Digital Tools Offering Channels for Success
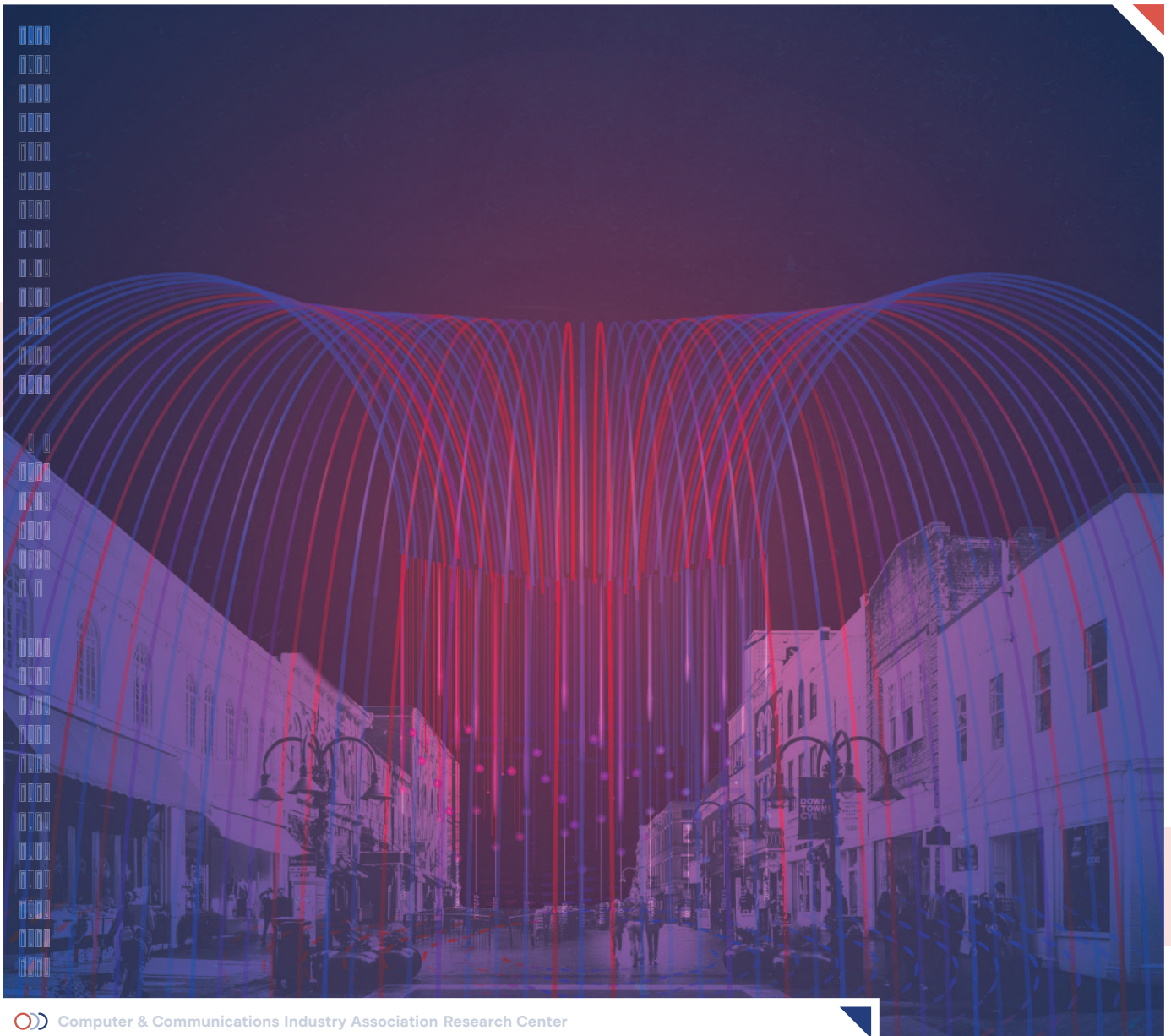
Facilitating a Small- and Medium-Sized Business Renaissance

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I.   Executive Summary

Small- and medium-sized businesses ("SMBs") face similar issues to those of larger firms. Yet because of their scale and management bandwidth, SMBs also face different challenges that favor outsourcing functions, which larger firms might perform in house. We will refer to third-party providers of these business functions as "facilitators." Some facilitators specialize in one or two specific business functions, such as payment processing or website design. Other facilitators provide a broader, more integrated range of business functions.

SMBs are experiencing a renaissance following decades of decline that coincided with the growth of big box stores. This SMB renaissance is driven in large part by facilitators enabling SMBs to meet emerging challenges and to access economies of scale and scope in reaching consumers. **Figure 1** shows how SMBs grew faster than they had in the prior decade.

Figure 1. SMB Growth in 2010s Enabled by Facilitators[1]

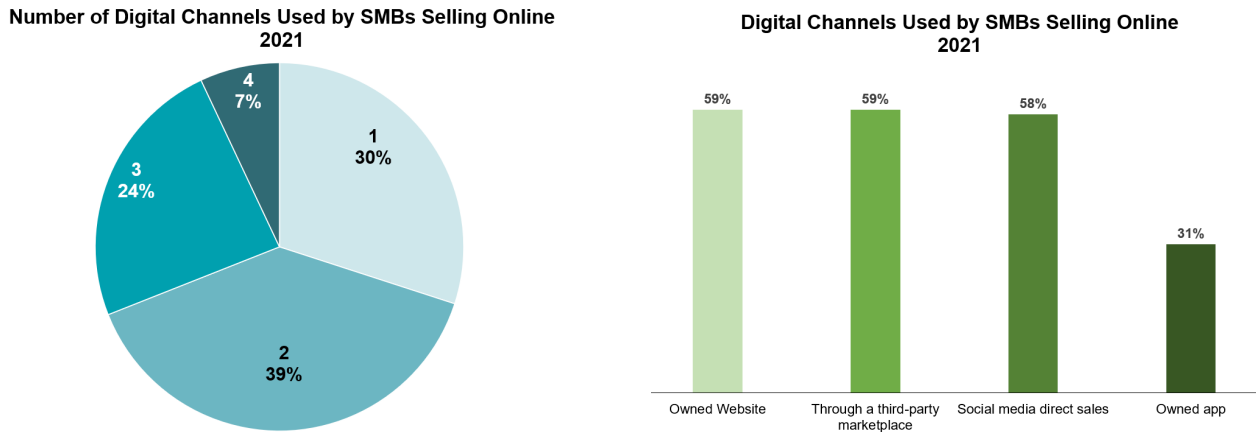| Company Size	Period 1: 1999-2007 (before Great Recession)	Period 2: 2011-2019 (after Great Recession)	Period 2 - Period 1 (percentage change in job creation)
Small (<20 employees)	-0.44%	0.28%	0.72%
Medium (20-999 employees)	0.53%	1.85%	1.32%
Large (1,000+ employees)	1.78%	1.24%	-0.55%

Facilitators are also driving another important development among SMBs: the increasing use of multichannel/omnichannel go-to-market strategies that allow them to reach consumers through a variety of physical storefronts, digital storefronts, and apps. A recent survey from Deloitte found that 47% of all SMBs sell both online and through at least one physical channel;[2] however, this number underestimates the total number of multichannel SMBs because those selling only online or only through physical stores often use multiple online (e.g., website and social media storefronts) or physical store (e.g., store and pop-ups) channels. In fact, **Figure 2** shows that 69% of SMBs that sell online use one or two online channels while 31% use three or more. The three

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[1] **Notes**: [1] The years 2008-2010 were omitted to exclude the effects of the Great Recession. [2] Net job creation represents the net change in the numbers of people employed by company size between years. Percent change in net job creation represents how a company size category's rate of employment growth has changed. A positive value means that a category has a higher net job creation, meaning the category either added more or lost fewer jobs than in the previous years. A negative percent change means that a category has a lower net job creation, either with fewer total jobs created or more jobs lost than in the previous years. See also, US Census Bureau, "BDS Methodology," December 16, 2021, available at https://www.census.gov/programs-surveys/bds/documentation/methodology.html. Sources: [A] Kulick, Robert, Ph.D., "Apocalypse **Sources**: [A] The Resilience of Retail SMBs in the 2010s," Computer and Communications Industry Association, June 2023, at p. 14 (Table 5.) [B] US Census Bureau, BDS Data. Growth rates are reported as percentages.

[2] "Retail Today," Deloitte, 2021, available at https://www.deloittedigital.com/content/dam/deloittedigital/us/documents/offerings/offerings-20220125-insightiq-ccia-retail-today.pdf, at p. 7. Last accessed on July 12, 2023.

most popular online channels are: (1) SMB-owned websites, (2) third-party online marketplaces, and (3) directly selling through social media.[3]

Figure 2. SMBs Pursue Multiple Online Channels[4]

Number of Digital Channels Used by SMBs Selling Online 2021


Digital Channels Used by SMBs Selling Online 2021

To pursue multichannel/omnichannel strategies, SMBs rely on assistance from facilitators—third-party vendors that offer customized solutions to meet their business needs. Facilitators enable SMBs to sell through multiple channels while gaining the benefit of economies of scale and scope that previously were only available to larger companies. One popular facilitator is Shopify, which enables SMBs to create customized ecommerce-enabled websites, as we discuss in **Section IV.A.3**. Between 2015 and 2022, Shopify's revenue grew more than 260% as companies large and small utilized its services to set up their own websites.[5] **Figure 3** shows that Shopify's revenue growth is built on existing customers that grow and increase their spending year over year. Shopify's growth is also driven by the addition of new customers each year.

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[3] We discuss these channels in **Section III**.

[4] **Source**: Adapted from Figure 8 of "Retail Today," Deloitte, 2021, available at https://www.deloittedigital.com/content/dam/deloittedigital/us/documents/offerings/offerings-20220125-insightiq-ccia-retail-today.pdf, at p. 7. Last accessed on July 12, 2023..

[5] "Shopify's total revenue worldwide from 2015 to 2022 (in million U.S. dollars), by segment," Statista, 2023, available at https://www.statista.com/statistics/1075171/total-revenue-segment-shopify-worldwide/. Last accessed on July 12, 2023; "Form 40-F for the fiscal year ended December 31, 2022," Shopify Inc., February 16, 2023, available at https://s27.q4cdn.com/572064924/files/doc_financials/2022/ar/4cdd44db-ca94-4d2a-ae03-4dad70a72c58.pdf, at p. 11. Last accessed on July 12, 2023.

Figure 3. Shopify Global Revenue, 2019-2022[6]
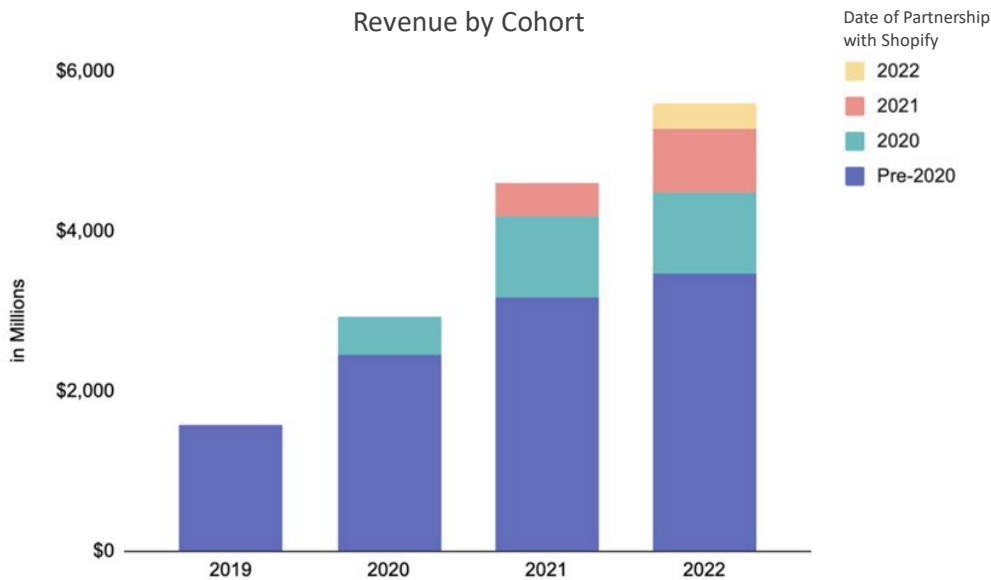
At the same time, omnichannel go-to-market strategies appear poised to drive future growth. In 2021, the market for omnichannel services was valued at $1.40B in the US, and $5.96B globally.[7] The US market for these services is expected to grow at 13.6% CAGR from 2022 to 2030.[8] Recognizing this rapid growth, our report focuses on facilitators that support these digital and multichannel/omnichannel approaches and examines the small- and medium-sized businesses that utilize their services.

<u>Firm Factors</u>

A fundamental go-to-market decision for SMBs is whether to sell direct-to-consumer, through retailers, or both. We will use the terms "multichannel" and "omnichannel" to describe selling *both* direct-to-consumer and through retailers (the two terms will be described in more detail in **Section III**). Digital retail options, in particular major marketplaces like Amazon, Walmart Marketplace, eBay, and Etsy, and also social media storefronts on Facebook and Instagram, offer SMBs access to vast numbers of consumers. Yet the scale of these marketplaces makes them highly competitive for all but the most differentiated brands. Differentiation requires SMBs that sell through

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[6] "Shopify's total revenue worldwide from 2015 to 2022 (in million U.S. dollars), by segment," Statista, 2023, available at https://www.statista.com/statistics/1075171/total-revenue-segment-shopify-worldwide/. Last accessed on July 12, 2023.

[7] "Omni-channel Retail Solutions Market Size Report, 2022-2030," Grand View Research, available at https://www.grandviewresearch.com/industry-analysis/omni-channel-retail-solutions-market-report. Last accessed on May 21, 2023.

[8] "Omni-channel Retail Solutions Market Size Report, 2022-2030," Grand View Research, available at https://www.grandviewresearch.com/industry-analysis/omni-channel-retail-solutions-market-report. Last accessed on May 21, 2023.

major marketplaces to focus on marketing to build their brands (i.e., increase awareness, positive associations, and quality perceptions). Major marketplaces can also limit flexibility and/or impose administrative costs that are difficult for some SMBs. Compared to major marketplaces, selling direct-to-consumer can be a more flexible go-to-market approach with lower administrative costs, but cannot offer the same broad consumer access. SMBs that sell direct must therefore focus on driving potential customers to their own sales platforms, generally ecommerce-enabled websites. This requires action-oriented marketing that focuses on click-through, conversion, item placement in a (virtual) shopping cart, and checkout. The choice of sales channel(s) dictates far more than marketing strategy, however, including whether and how SMBs should outsource business functions and which facilitators are best suited to support them.

Another important factor is management bandwidth. SMBs have correspondingly smaller management teams which typically focus on core functions like product development, manufacturing/sourcing, and financing. SMBs are generally best served to manage these core functions internally. It makes sense to outsource business functions to which SMBs' management adds less value--activities like payment processing and shipping--to specialized facilitators like Clover, PayPal, Square or Toast for payment processing and UPS, FedEx, or USPS for shipping. The more bandwidth and expertise that the management team has, the more attractive it is to perform business functions in-house. The less bandwidth and narrower the expertise of the management team, the more attractive it is to outsource business functions and the more important ease-of-use is when selecting facilitators to perform those functions. In general, management bandwidth increases with a company's size.

Other factors that can affect their use of facilitators are SMBs' maturity and current growth rate. For example, a new venture-funded startup that needs to drive revenue growth by increasing traffic and conversion might manage its marketing in-house, including paid social media campaigns (e.g., Facebook, Instagram, TikTok) and video content (e.g., Vimeo, YouTube). Alternatively, a company transitioning from selling a few core products to a broader product line for cross-selling and up-selling might use payment tools that enable them to increase shopping cart value (e.g., Afterpay). Finally, a mature owner-operated company that develops and manufactures products at home or in a similar low-volume format might use a more integrated solution like Shopify to manage website, marketing, payments, and shipping in order to focus on product development and production.

Facilitator Factors

Facilitators offer SMBs the opportunity to outsource business functions to providers that are more experienced, more specialized, and able to perform those functions at a lower cost. Facilitators can also employ newer technologies and best practices in ways that SMBs cannot. By outsourcing business functions to facilitators, SMBs can focus their efforts on business functions that differentiate their offerings and "play to their strengths." On the other hand, relying on facilitators gives SMBs less control of those functions and may not offer specific features to match their needs as they grow and mature.

Facilitators offer SMBs varying degrees of integration and services. It may be attractive to use a single provider for a range of business functions, benefiting from seamless integration and ease-of-use. However, facilitator integration may make it harder for SMBs to best meet their specific needs across business functions. For example, LoopFiber Studio, a small business that produces spinning yarns, sells its products almost exclusively through Etsy, using the range of Etsy's integrated sales support services too. Yet, having decided to also sell products direct-to-consumer, LoopFiber could now benefit from the control and customization available from using other

facilitators such as Shopify or Squarespace to help manage its new ecommerce platform, even if doing so would require more management bandwidth. Thus, as their needs change, SMBs can add or change facilitators to better address those needs.

