment thesis in the future.

The global Ecommerce market is expected to total **\$5.55 trillion** in 2022

The US Ecommerce market is forecasted to reach **over \$875 billion** in 2022

An expected **21% of total sales** can be attributed to Ecommerce channels

In 2022, the **US had \$875B** in e-commerce sales. Globally, it's estimated to reach **\$5.55T** with ecommerce sites taking up **21% of total retail sales**.<sup>1</sup>

- Sales are projected to grow at a compound annual growth rate (CAGR) of **10.02% from 2022 to 2025 from \$5.55T to \$7.39T**.<sup>2</sup>
- China leads** spending worldwide with 4x current US volume at nearly **\$2.2T**. It accounts for **52.1% of all online retail sales** and is **second** in e-commerce penetration (as a % of total retail sales) to **South Korea** at 24.8%<sup>1</sup>

## Notable Fundraising Activity

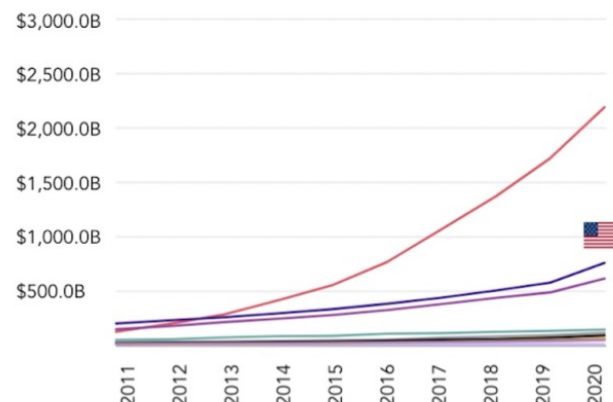
alloy	\$20M Series A led by a16z	Airhouse	\$11M Series A led by DNX Ventures
charles	\$20M Series A led by Salesforce Ventures	Depict	\$17M Series A led by Tiger Global
black crow	\$25M Series A led by Imaginary Ventures	TIDIO	\$25M Series B led by PeakSpan Capital

## Notable M&A Transactions

	Shopify acquires Deliverr for \$2.1B		Paypal acquires Happy Returns
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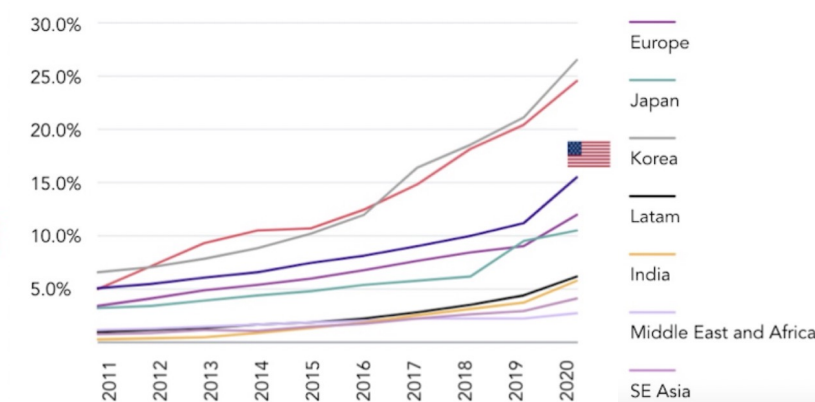
<sup>3</sup> US Ecommerce Enablement Software, Harlem Capital, 2021

## E-Com Spend by Country



<sup>4</sup> Accel eCommerce Enablement Marketscape: Investment History and Five Predictions for the Future, Accel, 2021

## E-Com Penetration % by Country



<sup>2</sup> E-commerce Software Market Size, Share & Trends Analysis, Grand View Research, 2021

<sup>1</sup> Global Ecommerce Explained: Stats and Trends to Watch in 2022, Shopify, 2022





# Harlem Capital's Current Investments

Harlem Capital is heavily invested in our established verticals: **Loyalty & Rewards, Smart Inventory Management, Conversational Commerce, Headless & No-Code E-commerce, Warehousing & Fulfillment, and End-to-End Customer Experience.**

We are looking to double down in our developing verticals: **Social Commerce, Live Shopping, B2C Marketplaces, and B2B Marketplaces.**





We will explore how our investments currently perform in the market and where we can continue to invest to grow the verticals we don't sufficiently serve by identifying potential companies that leverage different market segments or audiences.