Differentiation and competition among facilitators vary greatly depending on the business functions they provide. Some functions are mature and well-served – shipping, for example. Other business functions are evolving rapidly, in many cases due to technological innovation or changing consumer tastes. Facilitator segments that provide these functions typically evolve at a similar pace. Third-party delivery services (e.g., Uber Eats, Grubhub, Doordash), which have rapidly added categories from prepared foods to convenience products to pharmacy, represent such a rapidly evolving facilitator segment. Though many third-party delivery services were founded on restaurant delivery, this report's focus on products rather than services precludes us from addressing restaurants in depth. However, we do provide a restaurant case that highlights the use of Toast, a facilitator that streamlines both front-end (wait staff and servers) and back-end (kitchen) operations.

In rapidly evolving facilitator segments, services not only improve over time but can also vary substantially across providers, making SMBs more likely to change facilitators. As their needs and capabilities change, SMBs may also drop facilitators and bring business functions in-house. For example, premium outdoor clothing company Gnara pushed for accelerated growth in order to satisfy the demands of investors. To support that effort, Gnara revamped its marketing program by switching its website from Squarespace to Shopify and shifting its social media advertising to incorporate TikTok, where the company determined the investment would generate more followers and conversions.

The rest of this report is organized as follows. In **Section II**, we illustrate the types of challenges that SMBs face when entering a market and/or aligning with existing competitors and suggest some solutions, as well as examples of third-party facilitators that can help overcome those challenges.

In **Section III**, we describe the channels that small- and medium-sized businesses use to reach their customers. We start by articulating the scope of our review, including SMB definitions, then discuss different offline/brick-and-mortar and online/ecommerce retail channels available to SMBs. Further, we introduce the idea of a channel continuum and how SMBs establish diverse multichannel/omnichannel strategies to take advantage of offline and digital channels to achieve their business objectives.

In **Section IV**, we go into more detail and list some of the tools and third-party providers that SMBs can use to sell online ecommerce platforms, attract customers, and increase sales. These tools include both those that help SMBs sell on ecommerce platforms (e.g., accessing marketplaces, establishing social media storefronts, and developing their own websites) as well as those that enable and support sales on ecommerce platforms (e.g., advertising, payment processing, logistics). Most importantly, we provide several real-life cases of SMBs successfully utilizing many of these tools in a variety of ways (see **Figure 4**). Throughout the report, we also highlight how the criteria SMBs use to select these channels have changed over the past decade and how they can select, and switch facilitators based on business needs.

Figure 4. Real-Life Cases of SMBs Using Facilitators

Retailer	Facilitator	Facilitator Segment	Key Takeaway	Page Number
Cleancult	Walmart Marketplace	Mainstream digital marketplace	Cleancult uses Walmart Marketplace for product testing, achieving higher brand recognition and improved conversion rates	20
Burton	Amazon	Mainstream digital marketplace	Amazon, together with its direct-to-consumer website, reduces Burton's reliance on retailers and get closer to the consumer.	22
Loop Fiber Studio	Etsy and Shopify	Mainstream digital marketplace; Ecommerce enabling website tools	Etsy allowed for many business functions and tools to be integrated into one. A Shopify-enabled website enables direct-to-consumer sales.	24
Gerizim Burger Factory	Uber Eats	Third-party hosted storefronts and delivery services	Uber Eats significantly increases sales, helps with unique and new customer acquisition and allows for increased gross booking resulting in increased profits.	27
Bombas	Shopify	Ecommerce-enabling website tools	Shopify allows Bombas to scale quickly in response to strong consumer demand	32
Missoma	Instagram Shops	In-app social media storefronts and marketing solutions	Instagram Shops helps Missoma optimize the in-app shopping experience and increase its sales	35
Gnara	TikTok, Instagram, and Facebook	Other advertising solutions	Gnara leverages social media ad campaigns for continued growth and a major rebranding	39
Kiramoon	PayPal	Payment processing tools	PayPal allows Kiramoon to facilitate secure international payments, build its affiliate program, and increase its average order value.	43
The Listening Room	Toast	Payment processing tools	Toast increases The Listening Room's weekly sales due to a more streamlined process for both servers and cooks during primetime.	45

Squishable	Square	Payment processing tools	Square's easy setup helps Squishable optimize its physical store sales, and quickly set up seasonal pop-up stores	<u>49</u>
Amika	Afterpay	"Buy now, pay later" tools	Afterpay increases Amika's basket size by allowing higher spending on premium hair care products and professional grade tools at higher price points.	<u>51</u>
Vontélle	Shippo	Logistics and shipping solutions	Shippo increases Vontélle's printing and shipping efficiency by 50% and increases savings	<u>54</u>
ScanMyPhotos	Stamps.com	Logistics and shipping solutions	Stamps.com improves ScanMyPhotos' order management system, which reduces manual inputs for order placement, tracks orders, and automates customer update emails	<u>56</u>
Mackleys	Wix, Square, social media platforms, Amazon, and shipping partners	Several facilitating categories	Engaging several facilitators helps Mackleys grow its revenues as a multichannel channel business with rapid shipping	<u>58</u>
Med Couture	WebFlow, social media platforms, Amazon, and shipping partners	Several facilitating categories	Engaging several facilitators helps Med Couture manage its shipping needs, spread brand awareness and properly segment between wholesale, marketplace, and direct-to-consumer channels	<u>62</u>

Finally, we conclude with a summary of our main points and observations from case studies in **Section V**.

II. Small- and Medium-Sized Businesses ("SMBs") and the Challenges They Face

Throughout this report, we will focus primarily on SMBs that operate in the U.S., selling goods directly or indirectly to consumers. While there is no commonly-accepted definition of what "small" or "medium" means when applied to businesses,[9] for the purposes of this report, we will generally use "small" to refer to businesses with fewer than

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[9] "Gartner Glossary: Small and Midsize Business (SMB)," Gartner, available at https://www.gartner.com/en/information-technology/glossary/smbs-small-and-midsize-businesses. Last accessed on May 3, 2023; "Small and Medium-sized Enterprises (SMEs)," Corporate Finance Institute, December 5, 2022, available at https://corporatefinanceinstitute.com/resources/accounting/small-and-medium-sized-enterprises-smes/. Last accessed on May 3, 2023; "Table of Small Business Size Standards," U.S. Small Business Administration, December 19,

100 employees or eateries and restaurants having fewer than three locations. We will use "medium" to refer to businesses with between 100 and 999 employees or eateries and restaurants with between three and ten locations.[10]

SMBs use a variety of tactics and tools to support their go-to-market strategies. Those strategies should align with their overall business goals (e.g., growth, brand building, targeting new products or customer markets, etc.), but must also consider the challenges that they face. These challenges are generally associated with external factors such as the size of the market or the strength of competitors or internal factors like limited resources, expertise, and number of employees. SMBs often rely on third-party vendors that offer customized solutions to help them overcome such challenges. These solutions include but are not limited to the advertising and promotion of their goods, payments, cost-efficient warehousing, logistics and shipping. In this report, we refer to these third-party vendors as **facilitators**. In many cases, SMBs' challenges are different than those of larger firms and may lead to outsourcing functions that larger firms perform in house.[11]

Facilitators offer a wide variety of services that businesses, including SMBs, can use to outsource business functions or to receive assistance. Facilitators can play a key role because SMBs may not have the required expertise or resources to perform all necessary functions in-house and so would be better served by outsourcing/managing some of these functions to/through facilitators. Owing to their expertise, specialization, technologies, and sometimes their scale, facilitators can perform these functions more effectively and/or at lower cost. The types of services and level of integration offered by facilitators vary widely, as do their prices. Some facilitators specialize in one or two specific business functions (such as delivery, advertising, or payment processing) while other facilitators offer more integrated services that can cover a range of business functions from accounting and financing to inventory management and shipping. For example, Shopify offers an integrated, full-service solution for website development, advertising, payment processing, and shipping.

Figure 5 highlights some key challenges that SMBs face as consumers shift to digital channels in search of convenience and transaction efficiency. **Figure 5** is also intended to help the reader identify appropriate facilitator solutions. In **Section IV** we will provide examples of how specific SMBs have chosen facilitators to alleviate specific pain points.

2022, available at https://www.sba.gov/sites/default/files/2022-12/Table%20of%20Size%20Standards_Effective%20December%2019%2C%202022_508%20%281%29_0.pdf. Last accessed on May 3, 2023.

[10] This follows the definitions supplied by Gartner. See "Gartner Glossary: Small and Midsize Business (SMB)," Gartner, available at https://www.gartner.com/en/information-technology/glossary/smbs-small-and-midsize-businesses. Last accessed on May 3, 2023.

[11] Due to limited resources (e.g., smaller team, lower budget), SMBs generally tend to outsource certain business functions to facilitators, which are more experienced, specialized, and efficient in performing those tasks. Still, some micro-level decisions, such as keyword search and social media advertising, may paradoxically be outsourced by larger businesses but not by SMBs. Since larger firms usually have more extended line of products and more complex market segments as well as more budget for digital marketing compared to SMBs, strategic decisions regarding how to optimally segment potential customers, match product categories with market segments, and allocate advertising resources could be fairly complicated requiring constant market monitoring and data analytics. This could lead larger firms to outsource digital marketing activities to facilitators. In comparison, SMBs typically have smaller, more focused set of products and target segments. Therefore, it could be a relatively straightforward task for them to identify their target and design social media advertising in house.

Figure 5. Examples of Challenges Faced by SMBs and Facilitator-Based Solutions

Challenges Faced by SMBs	Solutions/Facilitators	Themes	Examples
SMBs growing rapidly	Social media (including in-app storefronts), paid ads, marketplaces	Customer acquisition	**Gnara** leverages social media ad campaigns for continued growth and a major rebranding
SMBs' high costs to operate physical stores, inaccessibility of product to consumers, or lack of assortment variety	Non-traditional marketplaces (e.g., farmer's markets, pop-up stores,click-to-buy in social media, digital marketplaces, etc.)	Points of sale, shipments, and delivery	Digital sales are crucial but **Squishable** chooses to focus on on-site efficiency with Square
Consumers looking for seamless interactions between SMBs' offline and online shopping experiences	BOPIS and logistics solutions for quick shipment (e.g., LaserShip, FedEx, Stamps.com)	Points of sale, shipments, and delivery	**ScanMyPhotos** and Stamps.com improving customer service and ease of transactions **Vontélle** and Shippo, a multi-carrier shipping solution for eyewear delivery
SMBs selling non-durable goods with small margins attempting to reach more customers across a broad geography	On-demand delivery including Uber, DoorDash, GrubHub, etc.	Points of sale, shipments, and delivery	The rise of **Gerizim Burger Factory**'s virtual restaurant with Uber Eats
Consumers looking for fast, convenient ways to pay for their purchases	Payment processing tools such as Clover, Venmo, PayPal, Square, etc.	Customer convenience	Digital sales are crucial but **Squishable** chooses to focus on on-site efficiency with Square
Consumers preference to use cards or digital wallets at point-of-sale	Point-of-sale options such as Square or Toast, Clover, or mobile immediate payment solutions such as PayPal and Venmo.	Customer convenience	**Kiramoon** and PayPal, increasing average order value with PayPal as the right payment solution
Consumers demanding credit or payment options	Buy Now Pay Later solutions such as Afterpay or Splitit	Customer convenience	Afterpay helped increase **Amika**'s conversion and AOV rate
SMBs' lack of brand recognition preventing them from distribution by wholesalers	Established digital marketplaces: Amazon, eBay, Walmart Marketplace, Etsy, or other department stores/big box retailers	Simple online tools for SMBs	**Loop Fiber Studio** migrates from Etsy to its own Shopify-supported website
SMBs looking to move specific products (e.g., overstock, last season's, etc.)	Established digital marketplaces: Amazon, eBay, Walmart Marketplace, Etsy, or other department stores/big box retailers	Simple online tools for SMBs	**Burton** uses Amazon to identify and serve new customers

Consumers looking for more options as omnichannel shopping become more common	Paid social media solutions (e.g., Instagram Shops, Shoppable Videos on YouTube); unpaid social media solutions (e.g., Facebook Group, direct messaging, Stories)	Simple online tools for SMBs	Instagram Shops help **Missoma** be competitive through the busy holiday shopping period.
SMBs seeking new cross-selling and up-selling options for digital consumers	Social media, paid and unpaid advertisement such as Meta, Pinterest, TikTok, etc.	Simple online tools for SMBs	**Gnara** leverages social media ad campaigns for continued growth and a major rebranding
SMBs expanding or protecting their markets from competition	Social media, paid and unpaid advertising, digital marketplaces, ecommerce websites	Simple online tools for SMBs	**Med Couture** uses multiple facilitators to improve brand visibility and generate leads
SMBs lacking in-house expertise to create ecommerce sites	Predesigned business websites via vendors (e.g., Squarespace, Wix)	Simple online tools for SMBs	**Loop Fiber Studio** migrates from Etsy to its own Shopify-supported website
SMBs lacking in-house technology or expertise to support operations	Point of sales, ecommerce, ERPs, management and/or payment systems such as (e.g., Square, Toast, Clover)	Simple online tools for SMBs	Toast's contribution to **The Listening Room's** Order Efficiency
SMBs lacking experience with digital selling tools	All-in-one/integrated facilitators (e.g., Amazon, Shopify)	Simple online tools for SMBs	**Mackleys** benefits from a suite of facilitators to operate and grow

By utilizing facilitator solutions, SMBs can benefit from state-of-the-art technologies, improved product/service differentiation, efficient performance of business functions, access to different channels for their products, etc. Indeed, facilitators help SMBs adapt to changing consumer preferences and behaviors to remain competitive. Given the limited expertise, budget, and overall resources available to SMBs, they should select facilitators based on their own individual criteria, including: (1) the priority and importance of the specific business needs/challenges, (2) the cost of using each facilitator, (3) the compatibility of new facilitator solutions with the other tools and systems they already use, and (4) in-house expertise to use, manage or leverage new tools and technologies.

III. Channel Options for SMBs: Multichannel and Omnichannel Strategies

SMBs can go to market by reaching customers and selling products via different routes, or "channels." Broadly speaking, these channels can be thought of as either: (1) "**offline**," which make sales at brick-and-mortar stores, or

(2) "**digital**," which make sales on devices and interfaces connected to the internet.[12] This distinction represents the conventional wisdom, but it is more precise to think of these two channel types as representing a continuum.

Across this continuum, SMBs can engage with the consumer in a variety of ways. For example, 47% of major offline retailers now offer mobile apps (e.g., Walmart, Walgreens, and Finish Line),[13] while other physical store retailers like Whole Foods have integrated palm scanning technology to reduce in-store point-of-sale transaction time.[14] At the same time, digital-native retailers like Wayfair and Birchbox have added physical retail outlets to their ecommerce-focused go-to-market strategy—either in the form of permanent stores, temporary 'pop up' stores, or showrooms.[15]

Not only are SMBs not limited to selling through a single channel, but also, they can benefit from using "multichannel" or "omnichannel" approaches to engaging customers.[16] A **multichannel strategy** refers to employing both offline and digital channels, perhaps independently of each other, to reach consumers.[17] For example, a company that produces designer clothes might sell them through department stores like Macy's and through its own website. Similarly, a local restaurant might serve food on premise and deliver to customers who order online.

An **omnichannel strategy**, in contrast, involves selling through multiple channels but linking them so that the boundaries between channels are blurred.[18] More specifically, in an omnichannel approach, the different channels "blend" and work together to create an integrated strategy.[19] Examples of omnichannel tools include buy online and pickup in-store ("BOPIS"), curbside pick-up, buy in-store for home delivery, and allowing customers to check store inventories online. Today, businesses are gravitating toward this strategy because of the benefits of adopting

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[12] See Appendix A for more offline and online examples.

[13] Johnson, Lauren, "47 percent of top retailers have a mobile site and app: study," Retail Dive, available at https://www.retaildive.com/ex/mobilecommercedaily/47-percent-of-top-retailers-have-a-mobile-site-and-app-study. Last accessed on May 19, 2023.

[14] Forristal, Lauren, "Amazon expands palm-scanning payment tech to 65 more Whole Foods locations," Tech Crunch, August 10, 2022, available at https://techcrunch.com/2022/08/10/amazon-expands-palm-scanning-payment-tech-to-65-more-whole-foods-locations/. Last accessed on July 10, 2023.

[15] Howland, Daphne, "12 digital natives that have learned to love old-fashioned retail," Retail Dive, November 10, 2022, available at https://www.retaildive.com/news/DTC-digital-natives-expand-traditional-retail-brick-and-mortar/635796/. Last accessed on May 19, 2023.

[16] Gauri, Dinesh K., et al., "Evolution of Retail Formats: Past, Present, and Future," *Journal of Retailing*, Vol. 97, No. 1, 2021, at pp. 42-61.