## Established Verticals

Loyalty & Rewards	Smart Inventory Management	Conversational Commerce	Headless & No-Code E-commerce	Warehousing & Fulfillment	End-to-End Customer Experience
4 companies	2 companies	2 companies	2 companies	2 companies	2 companies
4 Seed	1 Seed, 1 Series A	1 Seed, 1 Series A	2 Seed	1 Seed, 1 Series A	1 Seed, 1 Series A
					

## Developing Verticals

Social Commerce	Live Shopping	B2C Marketplaces	B2B Marketplaces
1 company	1 company	1 company	0 companies
1 Seed	1 Series A	1 Seed	N/A
			

# Our Established Verticals

- Loyalty & Rewards
- Smart Inventory Management
- Conversational Commerce
- Headless & No-Code E-commerce
- Warehousing & Fulfillment
- End-to-End Customer Experience

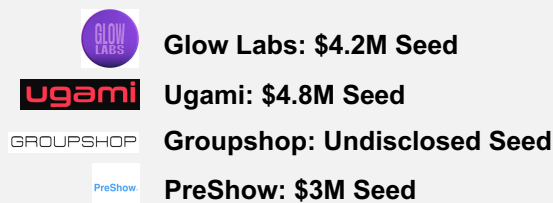


Harlem Capital

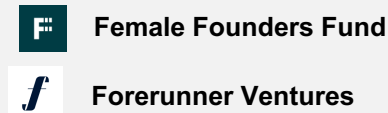
# Loyalty & Rewards

## Early Stage

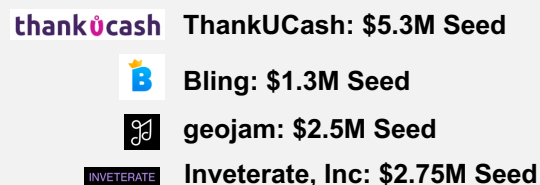
### Portfolio Companies



### Co-Investors



### Potential Investments



Loyalty & Rewards has proven to be one of the **most exciting and engaging sectors** we have invested in. Our bets on companies like **Glow Labs** and **Ugami** are rooted in our belief that high-margin industries like web3 and gaming are going to need the software and platforms necessary to leverage user engagement to fuel tech-forward, self-incentivizing, and consistent consumer experiences.

Harlem Capital sees a number of ways to increase our representation in the space. One, increase our reach and presence in this vertical by looking at similar companies or **trusted models that operate in foreign markets** like ThankYouCash does throughout Africa. Additionally, we can examine verticals we are already very comfortable with that have **large addressable markets and high-margins**, like crypto, and potentially invest in a company like Bling that offer bitcoin-based programs and rewards.

- About **9 in 10 American adults** are members of **at least one** loyalty program<sup>1</sup>
- The **range of companies** and services that offer these options will **shift dramatically**: expect charities, advocacy groups, and even hospitals to introduce programs in the near future<sup>2</sup>

## Growth

### Series B or Later



### Acquisition or IPO




<sup>1</sup>"US 2019 Customer Experience Index (CX Index™) ranking," Forrester, 2019


<sup>2</sup>"Startups Are Using Tech To Personalize Loyalty Programs", CB Insights, 2019

# Smart Inventory Management

## Early Stage

### Portfolio Companies

 Singuli: \$3.7M Seed

 Sauce: \$3.1M Seed

### Co-Investors



Alumni Ventures

### Potential Investments

 Archive: \$9.3M Seed


 Shearshare: \$6.2M Seed

 ROSHI: \$2.4M Seed

 GATHER AI: \$7.1M Seed

## Growth

### Series B or Later

 Squire: \$167M Series D

### Acquisition or IPO

 Fishbowl: Acq. by Diversis Capital Management, 2021

With increasing **supply chain issues** around the globe and the complete **lack of predictability** around when inventory can be replenished it is no surprise that smart inventory management startups have been a focus for Harlem Capital.

We have invested in Repeat, Singuli, and Sauce with a focus on where the **dollar value can be demonstrated most obviously for customers**—during a checkout, at the manufacturing stage, or on the menu presented to them.

Where we can shift our focus is by focusing on **investing in more infrastructure and tooling startups that allow customers to either build their own systems**, like a resale/secondhand marketplace using Archive, or to offer up spare inventory automatically, e.g. with the spare salons and workstations available on marketplaces like ShearShare.

- Only 43% of small businesses track their inventory and only 18% use software to do so<sup>1</sup>
- The smart inventory management software market was valued at \$3B in 2019 and is estimated to grow at a CAGR of over 5% from 2020 to 2026 to over \$5B<sup>2</sup>

<sup>1</sup>"Small Business Report", Wasp Barcode, 2020

<sup>2</sup>"Inventory Management Software Market Size", Global Market Insights, 2020

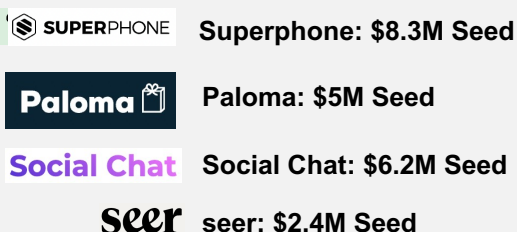
# Conversational Commerce

## Early Stage

### Portfolio Companies



### Potential Investments

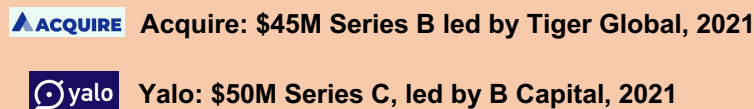


### Co-Investors



## Growth

### Series B or Later



### Acquisition or IPO



We have made two investments in the space including Chatdesk and ParrotMob. The two cater to providing customer service or simply collecting a bill/payment via messaging channels.

We could better position our interests in this market by **expanding outside of companies focused on customer-service and into companies that are directly involved in sales channels and increasing conversions** with companies like Superphone, Paloma, and Social Chat.

Focusing on companies that have products that directly boost engagement, conversions, and conduct sales directly can also boost the bottom line of other portfolio companies like Drip that can utilize this software effectively in their product.

- Market will grow to \$290B in spend by 2025, with roughly 50% of that spend being conducted by AI chatbot products<sup>1</sup>
- 590% growth expected over the next 4 years
- Using channels like live chat have shown to increase conversion rates by 82%<sup>1</sup>
- Live chat leads as the channel with the highest level of customer satisfaction at 73% followed by email and apps at 61% and 53% respectively<sup>1</sup>

<sup>1</sup>"Conversational Commerce Market Summary", Juniper Research, 2021



# Headless & No-Code E-commerce

## Early Stage

### Portfolio Companies

 **CashDrop: \$2.7M Seed**

 **Because: \$3.7M Seed**

### Potential Investments

 **Klasha: \$4.7M Seed**

 **GuruHotel: \$6.2M Seed**

 **Index: \$2.6M Seed**

### Co-Investors

 **Founder Collective**

 **Alumni Ventures**

The rising needs of vendors to be able to **sell anytime**, and **with ease**, has given rise to a flood of startups offering novel and intuitive ways to begin selling their products and managing their store online **with little to no technical background**.


Harlem Capital has invested in headless e-commerce, like mobile storefront maker, **CASHDROP**, and no-code e-commerce automation platform, **Because**. We are looking to expand past more horizontal solutions by investing in solutions that serve a **specific vertical or niche**, for example, headless DTC platform for hotels, GuruHotel.


As headless e-commerce become more lucrative it should be expected that incumbents like Shopify and Squarespace will expand their products to include more intuitive mobile and automation products as well.

Accordingly, we will explore companies addressing a specific step or slice of the e-commerce experience, like Index, and their no-code software for building analytics dashboards and KPI trackers for ecommerce stores to observe their store health and performance.


## Growth

### Series B or Later

 **Shogun: \$67.5M Series C**

 **Fabric: \$140M Series C**

### Acquisition or IPO

 **Four51: Acq. by Sitecore, 2021**

# Warehousing & Fulfillment

## Early Stage


### Portfolio Companies

 Pangaea: \$10.2M Series A\*

 Turbodega: \$4.5M Seed

### Co-Investors

 Base10 Partners

 2048 Ventures

### Potential Investments

 Ox: \$3.6M Seed

 Odoro: \$600K Seed

 Elevator: \$2.6M Seed

 ShipShap: Undisclosed Seed

Despite it being over two years since the start of the pandemic, many companies are **still experiencing supply chain issues** that are disrupting day-to-day operations and are seriously **hurting margins**.


Harlem Capital has focused on investing in warehousing and fulfillment startups **Pangaea** and **Turbodega** to help both DTC brands and bodega owners both respectively manage their inventory, business, and distribution. While both of their horizontal solutions serve a somewhat niche market, they do provide very similar feature sets in their software for their customers. We will explore investments in startups **offering specific APIs or infrastructure** to help provide greater stickiness and a wedge for these startups to sell additional services since logistics software or analytics can be replaced much easier.