[17] Ratchford, Brian, et al., "Online and offline retailing: What we know and directions for future research." *Journal of Retailing* 98, no. 1 (2022): 152-177.

[18] Verhoef, Peter C., Pallassana K. Kannan, and J. Jeffrey Inman. "From multi-channel retailing to omni-channel retailing: introduction to the special issue on multi-channel retailing." *Journal of Retailing*, Vol. 91, No. 2, 2015, pp. 174-181.

[19] Ratchford, Brian, et al., "Online and offline retailing: What we know and directions for future research." *Journal of Retailing* 98, no. 1 (2022): 152-177.

an approach that integrates channels, including increased intention to purchase online,[20] enhanced perception of quality and lowered perception of risk,[21] as well as reduced product returns.[22] In the remainder of this section and in **Appendix A**, we will describe the most prominent channels currently used by SMBs. See **Figure 6** for a more detailed description of these channels.

Figure 6. SMBs Offline and Digital Channels for Multichannel and Omnichannel Strategies
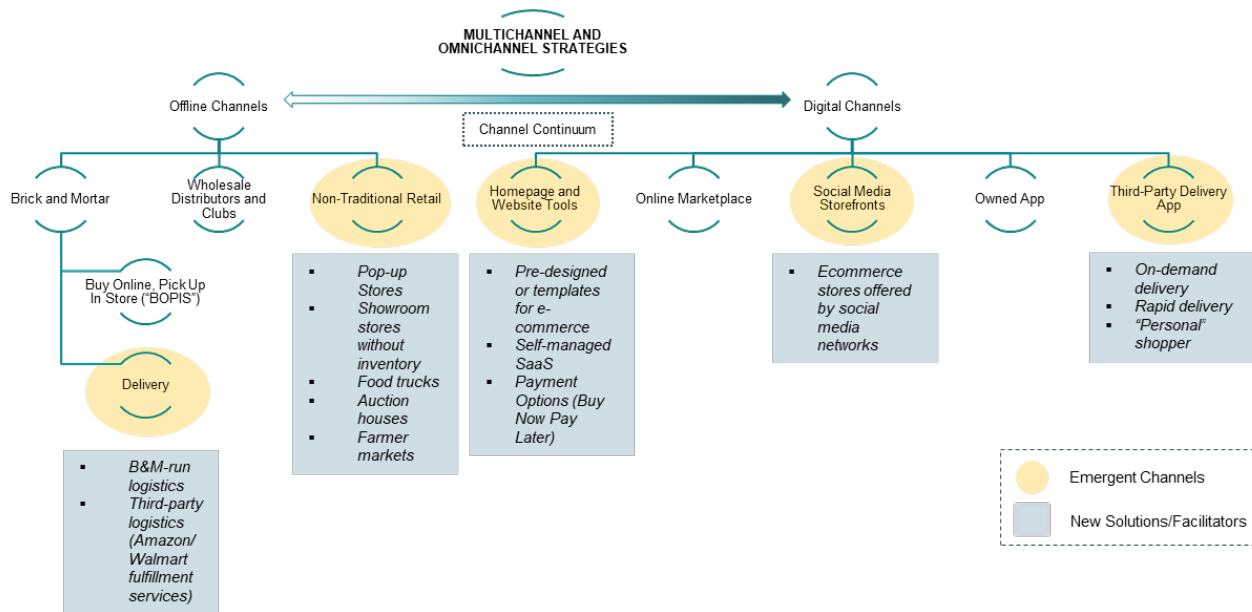
The term **multihoming** has also been used to describe businesses' go-to-market strategies that access consumers using more than one channel (e.g., brick-and-mortar retailer, digital marketplace, ecommerce-enabled website, or phone app) or more than one alternative within a channel (e.g., ebay.com and Amazon.com, or walmart.com and walgreens.com).[23] However, this term is also frequently applied to consumers who shop for a product category in more than one channel (online and/or offline) or from multiple sellers within a channel.[24] For

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[20] Badrinarayanan, V., E.P. Becerra, C.H. Kim, and S. Madhavaram. "Transference and congruence effects on purchase intentions in online stores of multi-channel retailers: initial evidence from the US and South Korea." *Journal of the Academy of Marketing Science*, 40, 2012, pp. 539-557.

[21] Herhausen, Dennis, Jochen Binder, Marcus Schoegel, and Andreas Herrmann. "Integrating bricks with clicks: retailer-level and channel-level outcomes of online–offline channel integration." *Journal of retailing*, Vol. 91, No. 2, 2015, pp. 309-325.

[22] Bell, David R., Santiago Gallino, and Antonio Moreno. "Offline showrooms in omnichannel retail: Demand and operational benefits." *Management Science*, Vol. 64, No. 4, 2018, pp. 1629-1651.

[23] Davies, John, et al., "Survey Evidence on User Multi-Homing in Online Retail Businesses," Compass Lexecon, June 9, 2022, available at https://www.compasslexecon.com/wp-content/uploads/2022/07/Survey-Evidence-on-User-Multi-Homing-in-Online-Retail-Businesses.pdf.

[24] Landsman, Vardit, Stremersch, Stefan. "Multihoming in Two-Sided Markets: An Empirical Inquiry in the Video Game Console Industry." *Journal of Marketing*. 2011; 75 (6): 39-54. Athey S, Calvano E, Gans JS. The Impact of Consumer Multi-homing on Advertising Markets and Media

example, a consumer might shop for athleisure wear on the brand seller's website, using a digital marketplace, or at a mall-based department store retailer. Because multihoming is applied to both sellers and consumers, in this report we will use the terms multichannel and omnichannel instead.[25]

IV. Facilitator Solutions for SMBs

As previewed in **Section III**, facilitators vary significantly in size and in the scope and type(s) of services they provide. Facilitators also evolve over time to offer new services in response to market pressures such as changing client needs and consumer preferences, available technologies, and facilitator segment competition.

While facilitators' offerings are constantly evolving, for the purposes of this report we have identified eight primary facilitator categories based on their capability to help SMBs create or access ecommerce platforms or to help SMBs sell products on those ecommerce platforms more efficiently and effectively. Categories and representative facilitators are shown in **Figure 7** and include: (1) mainstream digital marketplaces, (2) third-party hosted storefronts and delivery services, (3) ecommerce-enabling website tools, (4) in-app social media storefronts & marketing solutions, (5) other advertising solutions, (6) payment processing tools, (7) buy-now, pay-later tools, and (8) logistics and shipping solutions. We want to highlight that this is not a comprehensive list of all facilitators available to SMBs, but instead the list is intended to represent the variety of options available in the market.

Competition. *Management Science*. 2018;64(4):1574-1590. Bryan, KA, Gans, JS. A theory of multihoming in rideshare competition. *Journal of Economics and Management Strategy*. 2019; 28: 89– 96. Singh, N., Kumar, N., and Kapoor, S. Consumer multihoming predisposition on food platforms: Does gender matter? *Journal of Retail and Consumer Services*. 2022; 67 (July).

[25] See **Figure 4** that summarizes real-life cases of SMBs using facilitators to achieve multichannel and omnichannel strategies.

Figure 7. Facilitator Segments and Representative Facilitators
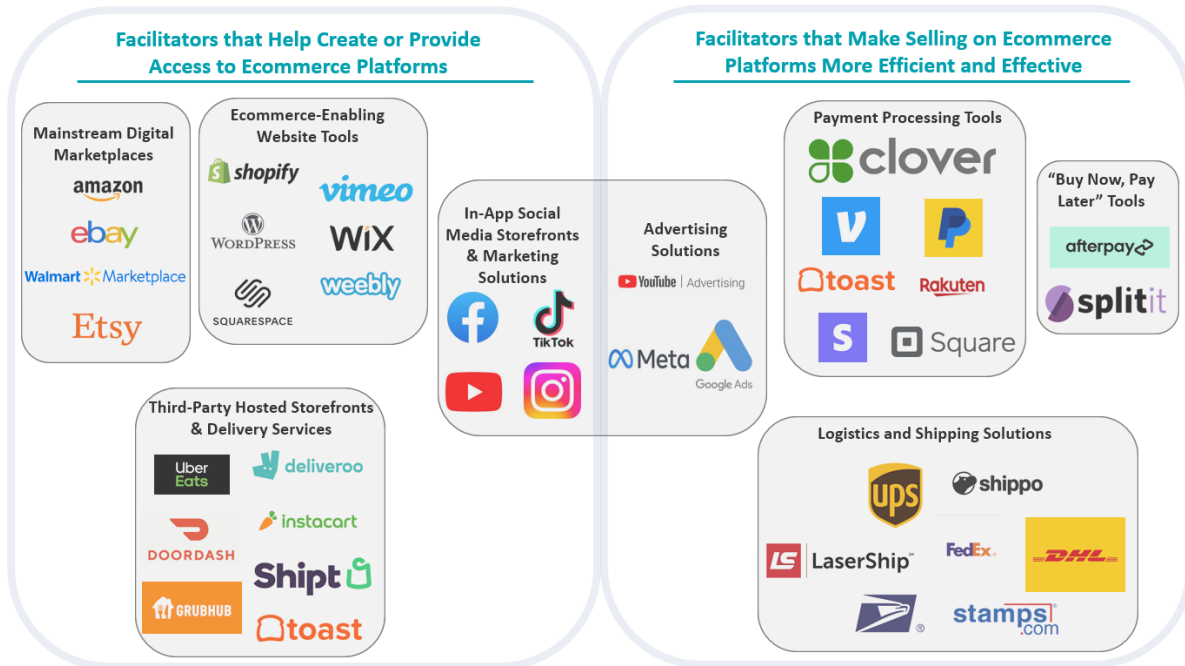
Note

[1] Some of the facilitators that help create or provide access to ecommerce platforms (left half) also offer support services that make selling on ecommerce platforms more efficient and effective (right half). For example, Amazon and eBay also provide advertising solutions (i.e., Amazon Ads and eBay Ads), Google and Amazon also provide payment processing tools (i.e., Google Pay and Amazon Pay), and Amazon offers logistics and shipping solutions (i.e., Amazon Logistics).

The first four categories represent third-party facilitators that help SMBs create and access ecommerce platforms on which to sell their products:

- **Mainstream digital marketplaces** are online platforms through which sellers and buyers interact and conduct business. Some recognized digital marketplaces include Amazon, eBay, Walmart Marketplace, and Etsy. These marketplaces also offer a full menu of integrated support services (e.g., advertising, logistics, payment, shipping), enabling SMBs to outsource a wide range of business processes from a single source if they are able and choose to do so. However, some of these solutions are unique to their marketplaces. For example, SMBs cannot use Etsy ads outside of the Etsy website.
- **Third-party hosted storefronts and delivery services** are digital environments through which SMBs present and sell food, groceries, and other merchandise and have it delivered to consumers. There are several facilitators offering such services and they are growing in number. Some prominent examples include Uber Eats, DoorDash, GrubHub, Instacart, and Shipt.
- **Ecommerce-enabling website tools** help SMBs develop and manage their own websites. Some of them offer complementary services such as built-in management and marketing tools, payment solutions, and data analytics. Shopify, Wix, and Squarespace are prominent examples of such tools.

- **In-app social media storefronts & marketing solutions** are virtual stores dedicated to individual sellers within social media websites, including Facebook, Instagram and YouTube, through which SMBs can present and/or sell their products directly to consumers. Social media sites also provide SMBs with opportunities to engage potential customers with paid advertising and unpaid brand-related posts. Both use embedded links to drive potential customers to ecommerce platforms where the SMBs' products are sold.

The remaining categories, in addition to social media sites mentioned above, represent third-party facilitators that help SMBs sell products on ecommerce platforms more efficiently and effectively.

- **Advertising solutions** (in addition to social media) help SMBs create their own ads, develop advertising plans to address their target audience(s), and refine those plans based on ad analytics. Google, YouTube, and Meta provide such advertising solutions.
- **Payment processing tools** such as Toast and PayPal provide online and offline payment systems.
- **"Buy now, pay later"** tools make it possible for customers to postpone or pay for merchandise in installments while sellers are paid in full. Splitit and AfterPay are examples of these tools.
- **Logistics and shipping solutions** such as Fedex and Shippo provide shipping services to SMBs.

Exhibit 1 provides a list of facilitators that offer each category of services described above along with the type of products and services offered they offer, their price range, and some extra data points regarding number of sellers that work with each facilitator, etc. This exhibit highlights the breadth of facilitators available to SMBs. In **Exhibit 2**, we provide some more information about each facilitator (such as their number of employees, revenue, and competitors over time) to highlight how they have evolved to address the evolving needs of SMBs and other customers.

Figure 8 shows a list of selected facilitators across the eight different categories to highlight how they have continued to innovate over the last five years (2017-2022). The average revenue growth rate (for companies shown in this figure) during this period of time was 963%.[26] Individually, for Etsy it was 183%, for DoorDash 2262%, for Wix 326%, and for Square 792%.[27] New key players have also emerged that now widely serve SMBs, including Tik-Tok, AfterPay, Shipt, and Klarna. For more context on the evolution of facilitators, please refer to **Exhibit 2**.

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[26] **Exhibit 2** shows revenues for a more comprehensive list of facilitators with an average revenue growth of around 1548%, with the highest growth rate being 17966% and the lowest being 102%. The largest growth rate belongs to Stripe, the second highest growth rate is 4020% belonging to After Pay.

[27] Growth rate percentage is calculated as: (Current Revenue/Old Revenue) x 100.

Figure 8. Evolution of Selected Facilitators Over the Years

Facilitator Category	Company Name	Number of Employees[1]	Total Funding Amount[2]	Revenue (in millions)[3]	Competitors
Mainstream Digital Marketplaces	**Etsy**	2017: 744 2022: 2,790	$97.3M (9 rounds)	2017: $441 2022: $807	Initially: *eBay* Now: *Alibaba, Amazon*
Third-Party Hosted Storefronts & Delivery Services	**DoorDash**	2020: 3,886 2022: 16,800	$2.5B (13 rounds)	2018: $291 2022: $6,583	Initially: *Seamless, Postmates, Uber Eats* Now: *Shipt, Instacart, Gorrillas*
Ecommerce-enabling Website Tools	**Wix**	2017: 2,034 2022: 5,500	$58.5M (6 rounds)	2017: $425.6 2022: $1,388	*GoDaddy, Squarespace, Weebly*
Payment Processing Tools	**Square**	2017: 2,338 2022: 12,428	$601.2M (10 rounds)	2017: $2,214 2022: $17,531	Initially: *Visa, MasterCard* Now: *Apple Pay, Google Pay*
"Buy Now, Pay Later" Tools	**Afterpay**	2016: <30 2022: 1300	$448.7M (3 rounds)	2017: $23 2022: N/A	Initially: *Discover, American Express* Now: *Affirm, Klarna, Splitit*

Notes

[1] 2017 and 2022 were used when available to highlight the company's growth. When 2017 was not available, another equally relevant reference year was used.

[2] As reported by Crunchbase. Figures may not be inclusive of all dollar amounts per funding round.

[3] 2017 and 2022 were used when available to highlight the company's growth. When 2017 was not available, another equally relevant reference year was used.

In the remainder of this section, we provide more details on each category of facilitators as well as some SMB case studies that illustrate how facilitators are used in real-life. Case studies discussed in **Section IV** can be divided in two categories: (1) case studies that highlight how SMBs used a specific facilitator to solve a unique business challenge (e.g., Squishable, Gnara, and Burton), discussed in **Sections IV.A and IV.B**. (2) case studies that illustrate how SMBs used a range of facilitators to continue to address changing business needs (e.g., Mackleys, Med Couture), discussed in **Section IV.C**. We also provide shorter examples of SMBs using facilitators throughout **Section IV**.

A. Facilitators that Help Create or Provide Access to Ecommerce Platforms

SMBs, whether new or well-established, go through a learning process when starting to use digital channels to sell their products. There are unique facilitators that aid SMBs in creating or providing access to new ecommerce platforms. These types of facilitators assist SMBs by: (1) offering a digital marketplace through which SMBs can sell their products, (2) providing apps that SMBs can use to offer merchandise and deliver to consumers, (3) helping SMBs create their own ecommerce websites, or (4) making it possible for SMBs to sell and market their products on social media. Ecommerce is evolving rapidly, and these groups of facilitators are continually improving and modifying their services. Next, we will discuss some of the services offered by these facilitators along with examples of SMBs that use those services successfully. For more detailed information on the variety of services offered by these facilitators, please see **Exhibit 1**.

1. Mainstream Digital Marketplaces

A digital marketplace is an online platform where buyers and sellers of goods and services meet to conduct business. The first online marketplace was created in 1982 and was called the "Boston Computer Exchange."[28] The Boston Computer Exchange primarily existed for users to buy and sell computer parts.[29] Since then, online marketplaces have evolved in both nature and in number. Today there are many digital marketplaces selling different varieties of goods. Some of the most recognizable ones are eBay, Amazon, and Etsy. Due to their size, these marketplaces appeal to broad consumer audiences and sell diverse types of goods. However, there are also niche marketplaces such as Bonanza, which caters to fashion goods, and large non-US marketplaces such as Alibaba, which is popular in China and beyond.