Startups like ShipShap that offer simple APIs for shipping products all around the globe can be a lucrative bet with growing supply chain woes. Startups like this have mass appeal to most ecommerce industries, easy implementation, and provide a service with a very large addressable market. Furthermore, investments can also be made into startups like Elevator, which provide a network of share co-warehousing spaces for rent—creating value for customers.


## Growth

### Series B or Later

 Pangaea: \$68M Series B\*

 ShipBob: \$330.5 Series E

### Acquisition or IPO

 growflow: Acq by Dama Financial, 2022

\*HCP Portfolio Company Pangaea repeated to show initial investment and current stage

# End-to-End Customer Experience

In order to differentiate consumer experiences, companies will have an **enormous demand** for building **personalized, well-integrated** end-to-end **experiences** for customers.<sup>1</sup>

With portfolio company Malomo, Harlem Capital seeks to expand **outside of the post-purchase or shipping space** and into other companies that focus on **enhancing and customer experiences while they are shopping** like Dispense’s full-service platform for cannabis dispensaries.

Crafting experiences that upsell customers *while they are shopping* and not just after-purchasing will be a major bottom-line booster for companies.

77%

In our research, 77% of CEOs said their company will fundamentally change the way it engages and interacts with its customers. They recognize that change is needed for business growth, durability and relevance.<sup>3</sup> The question is, how?

*Evolution of Customer Experience Report, Accenture, 2020*

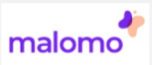
Digitally native companies drive more revenue from personalization than other company archetypes.

Company archetype	Companies without direct relationship (eg. CPG)	Brick and mortar (eg. grocery, apparel)	Digitally native (eg. DTC brands)
Strength of customer relationship	Low	Medium	High
	<div></div> <ul style="list-style-type: none"><li>Typically does not own customer transaction</li><li>Limited access to or use of 1st-party data</li></ul>	<div></div> <ul style="list-style-type: none"><li>Owns customer transaction, not always product development</li><li>1st-party data captured but mixed</li></ul>	<div></div> <ul style="list-style-type: none"><li>Owns customer transaction and product development</li><li>1st-party data at heart of decision making</li></ul>
% of revenue driven by personalization <sup>1</sup>	~5–10%	~10–20%	~25%

*The value of getting personalization right—or wrong—is multiplying, McKinsey & Company, 2021*

## Early Stage

### Portfolio Companies



Malomo: \$8.3M Seed



Repeat: \$9M Series A

### Potential Investments



Dispense: \$2M Seed

### Co-Investors



Battery Ventures



Base10 Partners



High Alpha



Hyde Park Venture Partners

## Growth

### Series B or Later



Klaviyo: \$320M Series D



Braze: \$80M Series E

### Acquisition or IPO



Bond: Acq. By REEF, 2021



<sup>1</sup>“The expanding role of design in creating an end-to-end customer experience”, McKinsey & Company, 2017

# Our Developing Verticals

- Social Commerce
- Live Shopping
- B2C Marketplaces
- B2B Marketplaces



Harlem Capital

# Social Commerce

Social commerce engages in **three principal ways**, via **brands, influencers or individuals themselves**.<sup>1</sup>

Harlem Capital sees this space as a major investment opportunity with one company of **Gander** and would like to explore companies like Fastforward, Trend, and Stackshare to expand into other popular mediums while continuing to leverage consumers to increase sales and engagement. For **Gen Z** consumers in particular, **social media is the largest influencer** of recommendations at **39%** compared to Millennials at just **25%**.<sup>2</sup>

- **\$2.9T** in spend by 2026
- Growing at a **CAGR of 30.8%**
- **44% of the world's population** now uses social media

"It's word of mouth on steroids"

— **SANDIE HAWKINS**, TikTok's GM of North America Solutions<sup>7</sup> on social commerce

## Sellers

### Brand

Brands who sell direct to the end consumer through a platform

### Influencer

Influencers engaged directly by the brand to drive sales through their followers

### Individuals

Individuals unaffiliated directly with the brand who sell through their own networks

## Content-driven

Content created by brands, partners or consumers that drive discovery, engagement and calls to action

## Experience-driven

Shoppers participate in interactive shopping experiences along the journey

## Network-driven

People leverage their network to obtain bulk discounts, drive sales and earn commissions