Below, we will describe the eBay marketplace, then present case studies describing how Burton and Loop Fiber Studio use the Amazon and Etsy marketplaces, respectively. The two case studies will illustrate how different-sized SMBs can use digital marketplaces effectively, both with and without using other channels. These case studies will also illustrate the range of services available to SMBs when using mainstream marketplaces. In addition to gaining access to ecommerce platforms, SMBs can use marketplaces for support services that include but are not limited to advertising, payment processing, inventory management, fulfillment and shipping, and returns processing. In fact, one case study in **Section IV.C** explains how Mackleys received assistance with its trademark application from Amazon. SMBs that sell on mainstream marketplaces may find it helpful to use the full range of support services or to use these services more selectively. Such decisions can help SMBs execute their go-to-market strategies efficiently or effectively.

a. eBay

To illustrate how modern digital marketplaces operate, we begin with a high-level description of **eBay**. eBay started in 1995 as an auction site (then called "AuctionWeb") to bring buyers and sellers together. eBay's very first item sold was a broken laser pointer.[30] By 2021, it had 147 million active buyers and 17 million active sellers. To sell on eBay, a business first creates an account, registering a few details (e.g., email and phone number), and can then list an item. Items are listed on the eBay website and anyone with access to the platform can see and buy products. eBay buyers can search millions of items including everything from appliances and electronics to sporting goods to apparel to automotive. Once a shopper finds something they want, they can either purchase it— the "Buy Now" option—or bid on the item, if it is being auctioned—the "Auction" option. Purchases are shipped directly to the buyer's address. eBay's digital platform caters more to individuals selling products and smaller businesses than to large- or even medium-sized companies, but it is similar to other digital marketplaces in terms of functionality.

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[28] "History of E-commerce: Facts, Stats & Tips on What's Next", George Washington University, available at https://healthcaremba.gwu.edu/history-of-ecommerce/. Last accessed on May 3, 2023.

[29] "Boston Computer Exchange", Wikipedia, available at, https://en.wikipedia.org/wiki/Boston_Computer_Exchange. Last accessed on May 3, 2023.

[30] "eBay", Wikipedia, available at https://en.wikipedia.org/wiki/EBay. Last accessed on May 3, 2023.

b.   Walmart Marketplace

Walmart Marketplace was launched in 2009 with the objective of expanding Walmart.com offerings. Walmart Marketplace is an ecommerce platform that allows approved third-party sellers to offer their products on Walmart.com.[31] As members of Walmart Marketplace, sellers have access to Walmart's tools and programs such as Walmart Fulfillment Services and Walmart Connect. With Walmart Fulfillment Services, sellers can improve the delivery experience by storing inventory, shipping orders, and managing returns using Walmart's supply chain and team of delivery experts.[32] With Walmart Connect, sellers can get their brands and products exposure to Walmart.com customers using sponsored product or brand ads.[33]

Cleancult and Walmart Marketplace
A digital-native brand partners with Walmart Marketplace to build a strong in-store presence

Company Background
Cleancult was founded in 2017 by Ryan Lupberger with the goal of creating zero-waste household cleaning products using natural ingredients and recyclable packaging. Cleancult sells a range of household cleaning products including laundry detergent, hand soap, and dish soap. According to Lupberger, Cleancult introduced biodegradable ingredients and zero-waste packaging to an industry where sustainable practices are not disseminated nor required by the FDA.

Cleancult's Attempts to Enter a Market Dominated by Well-Known National Brands
Cleancult's innovation was recognized and supported by investors. However, penetrating the household cleaning products market was not an easy task. The market "was already dominated by more well-known national brands" and Cleancult faced several complex challenges to prove themselves in a highly competitive environment.[34] These challenges included gaining brand recognition, proving that the brand could stimulate significant consumer demand for its products, reaching a competitive shipping time, and developing a pricing and assortment strategy.

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[31] Walmart, "Walmart.com Adds Nearly One Million New Items with the Launch of Walmart Marketplace", August 30, 2009 (now offline).

[32] Walmart, "Walmart Fulfillment Services," available at https://marketplace.walmart.com/walmart-fulfillment-services/. Last accessed on July 11, 2023.

[33] Walmart, "Walmart Connect," available at https://marketplace.walmart.com/sponsored-search-ads/. Last accessed on July 7, 2023.

[34] Walmart, "From Online to In-Store Success with Zero Single-Use Plastic Waste," available at https://marketplace.walmart.com/cleancult-casestudy/. Last accessed on July 10, 2023.

Cleancult Uses Walmart Marketplace as its Personal Product-Testing Laboratory

The solutions offered by Walmart Marketplace proved to be a gamechanger for Cleancult. In a recent interview, Lupberger highlighted the importance that the marketplace had in creating brand recognition and demonstrating there was a demand for Cleancult's products. More importantly, Walmart Marketplace provided Cleancult with a platform where it could test its products before launching them in-store. According to Lupberger, Cleancult has been using Walmart Marketplace as a product-testing laboratory to learn what customers want and what Cleancult's best sellers could be.

> *"We have a total portfolio of roughly one hundred [unique variations of our products]. We don't know what our best seller is going to be. We don't know what our best scent is going to be. So, Walmart Marketplace is going to play a really big role for us moving forward. When we launch new colors for our glass bottles they will go first into Walmart Marketplace and then ideally transition to stores."*

Using the services offered by Walmart Marketplace, Cleancult was able to achieve twice the conversion rate compared to the Marketplace average, earn recognition as a top Marketplace brand in the household essentials category, and gain distribution of its products in 3,000 Walmart stores.

Sources

[1] Walmart, "Walmart.com Adds Nearly One Million New Items with the Launch of Walmart Marketplace," August 30, 2009 (now offline).

[2] Walmart, "Walmart Fulfillment Services," available at https://marketplace.walmart.com/walmart-fulfillment-services/. Last accessed on July 11, 2023.

[3] Walmart, "Walmart Connect," available at: https://marketplace.walmart.com/sponsored-search-ads/. Last accessed on July 7, 2023.

[4] Szkutak, Rebecca, "Zero-Waste Cleaning Product Company Cleancult Raises $25 Million," Forbes, September 28, 2021, available at https://www.forbes.com/sites/rebeccaszkutak/2021/09/28/zero-waste-cleaning-product-company-cleancult-raises-25-million/?sh=2a8860db3eef. Last accessed on July 10, 2023.

[5] Cleancult, "The Most Sustainable Cleaning Brand From Start to Finish Introduces New Products and Natural Scents to Keep Breaking Up with Single-Use Plastic," PR News Wire, September 22, 2020, available at https://www.prnewswire.com/news-releases/the-most-sustainable-cleaning-brand-from-start-to-finish-introduces-new-products-and-natural-scents-to-keep-breaking-up-with-single-use-plastic-301135713.html. Last accessed on July 11, 2023.

[6] Walmart, "From Online to In-Store Success with Zero Single-Use Plastic Waste," available at https://marketplace.walmart.com/cleancult-casestudy/. Last accessed on July 10, 2023.

[7] Walmart, "Cleancult omnichannel dream," Facebook, April 6, 2023, available at https://www.facebook.com/794920627575633/posts/1835717840162568/?mibextid=rS40aB7S9Ucbxw6v. Last accessed on July 11, 2023.

c. Burton Uses Amazon to Get Closer to Consumers Via Channel Diversification
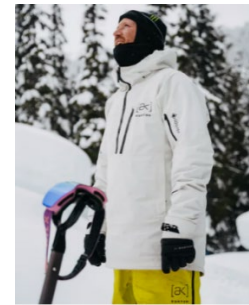
Company Background

Burton began as one of the very first snowboard companies in 1977.[35] Today it has about 950 employees and has expanded its product offerings beyond snowboard gear to include outdoor apparel. Burton does not disclose its revenues.

Sales Channels and Facilitators

Historically, Burton relied on retailers for the vast majority of its revenues. In recent years, Burton has worked to get closer to the consumer, decreasing the share of its business going through retailers and expanding its direct-to-consumer channel. Among the company's strategies to get closer to the consumer were improving brand recognition and recall beyond snowboard gear, extending its product line, and marketing to consumers directly.[36] As of 2023, 60% of Burton's revenues still come through retailers, but 30% now come through digital channels (including its own website and Amazon) and 10% from its own physical stores.[37]

How Amazon Helped Burton Get Closer to the Consumer

In 2018, Burton began efforts to decrease its reliance on retailers but was not operationally prepared to move a large volume of product through its digital direct-to-consumer channel. More specifically, Burton lacked the right infrastructure, knowledge, and relationships to facilitate rapid order fulfillment at scale.[38] At the same time, many of Burton's retailers were actually reselling its products through Amazon. In 2019, Burton began selling its own products through Amazon to the Americas market (US and Canada), improving margins and gaining control of Amazon sales consistent with the objective of getting closer to the consumer. When this relationship started, Burton sold its inventory directly to Amazon, which in turn sold Burton products to its extensive customer base with

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[35] "Digging Through The Archives: The First Burton Snowboard Prototypes," The Burton Blog, September 7, 2021, available at https://www.burton.com/blogs/the-burton-blog/first-burton-snowboard-prototypes/. Last accessed on May 10, 2023; "History of Burton Snowboards," The House, October 26, 2009, available at https://www.the-house.com/portal/burton-history/. Last accessed on May 10, 2023.

[36] Interview with Kelly Murnaghan, SVP of Global Marketing and Consumer Direct, April 3, 2023.

[37] As of 2022, Burton has 30 stores globally. "Inside Burton's Digital Transformation and Redefined Retail Experience," RIS News, April 12, 2022, available at https://risnews.com/inside-burtons-digital-transformation-and-redefined-retail-experience. Last accessed on May 30, 2023.

[38] Interview with Jeff Lord, VP of Global Direct and Digital Commerce, April 10, 2023.

the rapid delivery that Amazon users have come to expect (Amazon handled the fulfillment process in its entirety).[39]

Burton soon identified opportunities to use Amazon strategically to support its multichannel/omnichannel strategy. Specifically, Burton used Amazon to sell certain products and product lines that Burton found more challenging to sell direct on its website. Thus, Burton could focus on promoting big-ticket, high-margin specialized products such as snowboards and three-layer Gore-Tex jackets on its website. This enabled Burton to get closer to consumers by taking control of its brand on Amazon while using its direct-to-consumer website for more specialized products. This strategy is apparent in current average order sizes—the average Amazon order value is less than 10% of Burton's website orders—balanced by the high volume of Amazon orders.

Interestingly, Burton's Amazon experience provided a window to improve its direct-to-consumer capability. While in 2018 and 2019 Burton had struggled to meet customer expectations for rapid delivery, the company can now deliver website orders in an average of five days, with some delivered within two to three days.[40] Additionally, Burton has improved the delivery experience by implementing frequent tracking updates, a customer support line, and free shipping for members of its loyalty program. This improved fulfillment and delivery capacity enabled Burton to begin selling its goods directly to Amazon users in 2021 without relying on Amazon inventory and fulfillment. Burton's new relationship with Amazon meant that it could directly manage the retail prices of its products. More generally, Burton found that this new relationship gave the company more control of the brand experience for Amazon users. Thus, the menu of options Amazon makes available for sellers helped Burton realize (in stages) its objective of getting closer to consumers in alignment with Burton's own ecommerce initiatives (e.g., website, affiliates, etc.).

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[39] Heethuis, Nick, "Amazon 1P Vs. 3P: What's The Difference?" *Forbes*, October 19, 2021, available at https://www.forbes.com/sites/theyec/2021/10/19/amazon-1p-vs-3p-whats-the-difference. Last accessed on May 4, 2023.

[40] Interview with Jeff Lord, VP of Global Direct and Digital Commerce, April 10, 2023.

Key Takeaways:

- Burton used Amazon, together with its direct-to-consumer website, to reduce its reliance on retailers and get closer to the consumer.
- Burton used Amazon together with its direct-to-consumer sales capability.
- Burton changed its product mix and pricing on Amazon vis-a-vis Burton's website as its capabilities evolved as part of a multichannel/omnichannel strategy.

d. Loop Fiber Studio Migrates from Etsy to Its Own Shopify-Supported Website

Steph Gorin – CEO of Loop Fiber Studio

Company Background

Loop Fiber Studio was founded in 2006 by Stephanie Gorin, a non-knitter but spinning hobbyist who wanted to distribute the yarn she spun. The company started by selling spinning fibers, which landed Ms. Gorin on the cover of *Spin Off* magazine within its first year of business.[41] Within five years, the company switched its focus to a wide variety of yarn products. Loop Fiber Studio's yarn used to be handspun by Ms. Gorin herself, but production was transitioned to a contracted mill as the business grew, though Loop Fiber Studio retained control of the artistic direction (e.g., color, material, etc.). Ms. Gorin attributes much of the company's success to the uniqueness of its product, including interesting color patterns and high-quality materials.

Early Use of Platforms

Unlike Burton, Loop Fiber Studio relied heavily on digital marketplaces from its inception. Also, while Burton partnered with Amazon to sell a specific range of products, Loop Fiber Studio decided to sell all of its products on Etsy. Ms. Gorin did not intend to take its products to market, but a friend told her about Etsy and how, at that stage, it was focused on selling handmade, vintage, and/or craft supplies. Loop Fiber Studio began selling on Etsy in 2006, just a year after the facilitator had been founded. Ms. Gorin considers herself to be one of the "original sellers" at Etsy.[42] Loop Fiber Studio joined Etsy so early that it was able to get the "loop" handle for its Etsy shop.[43] In the early days of the company, customers engaged with its products through direct messages on the Etsy

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[41] Interview with Stephanie Gorin, CEO and Owner, April 18, 2023. *See also*, "Spin Off," Spin Off, https://spinoffmagazine.com/. Last accessed on May 16, 2023.

[42] Interview with Stephanie Gorin, CEO and Owner, April 18, 2023.

[43] "Loop," Etsy, available at https://www.etsy.com/shop/loop. Last accessed on May 16, 2023.

platform or via Ravelry, a social networking service for knitters.[44] Ms. Gorin did not actively promote her products on Ravelry. Instead, one devoted customer started a Loop Fiber Studio fan group, where customers could post photos of their creations using Loop Fiber Studio yarn. According to Ms. Gorin, "it snowballed from there."

Today, Loop Fiber Studio's yearly revenue comes from Etsy (~50%) and festival and yarn shows (~50%), although the revenues from the latter are highly variable across months and even years. To date, Loop Fiber Studio has sold almost 18K items on Etsy and has a 5-star review rating.[45] Once the Ravelry fan page was started, Ms. Gorin never felt the need to pay for advertising. Facebook eventually replaced Ravelry as Loop Fiber Studio's primary digital lead source, and Instagram then replaced Facebook. These social media platforms route potential customers to Etsy product pages, but the content is created and posted by Ms. Gorin herself. She notes that social media has driven heavy traffic to Loop Fiber Studio's Etsy page and has covered any required paid promotional media. Loop Fiber Studio originally used PayPal for both payment processing and label printing. Around 5-6 years ago, Etsy began offering in-house payment processing with access to shipping labels, increasing convenience for its sellers.

Transformation and Partnership with Shopify

Loop Fiber Studio is currently developing a website using Shopify, with plans to fully migrate and end Etsy sales. Ms. Gorin cited five reasons for "changing the channel." First, she identified Etsy's shift in focus away from handmade goods and feeling less supported than she did as an original seller. Second, Ms. Gorin discussed how Etsy had started running Loop Fiber Studio ads on its platform and, if sales were completed via those links, Etsy would take an extra 15% commission on top of its regular 6.5% transaction fee. She was not given advance warning and was initially unaware that this was happening. Because Loop Fiber Studio had enough organic traffic from social media links, she considered Etsy ads an unwanted marketing cost. Third, Etsy increased transaction fees and made it harder for customers to use PayPal. Fourth, Etsy does not facilitate large scale sales to, for example, retailers and wholesalers. Fifth and most importantly, Ms. Gorin lamented not being able to showcase products in a personalized way via Etsy.

Because Loop Fiber Studio had expanded its product offerings and was looking to increase sales to volumes, Ms. Gorin decided to sell her products on the company's own website.[46] "[Etsy] doesn't help me sell the quantities of

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[44] Ravelry "is a community site, an organizational tool, and a yarn & pattern database for knitters and crocheters." See, "Ravelry," Ravelry, available at https://www.ravelry.com/account/login. Last accessed on May 18, 2023.

[45] "Loop," Etsy, available at https://www.etsy.com/shop/loop/sold. Last accessed on May 16, 2023.

[46] On Etsy. Ms. Gorin sells one or two skeins per order. By using Shopify, Ms. Gorin aims to sell five to ten skeins per order.

yarn that I want to sell," she said. In contrast, a website could create a customer experience very different from Etsy, telling the brand's story, including videos, and attempting to create a more "tactile" experience:

"It's amazing you can even sell this online based on how tactile yarn is. You can't see how soft my products are and this is one of Loop Fiber Studio's competitive advantages."

To create Loop Fiber Studios' own website, Ms. Gorin decided to use Shopify. Shopify offered acceptable pricing and the features she would need. Critically, it also offered customer support services which Ms. Gorin, for whom web design was entirely new territory, valued highly.

"One of the great things about Shopify is that they have free (and very good) tech support. I spent many hours on the phone with them as they guided me through tasks I was having trouble figuring out."

Shopify also helped her hire one of its recommended web designers (a service offered by Shopify) to start the process and discuss website features and details. Further, since expanding production capacity with the contracted mill, Loop Fiber Studio has started wholesaling and Ms. Gorin is hoping the website will help her build relationships and sell at scale. Once the website is up and running, Ms. Gorin is also considering running Facebook and Instagram ads to drive more sales.

Key Takeaways

- As a small business without any W2 employees, Loop Fiber Studio's management supports the brand by focusing on product development and product quality. This requires extensive facilitator support, with integration and ease-of-use as critical factors. Until recently, Loop Fiber Studio used Etsy's integrated suite of tools, together with PayPal, because they are highly integrated and easy to use.
- As the smallest company profiled, Loop Fiber Studio's primary challenges come from: (1) the small size of its management team (one person) with limited bandwidth, and (2) the small scale of its business (less than $250K annual revenue). The first challenge led Loop to outsource many business functions and prioritize integrating multiple tools into one. The second challenge is for the company to pursue growth by 'changing the channel' to a Shopify-enabled website to complement its direct-to-consumer sales made at festivals and yarn shows.

Loop Fiber Studio came to the realization that heavy reliance on third-party digital marketplaces was not ideal once the company matured and Ms. Gorin learned that the company could earn better margins by selling direct-to-consumer through their own websites. While Burton decided to modify its multichannel strategy, selling some products on Amazon and some others exclusively on its website, Loop Fiber Studio chose to fully migrate from Etsy to its own website.

The scale of these companies as well as the breadth of their product offerings resulted in different go-to-market strategies. After realizing that it could use Amazon as part of a broader multichannel/omnichannel strategy, Burton refocused two of its channels based on price levels and product types. In contrast, Loop Fiber Studio's narrower product line, smaller scale, and limited management bandwidth led the company to focus primarily on a single channel until the company was ready to reach a wider audience.

2. *Third-Party Hosted Storefronts and Delivery Services*

Third-party hosted storefronts and delivery services are online apps and/or websites that offer a digital marketplace for selling food, groceries, and other similar merchandise to local customers and provide quick delivery service. By using these facilitators, SMBs can reach potential customers who need food/merchandise right away, but do not have time or opt not to purchase in-store or pick up in person. Online food and grocery delivery services were started by "Peapod," the company that introduced online grocery delivery in 1989, followed by Pizza Hut's "PizzaNet" digital ordering service in 1994 and the "World Wide Waiter" online food ordering service in 1995.[47]

Since 2011 many new facilitators have entered the market and some of them have also expanded their service to include non-perishable merchandise. The most prominent facilitators include Uber Eats, DoorDash, Grubhub, Postmates, Toast, Instacart, Drizly, Deliveroo, and Shipt.[48] We describe some of these services below.

a. Uber Eats

Uber Eats, launched in 2014, is an online food ordering and delivery platform owned by parent company Uber Technologies, Inc. ("Uber").[49] Uber Eats started as a pilot built over the already existing Uber ride-sharing platform to provide lunch service between 11:30AM and 2:30PM in Santa Monica, California.[50] Today, Uber Eats has become one of the most popular food delivery services with 890,000 merchant partners in more than 11,000 cities across 6 continents.[51] SMB's can partner with Uber Eats to deliver food from restaurants to customers in their cities and surrounding areas. SMBs benefit from a way to deliver food to a wide customer base and, in return Uber receives a commission on every Uber Eats delivery. The Uber Merchant Impact Report for 2022 states that 91% of SMB merchants in the U.S. believe Uber Eats has "increased their ability to reach new consumers," playing an important role in growth and revenue generation.[52] In addition to Uber Eats, Uber expanded its portfolio of delivery

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[47] "Online Food Delivery – Timeline," Verdict Food Service, May 4, 2021, available at https://www.verdictfoodservice.com/comment/online-food-delivery-timeline/. Last accessed on May 10, 2023.

[48] See **Exhibit 1** for more detailed description of each.

[49] Allen, "LA: The New UberEATS App is Arriving Now," Uber Newsroom, March 1, 2016, available at https://www.uber.com/newsroom/la-the-new-ubereats-app-is-arriving-now/. Last accessed on May 3, 2023.

[50] Curry, David, "Uber Eats Revenue and Usage Statistics (2023)," Business of Apps, April 11, 2023, available at https://www.businessofapps.com/data/uber-eats-statistics/. Last accessed on May 3, 2023; Etherington, Darrell, "Uber Begins Testing Lunch Delivery With UberFRESH," TechCrunch, August 26, 2014, available at https://techcrunch.com/2014/08/26/uberfresh/. Last accessed on May 3, 2023.

[51] "From quiet cafe to bustling virtual restaurant in Brooklyn," Uber Eats, available at https://web.archive.org/web/20230201151920/https://merchants.ubereats.com/us/en/resources/success-stories/burger-factory/. Last accessed on May 3, 2023; Curry, David, "Uber Eats Revenue and Usage Statistics (2023)," Business of Apps, April 11, 2023, available at https://www.businessofapps.com/data/uber-eats-statistics/. Last accessed on May 3, 2023.

[52] "Uber Eats and Small Businesses: Partnering for Impact," Uber, 2022, available at https://uber.app.box.com/s/z6odgrsm1fjqefkoah7l6z4ahpmnbsyl. Last accessed on May 3, 2021.

services by acquiring Postmates,[53] a food delivery business, in 2020 and Drizly, an alcohol delivery business, in February 2021.[54] In 2022, Uber Eats had over 780,000 merchants, of which more than 60% were SMBs.[55] The example below shows how Gerizim Burger Factory, a local restaurant in New York, used Uber Eats to succeed and grow.

Gerizim Burger Factory and Uber Eats
The rise of Gerizim Burger Factory's virtual restaurant
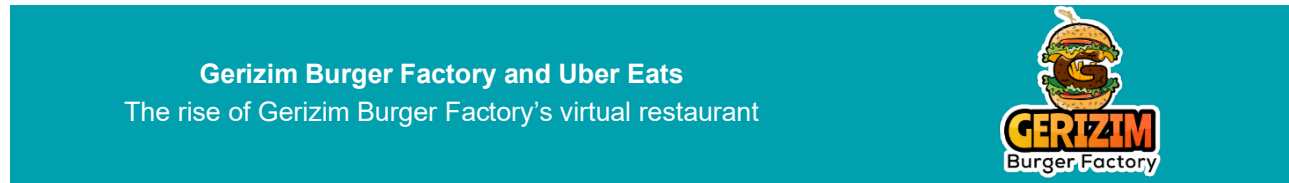
Company Background
Gerizim Burger Factory, founded in Brooklyn, New York, is a restaurant that started as a café serving coffee and pastries. Over the past few years, it has pivoted to a Caribbean-inspired delivery-focused burger restaurant. Since it opened, Gerizim Burger Factory's main challenge has been to "create brand awareness and drive traffic."[56]

Gerizim Burger Factory's Lack of Sales
Ricky Scott, co-owner of Gerizim Burger Factory, was a general contractor before he entered the restaurant industry. Opening a café was a "spontaneous decision" as he was not sure what he wanted to do with the space. In part due to a lack of planning, the restaurant's sales were disappointing and it was at risk of going out of business. Gerizim Burger Factory attempted to partner with other delivery services but ultimately wanted a facilitator that could help it create marketing content independently to drive brand awareness and traffic.

Gerizim Burger Factory's Rebranding Success with Uber Eats
Gerizim Burger Factory "attributes much of its success to its partnership with Uber Eats."[57] This facilitator provided an opportunity for the restaurant to focus on building out its burger selection and an appropriate menu, while Uber Eats took care of the brand promotion and customer awareness. Uber Eats actually increased the demand for specialty burgers in the area where Gerizim Burger Factory was located. The partnership with Uber Eats even prompted Mr. Scott to experiment with a delivery-only virtual restaurant concept. The results were so good that he rebranded his entire business into a burger-focused, delivery-focused restaurant. Under this business approach, Gerizim Burger Factory has achieved the following results: (1) a 7,500% increase in sales from selling only about one burger a day to 75 burgers per day, (2) acquisition of 3,700 unique and new customers, (3) 23 times more gross booking than the on-site only restaurant in their first month as an Uber Eats

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[53] Isaac, Mike, Erin Griffith, and Adam Satariano, "Uber Buys Postmates for $2.65 Billion," The New York Times, November 13, 2020, available at https://www.nytimes.com/2020/07/05/technology/uber-postmates-deal.html. Last accessed on May 17, 2023.

[54] Davalos, Jackie, "DoorDash launches on-demand alcohol delivery service," Fortune, September 20, 2021, available at https://fortune.com/2021/09/20/doordash-launches-on-demand-alcohol-delivery-service/. Last accessed on May 10, 2021.

[55] "Uber Eats and Small Businesses: Partnering for Impact," Uber, available at https://uber.app.box.com/s/z6odgrsm1fjqefkoah7l6z4ahpmnbsyl.

[56] "About Us," Gerizim Burger Factory, available at http://www.gerizimburger.com/food-and-beverage-about-us. Last accessed on May 3, 2023.

[57] "About Us," Gerizim Burger Factory, available at http://www.gerizimburger.com/food-and-beverage-about-us. Last accessed on May 3, 2023.

restaurant partner, and (4) profit increases that prompted Gerizim Burger to launch a second location in Queens.

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[1] "About Us," Gerizim Burger Factory, available at http://www.gerizimburger.com/food-and-beverage-about-us. Last accessed May 3, 2023.

[2] Olson, Alexandra, "Online ordering boom gives rise to virtual restaurants," AP News, October 21, 2019 (now offline).

[3] Krader, Kate, "Uber's Secret Restaurant Empire," Bloomberg, October 24, 2018, available at https://www.bloomberg.com/news/articles/2018-10-24/uber-s-secret-empire-of-virtual-restaurants. Last accessed on May 3, 2023.

[4] "From quiet cafe to bustling virtual restaurant in Brooklyn," Uber Eats, available at https://web.archive.org/web/20230201151920/https://merchants.ubereats.com/us/en/resources/success-stories/burger-factory/. Last accessed on May 3, 2023.

b. DoorDash, Grubhub, InstaCart, Shipt, Toast

These facilitators attempt to differentiate themselves by their partnerships with specific retailers in order to draw users to their platforms. Retailers tend to partner with multiple facilitators.

DoorDash is the largest of these facilitators by its share of US deliveries at 65%, beating out Uber Eats which is second with 25%.[58] DoorDash started as a food delivery service in 2013, and like Uber Eats it has since expanded its offerings, adding: (1) non-food (e.g., grocery) delivery in 2018 with a partnership with Walmart,[59] and (2) alcohol delivery in 2021.[60] DoorDash also has partnerships with Facebook that allow the company to deliver goods sold on Facebook Marketplace,[61] and with Macy's for which DoorDash offers same-day deliveries.[62] In 2022, DoorDash handled over 1.7 billion orders and brought in over $6.5 billion in revenue.[63]

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[58] Note that this percentage considers the market share of the co-owned Uber Eats and Postmates. Perri, Janine, "Which company is winning the restaurant food delivery war?," Bloomberg Second Measure, April 14, 2023, available at https://secondmeasure.com/datapoints/food-delivery-services-grubhub-uber-eats-doordash-postmates/. Last accessed on May 10, 2023.

[59] The Walmart relationship has drawn to a close in 2023. Roth, Emma, "DoorDash won't deliver Walmart's groceries starting next month," The Verge, August 20, 2022, available at https://www.theverge.com/2022/8/20/23314257/doordash-walmart-groceries-end-partnership-deliveries. Last accessed on May 10, 2023.

[60] Davalos, Jackie, "DoorDash launches on-demand alcohol delivery service," Fortune, September 20, 2021, available at https://fortune.com/2021/09/20/doordash-launches-on-demand-alcohol-delivery-service/. Last accessed on May 10, 2021.

[61] Using Facebook Marketplace, Facebook users can list often used items for purchase by other Facebook users. Facebook Marketplace is distinct and unrelated to Facebook Storefronts, as Facebook Marketplace is designed for individuals and not for businesses.

[62] Roth, Emma, "DoorDash won't deliver Walmart's groceries starting next month," The Verge, August 20, 2022, available at https://www.theverge.com/2022/8/20/23314257/doordash-walmart-groceries-end-partnership-deliveries. Last accessed on May 10, 2023.

[63] Doordash Form 10-K for the fiscal year ending December 31, 2022.

Grubhub is another prominent delivery facilitator, accounting for 9% of US market share.[64] Grubhub was founded in 2004 as an online restaurant marketplace, allowing users to locate local restaurants and place orders online, exclusively for pickup (or for a delivery handled by the restaurant itself).[65] In 2013, it merged with Seamless, a company that had been providing similar non-delivery, ordering-focused services since its inception in 1999. In 2015 Grubhub began offering food delivery services for companies using its existing services to facilitate online and mobile orders.[66] Last year, it partnered with delivery service Gopuff for alcohol deliveries, had partnerships with over 300,000 restaurants, and brought in $2.4 billion in revenue.[67] It also rolled out a nationwide program with 7-Eleven to deliver a selection of 7-Eleven's most popular products.[68]

Instacart is a smaller player that focuses mostly on grocery delivery. While the companies above began delivering for restaurants, Instacart, founded in 2012, started as a grocery delivery service and later expanded into prepared foods delivery. Today, it has partnerships with over 300 retailers, including large chains such as Albertsons, Aldi, Costco, CVS, Kroger, Target, Sam's Club, and Wegmans.[69] In 2022, Instacart brought in $2.1 billion in revenue, near Grubhub's total.[70]

Shipt, one of Instacart's biggest competitors, also began as a grocery delivery service. However, though it has expanded to delivering general merchandise (think anything that could be offered by Target, which acquired it in 2017), Shipt has not expanded into restaurant delivery.[71] Shipt has fewer partnerships than Instacart with just over

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[64] Perri, Janine, "Which company is winning the restaurant food delivery war?" Bloomberg Second Measure, April 14, 2023, available at https://secondmeasure.com/datapoints/food-delivery-services-grubhub-uber-eats-doordash-postmates/. Last accessed on May 10, 2023.

[65] Bhasin, Kin, "GrubHub's CEO On The Shock Of Outgrowing Three Offices In A Few Short Years," Insider, February 22, 2012, available at https://www.businessinsider.com/grubhubs-ceo-on-the-shock-of-outgrowing-three-offices-in-a-few-short-years-2012-2. Last accessed on May 10, 2023.

[66] "Grubhub," Grubhub, available at https://about.grubhub.com/about-us/company-timeline/. Last accessed on May 18, 2023.

[67] Malik, Aisha, "Grubhub and Gopuff team up for grocery and alcohol delivery," TechCrunch, October 5, 2022, available at https://techcrunch.com/2022/10/05/grubhub-gopuff-team-up-grocery-alcohol-delivery/. Last accessed on May 10, 2023; Curry, David, "Grubhub Revenue and Usage Statistics (2023)," Business of Apps, May 2, 2023, available at https://www.businessofapps.com/data/grubhub-statistics/. Last accessed on May 10, 2023.

[68] "Grubhub Launches Grubhub Goods Brand Nationwide," Grubhub, February 15, 2022, available at https://about.grubhub.com/news/grubhub-launches-grubhub-goods-brand-nationwide/. Last accessed on May 10, 2023.

[69] "Instacart SuccessStory," SuccessStory, available at https://successstory.com/companies/Instacart. Last accessed on May 10, 2023; Statt, Nick, "Walmart teams up with Instacart to rival Amazon for same-day grocery delivery," The Verge, available at https://www.theverge.com/2020/8/11/21363507/walmart-instacart-partnership-same-day-grocery-delivery-amazon-whole-foods-rivalry. Last accessed on May 10, 2023; Moore, Cortney, "Rite Aid, Instacart to make coronavirus deliveries after new partnership," FOX Business, May 13, 2020, available at https://www.foxbusiness.com/money/rite-aid-instacart-to-make-coronavirus-deliveries-after-new-partnership. Last accessed on May 10, 2023.

[70] Curry, David, "Instacart Revenue and Usage Statistics (2023)," Business of Apps, May 2, 2023, available at https://www.businessofapps.com/data/instacart-statistics. Last accessed on May 10, 2023.

[71] Helling, Brett, "Shipt Delivery: How Does Shipt Same-Day Delivery Work?" Ridester, April 1, 2023, available at https://www.ridester.com/shipt-delivery/. Last accessed on May 10, 2023.