*The Future of Shopping and Social Commerce, Accenture, 2021*

## Early Stage

### Portfolio Companies



Gander: \$4.2M Seed

### Potential Investments



Trend: \$3.2M Pre-Seed



Fastforward.ai: \$8M Seed

### Co-Investors



Crossbeam Venture Partners



Boon Fund



Stackshare: \$7M Seed

## Growth

### Series B or Later



Zoovu: \$169M Series C



Facily: \$385M Series D

### Acquisition or IPO



Bazaarvoice: IPO in 2012 but returned to private for Undisclosed Amount



<sup>1</sup> *The Future of Shopping and Social Commerce*, Accenture, 2021

<sup>2</sup> *It's showtime! How live commerce is transforming the shopping experience*, McKinsey & Company, 2021



# Live Shopping

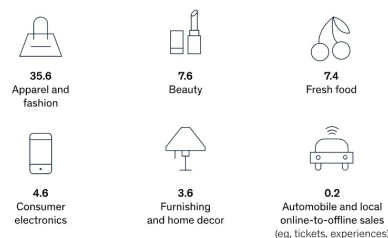
Live commerce combines instant purchasing of a featured product and audience participation through a chat function or reaction buttons.<sup>1</sup>

With the progress of portfolio companies like Drip, Harlem Capital would like to continue support startups in this space **outside of direct sales channels or marketplaces** by investing in companies like buywith or talkshoplive that have successfully built marketplaces selling outside of collectibles and have APIs that can be integrated into other products as well.

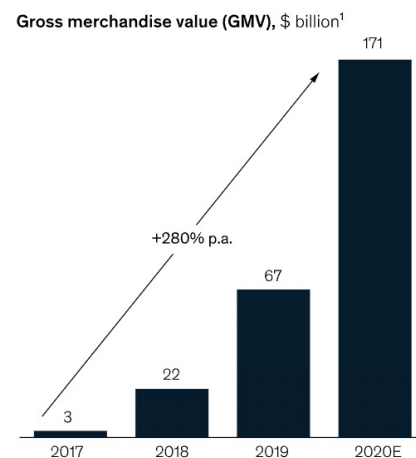
- Conversion rates approaching 30%—up to **10x higher than in conventional e-commerce**
- Can account for **10-20% of all e-commerce** by 2026
- Chinese sales are expected to reach **\$423B** by 2022

Apparel and fashion is by far the leading category in livestream events.

% of livestreamers<sup>1</sup>



China's live commerce reached an estimated **\$171 billion** in value in 2020.



<sup>1</sup>Total GMV generated by livestreaming in B2C; includes mainstream brands, influencer brands, and refunded items.  
Source: Everbright Securities; iResearch; McKinsey analysis


<sup>1</sup>It's showtime! How live commerce is transforming the shopping experience, McKinsey & Company, 2021

## Early Stage

### Portfolio Companies

 Drip: \$23M Series A

### Potential Investments

 buywith: \$9.5M Seed

 talkshoplive: \$11M Seed

### Co-Investors


 Alumni Ventures

 Base10 Partners

 Eniac Ventures

## Growth

### Series B or Later

 ShopShops: \$49.2M Series B

 WhatNot: \$484.7M Series D

### Acquisition or IPO

 Depop: Acq. By Etsy for \$1.6B

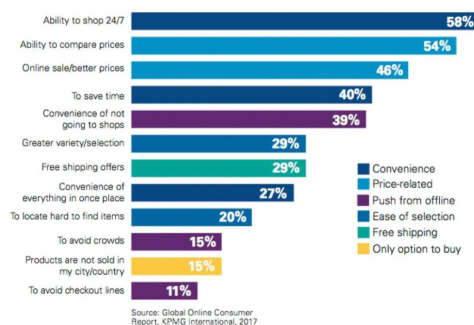
# B2C Marketplaces

Due to the pandemic, 2020 was a critical year for B2C marketplaces as companies were faced with the necessity to build and adapt, or potentially face collapse.

Harlem has invested in B2C NFT marketplace **Mueshi** to capitalize on the **emergence of web3** economies and the utility of **NFTs** to enhance customer experiences. While this vertical is broad, Harlem will maintain its thesis by **focusing on** segments with **massive addressable markets** and **favorable margins** like fashion marketplace Queenly and Latin American web3 marketplace MetaMundo.