120, and some of its big partnerships overlap with those of Instacart, including Costco, CVS, Jewel, Kroger, Office Depot, and Publix.[72]

Toast is another option for restaurants seeking delivery options. Toast began as a restaurant software provider which handled point-of-sale needs, but also handled restaurant-specific tasks like kitchen management.[73] In April 2020, Toast rolled out delivery services, offering them at a flat rate in order to differentiate from its competitors such as Uber Eats, DoorDash, and Grubhub, which charge by a commission on the order value and may factor in driver scarcity.[74]

The companies listed above by no means represent an exhaustive list of the facilitators available. Though their exact offerings and price structures may differ, the inherent similarity in the delivery services they provide puts them in direct competition with each other. Consequently, SMBs have a large set of competitive facilitators available to support their delivery needs and to help them serve delivery-focused consumers.

3. *Ecommerce-Enabling Website Tools*

As more and more companies add digital channels to their go-to-market strategies, there is an increasing consumer expectation that businesses have their own websites. Still, many smaller SMBs do not have the in-house expertise or management bandwidth to develop an ecommerce-enabled website from scratch. Facilitators can assist in the development of ecommerce-enabled websites by providing website templates as well as domains/hosting services. Many such facilitators also make it possible to integrate payment processing, data analytics, and other business functions into the website's operation.

In the early 1990s, people had to hard code using HTML in order to create a website. GeoCities, launched in 1994, was the first widely used website builder.[75] Over time, other tech companies started releasing more user-friendly products for building websites, which became increasingly more customized to meet the specific objectives of a broad range of business websites. Today, widely used website builders for creating ecommerce websites include Shopify, Squarespace, Wix, Vimeo, WordPress, and Weebly, which we will discuss in more detail below.[76]

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[72] "We're more than delivery," Shipt, available at https://www.shipt.com/about/. Last accessed on May 10, 2023; "Instacart SuccessStory," SuccessStory, available at https://successstory.com/companies/Instacart. Last accessed on May 10, 2023.

[73] D'Ambrosio, Daniel, "Toast Startup Raises $115 Million To Give Restaurant Owners What They Want," Forbes, December 18, 2018, available at https://www.forbes.com/sites/danieldambrosio/2018/12/16/toast-startup-raises-115-million-to-give-restaurant-owners-what-they-want/?sh=230183ab4fc8. Last accessed on May 10, 2023.

[74] "Introducing Toast Delivery Services™: a Flat-Rate Delivery Platform Built Exclusively to Benefit Restaurants," BusinessWire, April 28, 2020, available at https://www.businesswire.com/news/home/20200428005117/en/Introducing-Toast-Delivery-Services%E2%84%A2-a-Flat-Rate-Delivery-Platform-Built-Exclusively-to-Benefit-Restaurants. Last accessed on May 10, 2023.

[75] Ch, David, "Evolution of website building: from hassle to no-code," Simple.ink, July 7, 2022, available at https://www.simple.ink/blog/website-building-evolution. Last accessed on May 16, 2023.

[76] See **Exhibit 1** for more information.

a. Shopify

Shopify, founded in 2006, is an integrated platform that helps businesses develop ecommerce capabilities in order to sell online.[77] More specifically, it offers companies a set of integrated services to build an ecommerce-enabled website, incorporating point-of-sale software, marketing services, inventory tracking system, financing and loans, search engine optimization tools, and other analytics and business management tools.[78] Shopify is a subscription-based software-as-a-service (SaaS) sales platform that offers its plans in tiers, starting from just $5 per month.[79] As of December 2022, Shopify had "millions of merchants" in over 175 countries using their platform.[80] Bombas, an apparel brand based in New York, started using Shopify to manage rapidly growing website visits and online transactions with an affordable and convenient tool. See the case study below.

Bombas and Shopify
The Importance of a Reliable Online Sales Platform
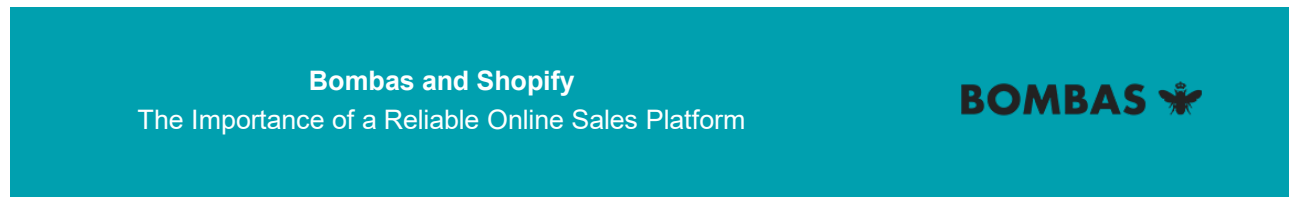
BOMBAS

Company Background
Bombas, founded in 2013 in New York City, is a comfort-performance socks brand that emerged from the show Shark Tank. The company's mission is to "help those experiencing homelessness," which is why it chooses to donate one pair of socks to those in need for every pair purchased. To date, Bombas has successfully donated more than 75M items to 3,500 community organizations. Bombas revenue grew from $300,000 in 2013 to $4.7 million in 2015, and now is estimated to be $237 million with approximately 230 employees.

Bombas needed to scale quickly to meet growing demand
With high-profile media attention after its deal with investor Daymond John on the show "Shark Tank," the Bombas online store collapsed. Issues with product images and checkout cost Bombas $15,000 in losses in just minutes. Founders David and Andrew Heath were not surprised as "[they] were getting major press, and [their] site couldn't scale on demand like [they] needed it to."[81] Bombas needed a platform that could handle the increasing consumer traffic, but a facilitator that was quick and affordable. The previous Bombas website had

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[77] "What Is Shopify and How Does It Work? (2023)," Shopify, available at https://www.shopify.com/blog/what-is-shopify. Last accessed on May 3, 2023.

[78] "What Is Shopify and How Does It Work? (2023)," Shopify, available at https://www.shopify.com/blog/what-is-shopify. Last accessed on May 3, 2023; *see also*, "Shopify Products," available at https://www.shopify.com/products. Last accessed on May 3, 2023.

[79] *See*, "Start for free, then enjoy your first month for $1," Shopify, available at https://www.shopify.com/pricing. Last accessed on May 3, 2023; Fabregas, Krista, and Kelly Main, "What Is Shopify & How Does It Work (2023 Guide)," Forbes, December 30, 2022, available at https://www.forbes.com/advisor/business/software/what-is-shopify/. Last accessed on May 3, 2023.

[80] Shopify Form 10-K for the fiscal year ending December 31, 2022, at p.11.

[81] "Bombas migrated for site stability, and is also saving $108,000 a year in platform costs," Shopify, available at https://www.shopify.com/plus/customers/bombas. Last accessed on May 3, 2023.

been managed by Magneto, which would have required $150,000 to update that site to manage an increase from 500 to 4,000 transactions a day.

Shopify helped Bombas keep up with consumer demand

Bombas chose to switch to Shopify's platform because of its prices and promised ease of implementation. With Shopify Plus, Bombas "can perform mass product uploads quickly, across multiple ecommerce channels, using a back-end system that's clean and easy to operate."[82] Bomba's first "Black Friday Cyber Monday (BFCM)" with Shopify Plus went smoothly with no crashes or glitches, as it had during "numerous live and repeat ['Shark Tank'] airings".[83] Shopify Plus "saved the company $108,000 in platform costs its first year alone," and saw "positive investment return almost immediately."[84] After migrating to Shopify Plus, Bombas generated "$17.2 million in sales its first full year after replatforming [sic], and 300% year-over-year."[85]

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[1] "Bombas," PitchBook, available at https://pitchbook.com/profiles/company/101077-30#timeline. Last accessed on May 3, 2023
[2] "Bombas migrated for site stability and is also saving $108,000 a year in platform costs," Shopify, available at https://www.shopify.com/plus/customers/bombas. Last accessed on May 3, 2023.
[3] Ismael, Amir, "Bombas socks are the most comfortable and durable socks we've ever worn. Plus, they donate a pair for every pair sold," Insider, April 27, 2023, available at https://www.insider.com/guides/style/bombas-socks-review. Last accessed on May 3, 2023.
[4] "We're Bombas," available at https://shop.bombas.com/pages/about-us. Last accessed on May 3, 2023.

b. WordPress, Squarespace, Wix, and Weebly

WordPress is another option that SMBs can use to develop an ecommerce-enabled website. WordPress is the clear market share leader for website creation and management at 64%, enabling over 43% of all active websites on the internet (Shopify is second with 6.1% market share).[86] WordPress is known for its ability to enable plugins that can power different aspects of the user's website.[87] For example, the popular ecommerce plugin

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[82] "Bombas migrated for site stability, and is also saving $108,000 a year in platform costs," Shopify, available at https://www.shopify.com/plus/customers/bombas. Last accessed on May 3, 2023.

[83] "Bombas migrated for site stability, and is also saving $108,000 a year in platform costs," Shopify, available at https://www.shopify.com/plus/customers/bombas. Last accessed on May 3, 2023.

[84] "Bombas migrated for site stability, and is also saving $108,000 a year in platform costs," Shopify, available at https://www.shopify.com/plus/customers/bombas. Last accessed on May 3, 2023.

[85] "Bombas migrated for site stability, and is also saving $108,000 a year in platform costs," Shopify, available at https://www.shopify.com/plus/customers/bombas. Last accessed on May 3, 2023.

[86] Moran, Matt, "CMS Market Share: What Is the Most Popular CMS?," Colorlib, March 18, 2023, available at https://colorlib.com/wp/cms-market-share/. Last accessed on May 15, 2023.

[87] Storm, Macy, "Is WordPress Good for Ecommerce? [Pros and Cons]," WebFX, March 15, 2021, available at https://www.webfx.com/blog/web-design/is-wordpress-good-for-ecommerce/. Last accessed on May 15, 2023.

WooCommerce which enables storefront creation, SEO, customizable product pages and shipping, was created by Automattic, WordPress' parent company.[88]

Founded in 2004, **Squarespace** is known for its easy-to-use templates and drag-and-drop features, which it built out significantly in 2014.[89] While Squarespace started as a website design company, it began adding ecommerce features in 2013 when it integrated Stripe for credit card payment processing.[90] Today, Squarespace has over 4 million active subscriptions.

Wix is another company with extensive templates.[91] The simplicity of designing on Wix makes it a good option for new users.[92] Founded in 2006, Wix now supports over 8 million active websites (second to WordPress).[93]

Weebly, a smaller website creator acquired by Square in 2018, is yet another option.[94] Weebly's basic ecommerce package is free and offers ecommerce-enabling website tools with all its subscription plans.[95] It is a beginner-friendly website builder known for the simplicity and intuitiveness of its user interface which helps address challenges such as lack of expertise to build and launch a website.[96]

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[88] Storm, Macy, "Is WordPress Good for Ecommerce? [Pros and Cons]," WebFX, March 15, 2021, available at https://www.webfx.com/blog/web-design/is-wordpress-good-for-ecommerce/. Last accessed on May 15, 2023; "All around the world, Building a new web, and a New workplace. Join us!," Automattic, available at https://automattic.com/about/. Last accessed on May 15, 2023.

[89] Rhodes, Margaret, "The New Squarespace Is a UX Dream That Eliminates the Backend Entirely," Wired, October 7, 2014, available at https://www.wired.com/2014/10/new-squarespace-ux-dream-eliminates-backend-entirely/. Last accessed on May 15, 2023. See also Interview with Jeff Eames, Med Couture, April 19, 2023.

[90] Summers, Nick, "Squarespace adds commerce tools to its website builder, allowing users to manage and sell goods online," The Next Web, February 14, 2013, available at https://thenextweb.com/news/squarespace-adds-commerce-tools-to-its-website-builder-allowing-users-to-manage-and-sell-goods-online. Last accessed on May 15, 2023.

[91] Fabregas, Krista, "Wix vs. Squarespace vs. WordPress: Which Website Builder Is Best in 2022," Nerdwallet, October 28, 2020, available at https://www.nerdwallet.com/article/small-business/wix-vs-squarespace-vs-wordpress. Last accessed on May 13, 2023.

[92] Fabregas, Krista, "Wix vs. Squarespace vs. WordPress: Which Website Builder Is Best in 2022," Nerdwallet, October 28, 2020, available at https://www.nerdwallet.com/article/small-business/wix-vs-squarespace-vs-wordpress. Last accessed on May 13, 2023.

[93] Moran, Matt, "CMS Market Share: What Is the Most Popular CMS?," Colorlib, March 18, 2023, available at https://colorlib.com/wp/cms-market-share/. Last accessed on May 15, 2023; "The Leader in Website Creation," Wix, available at https://www.wix.com/about/us. Last accessed on May 15, 2023.

[94] "Weebly and Square FAQ," Square Support, available at https://squareup.com/help/us/en/article/7182-weebly-and-square-general-faq. Last accessed on May 15, 2023.

[95] Weebly offers paid subscription ranging from $10 to $26 monthly when billed annually. "Pricing," Weebly, available at https://www.weebly.com/pricing. Last accessed on May 15, 2023; Brandl, Robert, and Inka Wibowo, "Weebly Ecommerce Review 2023," ToolTester, July 22, 2022, available at https://www.tooltester.com/en/reviews/weebly-review/ecommerce/. Last accessed on May 15, 2023.

[96] Bernheim, Laura, "What is Weebly.com? 6 Keys Facts & Expert Review (May 2023)," HostingAdvice.com, April 26, 2023, available at https://www.hostingadvice.com/how-to/what-is-weebly/. Last accessed on May 15, 2023.

4. In-App Social Media Storefronts & Marketing Solutions

Social media plays a growing and rapidly changing role in digital commerce. Part of that role involves offering SMBs the opportunity to sell through in-app storefronts, as the Missoma case below will demonstrate.

More commonly, SMBs use social media to provide marketing support for other ecommerce platforms. Many SMBs post brand- and product-related content on social media to engage current and potential customers and to direct them to their ecommerce platforms. This content can be particularly engaging, informative, and persuasive because it often includes extensive video, animation, high-resolution graphics, and other creative tools. Such posts frequently embed links to the SMBs' selling platforms: a website, product pages in a mainstream marketplace, or other digital retailers that carry its products (e.g., walmart.com, target.com, www.homedepot.com, www.grainger.com). In general, the more engaging the content, the higher the click-through rate. Posting engaging content that moves potential buyers though the customer journey mirrors the approach of paid influencers, who represent a rapidly growing element of the digital marketing landscape. Some SMBs also choose to advertise in social media apps, targeting their audience by using a sophisticated suite of tools built into some of those apps.

a. Instagram Shops

Meta, one of the world's largest tech companies, offers Instagram and Facebook, two widely-used social media platforms with more than 2.9 billion users active daily.[97] Both platforms offer SMBs a wide variety of services, including digital storefronts and paid advertising, as well as the means to distribute user-generated digital content, which can include hashtags to attract potential customers and embedded links to direct potential customers to the company's website or other ecommerce selling platforms.

Instagram Shops, launched in 2020, is a service offered by Instagram that allows for a digital shopping experience by enabling sellers to create immersive, full-screen storefronts.[98] Customers can visit a shop from a business's Instagram Profile, Feed or Story, browse and explore collections in the Shop, then check out without ever leaving the app.[99] Creating a shop is free, and access is available for all eligible businesses.[100] Instagram Shops include access to a set of integrated features across Instagram, such as Product Tagging, that is beneficial for building brand awareness and increasing sales.[101] Instagram says that 32% of sales on Instagram and

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[97] Meta Form 10-K for the fiscal year ending December 31, 2022, p. 56.

[98] "Missoma," Instagram, available at https://business.instagram.com/success/missoma. Last accessed on May 16, 2023.

[99] Instagram Feed refers to the user's main Instagram profile page and the photo and video content that is uploaded to the page that stays permanent unless archived or deleted, while Instagram Stories refer to user-generated photo or video content (in 15-second increments) that disappear 24 hours after upload. *See*, Killcoyne, Lucas, "Instagram Feed vs Stories: Which One Is Better?" Animoto, available at https://animoto.com/blog/video-marketing/instagram-feed-vs-stories. Last accessed on May 3, 2023; "Missoma," Instagram, available at https://business.instagram.com/success/missoma. Last accessed on May 16, 2023.

[100] All eligible businesses will or have received an email when their shop is ready for customization. "Missoma," Instagram, available at https://business.instagram.com/success/missoma. Last accessed on May 16, 2023.

[101] "About shopping on Instagram," Instagram, available at https://help.instagram.com/191462054687226. Last accessed on May 16, 2023; "The latest best practices for Instagram Shopping," Instagram, available at https://business.instagram.com/shopping/guide-and-best-practices. Last accessed on May 16, 2023.

Facebook Shops come from tagged content on Instagram and that businesses that tag products on their Instagram posts see 37% more sales on average compared to businesses that do not.[102]

The case study below illustrates how Missoma, a British demi-fine jewelry brand, leveraged Instagram Shops to engage customers and sell products directly through the platform.

Missoma and Instagram Instagram Shops Help Missoma be Competitive through the Busy Holiday Shopping Period	MISSOMA

Company Background

Missoma is a demi-fine jewelry brand founded in 2008 and based in London, UK. [103] As of 2020, the brand had 55 employees and was featured as the "fourth fastest growing company in the UK, and the fastest female-led one" between 2017 and 2018.[104] Its products are designed in-house and manufactured in India. The brand believes in producing quality products and fashion-forward designs that can be worn every day. With 25% of Missoma's sales coming from customers in the United States, Missoma chose to expand to the United States market and other markets worldwide.

Missoma's Objective to Remain Competitive Around the Holidays

In 2014, Missoma moved away from selling primarily through brick-and-mortar retailers and transitioned to making 95 percent of sales through its website. It also "introduce[ed] more everyday pieces" and collaborated with fashion industry worker and influencer Lucy Williams that brought increased sales and helped strengthen its online business. [105] To take advantage of Missoma's popularity among celebrities and its increased online presence, Missoma aimed to increase its sales during "busy and competitive holiday shopping period" while continuing to raise brand awareness.[106]

Instagram Shops Helped Missoma Increase Sales

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[102] Percentage is based on 18,824 US on-site checkout sellers with 1k+ followers between February 1-28, 2023. *See* "The latest best practices for Instagram Shopping," Instagram, available at https://business.instagram.com/shopping/guide-and-best-practices. Last accessed on May 16, 2023.

[103] Missoma is a UK-based brand that has been making waves internationally with substantial presence in the US and a US-based website.

[104] Jordan, Laura A., "This British Jewellery Brand Went From A Side Project To One Of Meghan And Kate's Favourites," Grazia, September 16, 2020, available at https://graziadaily.co.uk/fashion/shopping/missoma-jewellery-meghan-markle/. Last accessed on May 3, 2023.

[105] Jordan, Laura A., "This British Jewellery Brand Went From A Side Project To One Of Meghan And Kate's Favourites," Grazia, September 16, 2020, available at https://graziadaily.co.uk/fashion/shopping/missoma-jewellery-meghan-markle/. Last accessed on May 3, 2023.

[106] Missoma describes the holiday shopping period as months of November through December. "We Are Missoma," Missoma, available at https://us.missoma.com/pages/about-missoma. Last accessed on May 3, 2023; Jordan, Laura A., "This British Jewellery Brand Went From A Side Project To One Of Meghan And Kate's Favourites," Grazia, September 16, 2020, available at https://graziadaily.co.uk/fashion/shopping/missoma-jewellery-meghan-markle/. Last accessed on May 3, 2023.

Missoma used Instagram Shops as a part of its business strategy for the busy holiday months of November and December in 2020. Missoma knew that most of its customers had "discovered the brand through its social media channels and growing network of influencers," which provided a perfect foundation for the brand to use Instagram Shops.[107] Through Instagram Shops, Missoma can optimize the in-app shopping experience by creating collections and organizing items to be featured so that current and prospective customers can explore the brand and discover products. Instagram Shops also offers a seamless and easy way for customers to communicate with the brand. Upon implementation, more than 45,000 new visitors visited Missoma's Instagram Shop, and almost 30,000 added merchandise to their shopping carts, resulting in over 5,600 orders. Further, Instagram Shops has become an integral part of Missoma's branding as it provides the company with a "way of engaging with [its] community in a new and innovative way."[108]

Sources

[1] "We Are Missoma," Missoma, available at https://us.missoma.com/pages/about-missoma. Last accessed on May 3, 2023.
[2] "Missoma," Instagram, available at https://business.instagram.com/success/missoma. Last accessed on May 16, 2023.
[3] Jordan, Laura A., "This British Jewellery Brand Went From A Side Project To One Of Meghan And Kate's Favourites," Grazia, September 16, 2020, available at https://graziadaily.co.uk/fashion/shopping/missoma-jewellery-meghan-markle/. Last accessed on May 3, 2023.
[4] Barnett, Dale, "What brands can learn from Missoma on Instagram," Fashion Monitor, available at https://www.fashionmonitor.com/blog/Tt2/what-brands-can-learn-from-missoma-on-instagram. Last accessed on May 3, 2023.
[5] Cooper, Leah F., "The Creative Businesswoman Behind Our Latest Jewelry Obsession," Covetour, January 31, 2020, available at https://coveteur.com/2020/01/31/missoma-jewelry-brand/. Last accessed on May 3, 2023.
[6] Santamaria, Barbara, "British jewellery brand Missoma gets investment from Capital Generation Partners," Fashion Network, February 1, 2019, available at https://us.fashionnetwork.com/news/British-jewellery-brand-missoma-gets-investment-from-capital-generation-partners,1063617.html. Last accessed on May 3, 2023.

b. YouTube Storefront

YouTube, the well-known video sharing and social media platform, also has an in-app storefront feature that was launched in July 2022. With its storefront, content creators can sell their own products and merchandise within YouTube's native environment. These products can appear on the end screens of videos, the shopping page, in YouTube Shorts, in the descriptions below videos, or as a pinned product in a live stream.[109, 110] Prominent companies that sell through YouTube storefronts vary greatly in terms of industry and size. Examples include: (1) Mr.Beast, a company with 253 employees that sells chocolate bars called "Feastables," (2) World Wrestling

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[107] "Missoma," Instagram, available at https://business.instagram.com/success/missoma. Last accessed on May 16, 2023.

[108] "Missoma," Instagram, available at https://business.instagram.com/success/missoma. Last accessed on May 16, 2023.

[109] "Showcase products from your store on YouTube", YouTube Help, available at https://support.google.com/youtube/answer/12258288?hl=en. Last accessed on May 3, 2023.

[110] The "Shopping Page" on YouTube is available when you visit a creator's channel. The page features products that viewers can purchase. YouTube Shorts are short form videos, up to 60 seconds, that creators make and post to YouTube.

Entertainment (WWE), which offers its apparel and belts, and (3) BlackPink, a Korean pop group that sells clothing and small jewelry items.[111]

B. Facilitators that Make Selling on Ecommerce Platforms More Efficient and Effective

1. Other Advertising Solutions

Traditional media advertising has historically focused on building brands (e.g., raising brand awareness, generating positive brand attitudes and associations, and improving perceptions of product quality). While these objectives can be important for SMBs, digital advertising focuses on action—online or within an app. Digital ads typically feature links which open a product page, an expert or consumer review page, a virtual shopping cart, or other online information on the path to a purchase. In ecommerce, this path is known as the "customer purchase journey" or simply the "customer journey,"[112] and it effectively maps a target customer's route to purchase. Digital ads are generally designed to advance their audience along the customer purchase journey.

In the previous section, we discussed the use of social media for marketing support of ecommerce platforms. That support includes unpaid social media posts and paid social media advertising. In the remainder of this section, we will briefly touch on widely used digital advertising solutions, followed by a case study describing how a relatively young SMB used social media ad campaigns to grow and rebrand.

a. Google, YouTube and Meta Ads

Google Ads is an online advertising tool developed by Google with which SMBs can advertise to web browsers who express an interest in specific brands, products, or services. Known as paid or sponsored search, SMBs can bid to have their ads shown with specific Google search results, including searches for related words or even competing brand names.

YouTube Ads makes it possible for SMBs to display their ad videos with or in between videos run on YouTube. YouTube helps SMBs create advertising videos and analyze viewer data to revise their advertising plan.

SMBs can also advertise their products on Meta platforms such as **Facebook and Instagram**. Using sophisticated analytics, Meta identifies the best target audience for specific advertising objectives, then automatically refines the target over time. Below, we will explain how Gnara has been able to leverage these and other advertising solutions for its business.

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[111] "MrBeast," LinkedIn, available at https://www.linkedin.com/company/mrbeastyoutube/. Last accessed on May 3, 2023; "MrBeast Store," YouTube, available at https://www.youtube.com/@MrBeast/store. Last accessed on May 17, 2023; "WWE Store," YouTube, available at https://www.youtube.com/@WWE/store. Last accessed on May 17, 2023; "BLACKPINK Store," YouTube, available at https://www.youtube.com/@BLACKPINK/store. Last accessed on May 17, 2023.

[112] Lemon, K.N. and Verhoef, P.C., "Understanding Customer Experience Throughout the Customer Journey," Journal of Marketing, November 2016, Vol. 80, No. 6, pp. 69-96.

b. Gnara Uses Social Media Ads to Increase Brand Awareness and Accelerate Growth

Georgia Grace Edwards – CEO of Gnara

Company background

In 2018, Georgia Grace Edwards, Bianca Gonzalez, and Charlotte Massey founded Gnara (formerly known as SheFly), an apparel company that offers outdoor pants and shorts designed for a woman's anatomy.[113] The team of female founders thought that, when out in nature and without a bathroom in sight, women should have an easier time relieving themselves. Since 2021, Gnara has held a US patent for "[p]ants with an underside zipper."[114] In Q2 2023, Gnara rebranded by dropping its original name of SheFly to present a less gender-specific image.[115] Co-founder Georgia Grace Edwards states that the new name also allows Gnara to expand beyond their first two flagship products, while allowing for a new revenue stream by licensing GoFly, the company's patented zipper feature, to other brands and products.[116] Now, Gnara is a VC-backed start-up that has sold around 12,000 units (direct-to-consumer and to retailers), has 5 full-time employees and is on track to double its 2022 revenue in 2023.

Sales channels and facilitators

Gnara does not have any physical stores, primarily reaching its customers online. In fact, Ms. Edwards says 80%-85% of Gnara sales are made on its website. The remainder of its sales come through retailers (e.g., Moosejaw, Mountaineering, Title Nine, Public Lands) and in-person events (e.g., trade shows), where Gnara sees an average conversion rate of over 50%. About half of Gnara's customers are middle-aged women who are active outside, but not necessarily seasoned or professional outdoor adventurers.

Gnara uses multiple channels to reach consumers, leveraging a variety of facilitators to do so. For example, at in-person events, Gnara uses Square's POS systems along with Stripe, Venmo, and Apple Pay for payments in order

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[113] "About Gnara," Gnara, available at https://gnara.com/pages/our-story. Last accessed on May 4, 2023.

[114] "Pants with an underside zipper," Justia Patents, available at https://patents.justia.com/patent/D915741. Last accessed on May 3, 2023.

[115] Gnara anticipates this change helping to facilitate non-gendered licensing partnerships, to separate the zipper technology from the company, to expand their flagship products, and to be more inclusive of people who do not identify with she/her pronouns to use Gnara's products. Interview with Georgia Grace Edwards, CEO, March 13, 2023.

[116] Interview with Georgia Grace Edwards, CEO, March 13, 2023.

to increase the ease of transactions. On its website, built by Shopify, Gnara partners with Klarna to allow customers to pay in installments for its purchases that average $128.35.[117] For email communications and promotions, Gnara uses Klaviyo, which allows for email customization and testing to provide Gnara with strong data analytics. Gnara also runs paid ad campaigns on Google, Facebook, Instagram, and TikTok.[118]

Gnara leverages social media ad campaigns for continued growth and a major rebranding

After two accelerator programs and subsequent rounds of funding, Gnara switched its focus to accelerating growth in order to satisfy the demands of investors. To do this, the company made a series of changes including switching its mail service facilitator from MailChimp to Klaviyo and overhauling its website with a move from Squarespace to Shopify. Additionally, in Q4 2022, Gnara moved from strictly unpaid social media to investing in social media ads to support its otherwise organic customer growth and to further increase conversions.

Gnara runs ads on several platforms including Facebook, Instagram, and Google. Gnara spends around $5,000 per month on ads, excluding potential agency fees. Over the past year, Gnara diverted some investments into TikTok due to the rate at which Gnara's TikTok follower count had increased prior to placing ads on the platform. For example, from about June 2022 to February 2023, Gnara saw its followers increase by 200% for its Instagram page, from 10,000 to 30,000,[119] but increase by over 900% on TikTok, from under 1,000 followers to more than 100,000. Gnara prioritized TikTok because it believed it could expand its customer base and build brand recognition faster through more frequent virality than by using other platforms.

TikTok does have its disadvantages. One particular downside, noted co-founder Georgia Grace Edwards, was that TikTok's conversion rate was lower than Facebook's and Instagram's conversion rate due to a less targeted audience. Ms. Edwards explained that TikTok's user base is younger, more international, and generally less willing or able to spend on high-ticket items like Gnara's pants compared to the user bases of Facebook and Instagram. However, Ms. Edwards also noted that a high follower count can bring value in other ways, like by attracting press and new customers, thereby increasing brand recognition and drawing the attention of companies for partnership opportunities. So, even with TikTok's low conversion rate, Gnara still considers it a worthy platform for its paid ads.

While TikTok, Facebook, and Instagram have tools to help businesses create successful ads for their platforms, Gnara outsources its ad creation. Gnara has worked with both a third-party ad agency and an individual contractor to launch paid social media campaigns, valuing the expertise, data reporting, and bandwidth of the former and the versatility, speed, and low overhead of the latter.[120]

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[117] As of February 2023. It is worth noting that during this period items were unusually discounted by long sales to encourage inventory movement of SheFly-branded product ahead of the rebrand.

[118] As of Q2 2023, Gnara has started to invest on YouTube paid media as well, currently representing only around 1% of its total marketing budget.

[119] As of July 2023, Gnara's Instagram followers are around 48,000.

[120] Gnara also has a slate of about two dozen influencers and ambassadors who frequently publish to or tag Gnara's social media channels, chosen for their alignment with Gnara's values, mission, target customers, and content creation skills. While some influencers were initially paid

Gnara considers several metrics when evaluating its paid social media. Gnara attributes about 30% of its direct-to-consumer sales to paid marketing with an average return on advertising spend (ROAS) of over 500%.[121] Since August 2022, paid social media has contributed around 11% to Gnara's total revenue (direct to consumer and retail). Ms. Edwards suggested that even if these metrics were to drop significantly, Gnara would not decrease monthly advertising spend below $1,500 due not only to the success of its ad campaigns in widening and diversifying Gnara's customer base, but also to the value Gnara ascribes to the data analytics provided with these campaigns.

> *"For the early stages of a start-up in particular, it's vital to have granular-level data that can help inform where to quickly direct limited resources in order to get the most bang for your buck."*

Since beginning its ad campaigns, Gnara's customer base has expanded from 20K followers on Instagram and 80K on TikTok to 48K and 112K respectively as of Q2 2023. While this cannot be solely attributed to the ads, which coincided with other changes like the website redesign above, steep and prolonged sales ahead of the rebrand, high visibility giveaways, and several social media videos that went viral organically, Ms. Edwards attributes some of this growth to the company's advertisement decisions, even though she notes that paid ads are usually more useful for sales conversions.

$50 to $200 for a post, ambassadors are compensated with free products and affiliate links, which viewers of their content can use to purchase Gnara products. Each ambassador receives a cut of the sales conducted through their affiliate link to incentivize product promotion. Interview with Georgia Grace Edwards, CEO, March 22, 2023.

[121] ROAS was heavily influenced by sales leading to the rebrand and is accurate as of Q1 2023. Gnara's monthly social media ad spend has varied between $3,000 and $8,000 due largely to seasonality (e.g., increased spend around Black Friday and the winter holidays, decreased spend in January). Gnara expects 40% of its total marketing budget to be spent on paid media and paid search, excluding agency fees that account for around 17% of the marketing budget. Interview with Georgia Grace Edwards, CEO, March 22, 2023.

Examples of Facebook and Instagram Paid Ads
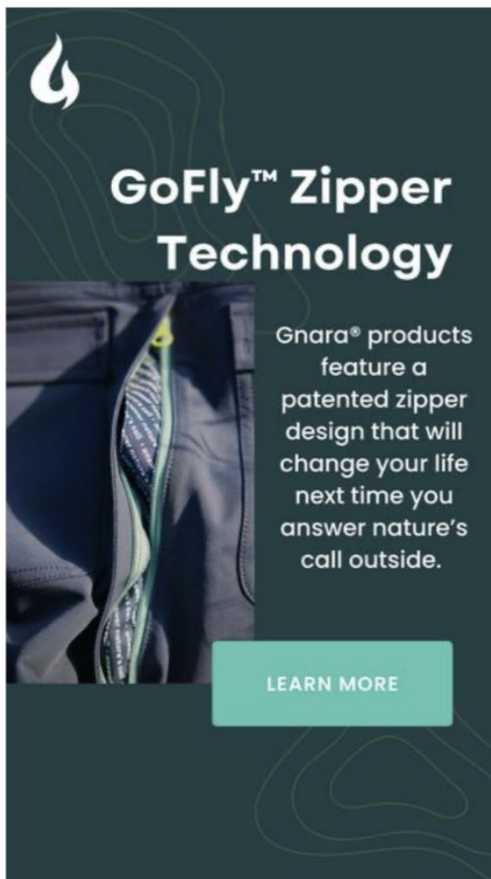
As Gnara has grown, it has also changed the nature of its paid social media content. Ms. Edwards explained that early content highlighted Gnara's outdoor pants' patented zipper feature (GoFly), which the company viewed as its key point of differentiation. Now however, social media posts and advertisements focus on the quality of Gnara's products, positioning them first and foremost as comfortable and flattering high-quality pants, which also come with additional benefits. Gnara has also used social media to highlight its sustainable practices, the multitude of activities the products can be used for, and how a diverse audience (beyond women) uses its products.