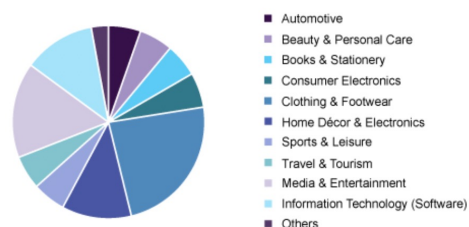
- Global market was valued at USD **\$4T** in **2021<sup>1</sup>**
- Expected to grow at a CAGR of 9.7% from 2021 to 2028 to **\$7.6T<sup>1</sup>**

## The reasons why consumers shop online vs in-store



"Global Online Consumer", KPMG, 2017

Global B2C e-commerce market share, by application, 2020 (%)



"B2C E-commerce Market Size", Grand View Research, 2021

## Early Stage

### Portfolio Companies

**MUESHI** Mueshi: \$3.3M Seed

### Potential Investments

**METAMUNDO** MetaMundo: \$2.7M Seed



Queenly: \$9.4M Seed

### Co-Investors



BVCC

## Growth

### Series B or Later

**MAYVENN** Mayvenn: \$40M Series C



BigCommerce: \$64M Series F

### Acquisition or IPO



Shopify: IPO in 2015 at \$1.27B Valuation



Etsy: IPO in 2015 at \$1.78B Valuation



<sup>1</sup>"B2C E-commerce Market Size", Grand View Research, 2021

# B2B E-Commerce Marketplaces

The potential for B2B E-commerce cannot be understated.

As of 2021, **e-Commerce spend has just now equaled to in-person spend** for B2B and is now ranked the **most “effective” sales channel** by managers.<sup>1</sup>

To capitalize on this trend Harlem will consider investing in startups with trusted models in underserved markets like Cartona, a startup building the Alibaba of Africa. We will also investigate startups like Pivot, a company that offers shelf space for inventory and B2B retail—starting with fashion.

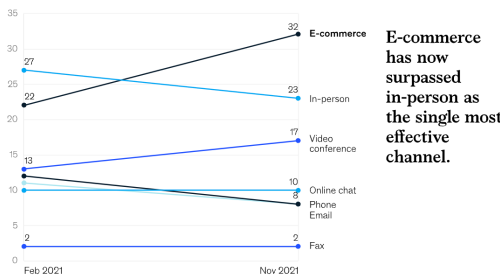
B2B customers are voting with their dollars: e-commerce and in-person sales are tied as the top-producing revenue channels.

Highest-revenue-driving sales models,<sup>1</sup> % of B2B respondents



E-commerce is the most effective sales channel for a plurality of B2Bs.

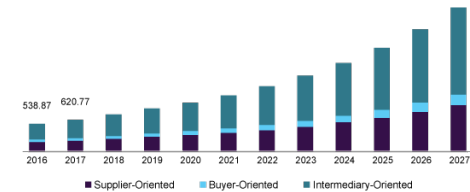
Effectiveness of sales channels,<sup>1</sup> % of respondents who identified channel as their most effective, US only



E-commerce has now surpassed in-person as the single most effective channel.

<sup>1</sup>“Busting the five biggest B2B e-commerce myths”, McKinsey & Company, 2022

North America business-to-business (B2B) e-commerce market size, by deployment, 2016 - 2027 (USD Billion)

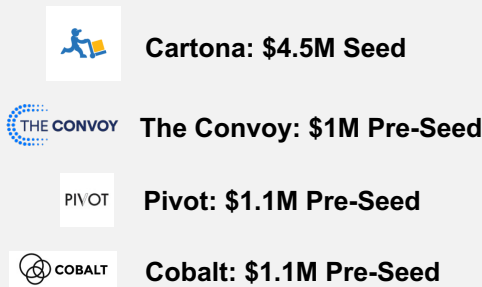


Source: www.grandviewresearch.com

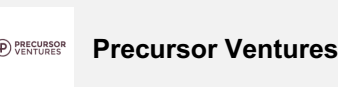
<sup>1</sup>“Global B2B E-Commerce Market Report And Forecast”, Grand View Research, 2022

## Early Stage

### Potential Investments

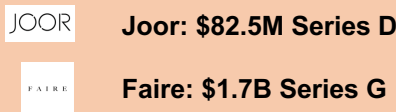


### Leading Investors

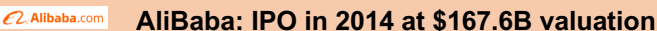


## Growth

### Series B or Later



### Acquisition or IPO



<sup>1</sup>“Busting the five biggest B2B e-commerce myths”, McKinsey & Company, 2022

<sup>2</sup>“Business-To-Business (B2B) E-Commerce Market”, Vantage Market Research, 2022

Let's change the face  
of entrepreneurship,  
together.