"Pivoting to paid social media communications that highlight the quality of our products and the ethos of our company has increased engagement and conversion rates in our social channels."

Overall, social media advertising continues to be an important tool for Gnara to promote its brand, the quality of its products, and its sustainability efforts. Though the company is currently leveraging TikTok, paid social media campaigns and social media channels are constantly reevaluated by closely monitoring metrics and performance. Budgets and vendors are also decided based on company needs, product seasonality and organic growth to

support major company goals. Of important note is that Gnara has less than a year of data on sales and paid ads specifically, so any future social media strategies or campaigns and their data might significantly change as more information becomes available.

Key Takeaways

- Among social media advertising options, Gnara prioritized TikTok because it was able to gain followers more rapidly than on Instagram and Facebook, even though the conversion rate was lower.
- The high number of TikTok followers would attract additional press and create partnership opportunities for Gnara.
- Gnara found TikTok highly effective for building its customer base and brand using just organic content (before advertising on the platform).
- Gnara outsourced ad creation efforts to other facilitators to benefit from their expertise, technical knowledge, and efficiency.

2. Payment Processing Tools

Payment processing tools help SMBs with authorizing, funding, and completing monetary transactions. Payment processing tools facilitators make it possible to make online payments or pay with debit or credit cards at the point of sale. Some facilitators offer other relevant complementary services such as sales data analytics, inventory management, or cashback offers. With widespread and new use of debit/credit cards (e.g., touchless payments) as well as online purchases, consumers rarely make purchases with cash and companies have no choice but to use these tools to process transactions. Currently, there are several payment processing options for SMBs that help with a variety of services and business functions. Below, we discuss some of the most prominent solutions along with a few case studies describing how they were used by some SMBs.

a. PayPal

PayPal is an online payment solution that allows users and businesses to send and receive money safely and securely.[122] The platform can be accessed either by using its phone app or website, and it can also be integrated into businesses' websites as a payment method.[123] As of December 2022, PayPal has powered 22.3 billion global transactions and has connected 400 million active consumer accounts with 35 million merchant accounts across more than 200 markets.[124] A study in January 2021 also showed that merchants who display PayPal as a payment option see a 28% increase in checkout conversion and a 19% increase in unplanned purchases on average.[125]

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[122] "How PayPal works," PayPal available at https://www.paypal.com/us/digital-wallet/how-paypal-works. Last accessed on May 3, 2023.

[123] Blaney, Brianna, "How Does PayPal Work in 2023? Everything You Need to Know," available at https://tipalti.com/how-does-paypal-work/. Last accessed on May 3, 2023; "PayPal Payments Standard Integration Guide," PayPal, November 7, 2022, available at https://developer.paypal.com/api/nvp-soap/paypal-payments-standard/integration-guide/pps-integration/. Last accessed on May 3, 2023.

[124] PayPal Form 10-K for the fiscal year ending December 31, 2022, at p. 5.

[125] "How PayPal Helps Drive Revenue Growth and Boost Conversion, Spend & Satisfaction," PayPal, January 2021, available at https://assets.ctfassets.net/7rifqg28wcbd/5TahWoaYlA6vmn0EfHdKdY/875939d1e4e3b93d7e99e7da2bac09a9/2021_Nielsen_Report_US.pdf. Last accessed on May 3, 2023.

The case study below illustrates how Kiramoon, a young skin care brand, could manage a rapidly growing number of transactions in multiple currencies with PayPal.

Kiramoon and PayPal
Increasing Average Order Value (AOV) with PayPal as the Right
Payment Solution

kiramoon

Company Background

Kiramoon, launched in 2021, is a skincare brand that focuses on self-love, joy, and wellness. Lindsey Martin, founder of Kiramoon, shared that during tough times, her skincare routine "became a powerful tool to help [her] relax and love [herself]."[126] The brand went viral on Instagram and TikTok before it was even ready to ship, resulting in $20,000 in online revenue within its first two weeks of sales.

Kiramoon's search for the right payment solution

After a successful launch, Kiramoon searched for a payment solution that "could meet their growing needs" as the brand rapidly gathered momentum.[127] Ms. Martin knew she wanted a payment solution that "her customers could trust" and that offers the "ability to easily pay various agencies, contractors, and referrers in multiple currencies."[128]

Kiramoon's collaboration with PayPal increased AOV

Ms. Martin decided to collaborate with PayPal. Through PayPal, Kiramoon is able to facilitate secure international payments in seconds, allowing her management team to focus on other aspects of the business. Management team bandwidth and resources represent an important challenge for SMBs. PayPal also helped Ms. Martin build Kiramoon's affiliate program, which features automatic currency conversion, enabling Kiramoon to "pay multiple referrers at once with a click of a button."[129] Kiramoon customers' use of PayPal continues to increase, with a 27% year-over-year increase in PayPal transaction volume based on 2021 to 2022 comparisons. In addition, 22% of Kiramoon.com sales were made using PayPal with an average order value (AOV) 6.25% higher than sales using other payment methods

Sources

[1] "PayPal gives Kiramoon a head start in the competitive skincare market," PayPal, available at https://www.paypalobjects.com/marketing/web/us/brc/Kiramoon_Case%20study_082222_FNL.pdf. Last accessed on May 3, 2023.

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[126] "Kiramoon," Kiramoon, available at https://www.kiramoon.com/collections/all?t=1678196604795&gclid=EAIaIQobChMIx4zgo5HJ_gIVJ_vjBx167wzyEAAYASAAEgLuyfD_BwE. Last accessed on May 3, 2023.

[127] "PayPal gives Kiramoon a head start in the competitive skincare market," PayPal, available at https://www.paypalobjects.com/marketing/web/us/brc/Kiramoon_Case%20study_082222_FNL.pdf. Last accessed on May 3, 2023.

[128] "PayPal gives Kiramoon a head start in the competitive skincare market," PayPal, available at https://www.paypalobjects.com/marketing/web/us/brc/Kiramoon_Case%20study_082222_FNL.pdf. Last accessed on May 3, 2023.

[129] "PayPal gives Kiramoon a head start in the competitive skincare market," PayPal, available at https://www.paypalobjects.com/marketing/web/us/brc/Kiramoon_Case%20study_082222_FNL.pdf. Last accessed on May 3, 2023.

[2] "Kiramoon," Kiramoon, available at
https://www.kiramoon.com/collections/all?t=1678196604795&gclid=EAIaIQobChMIx4zgo5HJ_gIVJ_vjBx167wzyEAAYASAAEgLuyfD_B
wE. Last accessed on May 3, 2023.

b. Toast

Toast is a cloud-based restaurant management software company that provides a suite of software-as-a-service (SaaS) products to help use the technology, along with financial technology solutions (payment processing solutions, but also financing.)[130] Toast was founded in 2012 in Boston, Massachusetts, and has helped connect front-of-house and back-of-house operations across 57,000 restaurant locations as of December 31, 2021. In 2021, its POS system was ranked number one by G2 under the category of "leading restaurant POS."[131] Many restaurants choose to partner with Toast to "optimize operations, increase sales, engage guests, and maintain happy employees."[132] As explained below, The Listening Room, a local café in Nashville, leveraged Toast to easily manage a high volume of orders, which eventually resulted in a ten percent increase in weekly sales.

The Listening Room and Toast

Achieving efficiency in the midst of restaurant rush

Company Background
The Listening Room, founded in 2006 in Nashville, Tennessee, promotes live music as the main attraction of its café, which offers locally sourced food and drinks. Founder Chris Blair stated that he combined his passion for live music and his love for a great meal to create a "one-of a-kind" venue that hosts various singers and songwriters.[133]

The Listening Room's Unmanageable Dinner Rush
Over the years, The Listening Room had grown enough to serve 250 seats and present two live-music shows per night. However, servers at the café could no longer rely on traditional systems for ordering intake— pen and

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[130] Their product includes POS systems (which also includes payment processing, mobile order & pay, hardware, and other integrations), automated back-office bookkeeping system, online ordering systems (including Toast Takeout, Toast Delivery Services, and Third-Party Delivery Integration system), marketing & loyalty systems, payroll & team management systems, and financial service solutions that allows access to financing or capital. "Built for restaurants. Built for you," Toast, available at https://pos.toasttab.com/. Last accessed on May 3, 2023. *See also*, Toast Form 10-K for the fiscal year ending December 31, 2021.

[131] G2 (or G2.com) is a peer-to-peer review site focused on sharing business software reviews in real-time. The platform is used by "more than 80 million people annually" and "60% of the Forbes Cloud 100 are G2 customers." *See* "Where you go for software.," G2, available at https://company.g2.com/about. Last accessed on May 3, 2023; "Built for restaurants. Built for you," Toast, available at https://pos.toasttab.com/. Last accessed on May 3, 2023.

[132] Toast Form 10-K for the fiscal year ending December 31, 2021.

[133] "How Toast Mobile POS Technology Transformed The Listening Room Cafe," Toast, available at https://pos.toasttab.com/blog/listening-room. Last accessed on May 3, 2023; "TLR: Built On Live Music," The Listening Room Cafe, available at https://www.listeningroomcafe.com/. Last accessed on May 3, 2023.

paper or "outdated technology" was "painfully slow" because it caused a lack of efficiency.[134] Ultimately, bad management of order intake started to impact the experiences of both the staff and the customers, and decreasing food and beverage sales. As a result, management decided to equip servers with the best mobile point of sale ("POS") solution to improve back-of-house (i.e., kitchen) operations.

Toast's Contribution to Order Efficiency

Chris Blair, founder of The Listening Room, wanted to select a facilitator that would provide the restaurant with flexibility and would be easy to use. He selected Toast. Toast's mobile POS system equipped The Listening Room's staff with handheld tablets that resulted in: (1) reducing the need for servers to "run back and forth," (2) allowing servers enough time to provide a "personalized guest experience," and (3) "clos[ing] the check in half the time."[135] Toast's technology also significantly helped back-of-house operations. The Listening Room chose to equip the kitchen with display screens that provide visibility for the kitchen staff to prepare food ahead of time. Toast has helped The Listening Room generate a ten percent increase in weekly sales due to a more streamlined process for both servers and cooks during primetime.

Sources

[1] "TLR: Built On Live Music," The Listening Room Cafe, available at https://www.listeningroomcafe.com/. Last accessed on May 3, 2023.
[2] "How Toast Mobile POS Technology Transformed The Listening Room Cafe," Toast, available at https://pos.toasttab.com/blog/listening-room. Last accessed on May 3, 2023.

c. Clover, Venmo, Rakuten, Stripe, and Square

Clover is a point-of-sale company that sells and leases handheld and countertop devices to help businesses with in-store checkout.[136] The company also provides its own software for the devices, which perform business functions such as sales tracking and inventory management. In addition to in-store payment solutions, Clover's POS system offers businesses services that facilitate online ordering, manage inventory, and manage loyalty programs.[137]

Venmo began as a peer-to-peer payment system, but has become a company that dabbles in multiple payment and financial services. Venmo allows SMBs to set up business Venmo accounts where they can accept payments for goods or services with buyers who have the Venmo app.[138] Their point-of-sale system allows users to check

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[134] "How Toast Mobile POS Technology Transformed The Listening Room Cafe," Toast, available at https://pos.toasttab.com/blog/listening-room. Last accessed on May 3, 2023.

[135] "How Toast Mobile POS Technology Transformed The Listening Room Cafe," Toast, available at https://pos.toasttab.com/blog/listening-room. Last accessed on May 3, 2023.

[136] "The all-in-one system to help your business thrive," Clover, available at https://www.clover.com/. Last accessed on May 10, 2023.

[137] "A powerful POS system tailored for your business," Clover, available at https://www.clover.com/shop. Last accessed on May 10, 2023.

[138] "Do business with Venmo," Venmo, available at https://venmo.com/business/start/. Last accessed on May 10, 2023.

out using in-store QR codes.[139] It also offers integration with mobile websites and apps so that users can pay for goods using Venmo.[140] Venmo has also expanded into financial services and started offering debit and credit cards.[141]

Rakuten is a cashback company that allows users to access discounts on products from businesses affiliated with Rakuten. It receives a percentage of sales through referrals, then splits this percentage with the customer, allowing the customer to save money and the business to gain customers through referrals.[142]

Stripe is primarily a digital payments company. It offers tools that allow businesses to integrate payments into their websites. Stripe's software connects to the payment pages on SMB's websites and allows them to process payments.[143] Stripe services, such as payment links, pre-built payment pages, and integration with platforms like Twitter and Shopify, help businesses receive payments digitally across the web.[144] Stripe also offers financial services such as loans and credit card issuing, along with other business operations services such as auto-filing tax forms and accounting services.[145]

Square is an ecosystem that combines software, hardware, and financial services to provide sellers with easy and customizable solutions for their businesses.[146] It was founded in 2009 and is now owned by Block. Square is primarily a payment solutions company, but also offers other financial services. By the end of 2021, Square processed $152.8 billion in gross payment volume that was generated by over 3 billion card payments from 526 million payment cards.[147] Altogether, Square has over 261 million buyer profiles.[148]

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[139] "QR codes for Business Profiles," Venmo Help Center, available at https://help.venmo.com/hc/en-us/articles/360057614353-QR-codes-for-Business-Profiles-. Last accessed on May 10, 2023.

[140] "Better checkout. More buzz," Venmo, available at https://venmo.com/business/accept-venmo/. Last accessed on May 10, 2023.

[141] "Shop special offers. Earn cashback," Venmo, available at https://venmo.com/about/debitcard/. Last accessed on May 10, 2023; "Earn unlimited cash back," Venmo, available at https://venmo.com/about/creditcard/. Last accessed on May 10, 2023.

[142] "Company Overview," Rakuten, available at https://www.rakuten.com/help/article/company-overview-360002116927. Last accessed on May 10, 2023.

[143] "A complete payments platform, engineered for growth," Stripe, available at https://stripe.com/payments. Last accessed on May 15, 2023.

[144] "Financial infrastructure for the internet," Stripe, available at https://stripe.com/. Last accessed on May 15, 2023.

[145] "Financial infrastructure for the internet," Stripe, available at https://stripe.com/. Last accessed on May 15, 2023.

[146] Block Form 10-K for the fiscal year ending December 31, 2021.

[147] Block Form 10-K for the fiscal year ending December 31, 2021.

[148] Block Form 10-K for the fiscal year ending December 31, 2021.

Its service includes both hardware and software that allow businesses to conduct payment transactions both digitally and in-store.[149] The Square terminal is a piece of hardware that enables in-store checkout.[150] Square also offers software to facilitate marketing, scheduling, website tools, and payroll services, whether front-of-house or back-of-house.[151] On the finance side, Square has started offering business checking and savings accounts as well as loans.[152]

SMBs can benefit from the flat-rate pricing model which allows customers to make payments with different card types and brands without the business having to incur different card processing fees.[153] Furthermore, Square offers a pay-as-you-go basis for these processing services and many other resources at no additional cost to ensure businesses can get underway without any up-front investment and provides businesses with flexibility without incurring a long-term commitment.[154] Businesses make an average 97.05% of their sales using Square, which is higher than for competitors' offerings that incur more processing fees.[155]

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[149] "Power your entire business," Square, available at https://squareup.com/us/en?v=all. Last accessed on May 10, 2023.

[150] "Square Terminal," Square, available at https://squareup.com/us/en/hardware/terminal. Last accessed on May 10, 2023.

[151] Square's products offer solutions such as POS system that can be adapted to any business type and stage and can be paired up with pre-installed hardware devices for front-of-house operations. They also offer payroll services solutions and scheduling and time tracking solutions, among other staff-oriented solutions. "Commerce," Square, available at https://squareup.com/us/en/commerce. Last accessed on May 3, 2023; "Staff," Square, available at https://squareup.com/us/en/staff. Last accessed on May 3, 2023; "Why Square?" Square, available at https://squareup.com/us/en/why-square. Last accessed on May 16, 2023.

[152] "Square Banking," Square, available at https://squareup.com/us/en/banking. Last accessed on May 16, 2023.

[153] Fuscaldo, Donna, "Square Review," Business News Daily, February 21, 2023, available at https://www.businessnewsdaily.com/8064-best-mobile-credit-card-processor.html. Last accessed on May 3, 2023.

[154] Resources include POS and online solutions, dispute management services, fraud prevention, reporting tools, customer directory, square support, inventory management, and team management. "Understanding Square payments fees," Square, available at https://squareup.com/us/en/payments/our-fees. Last accessed on May 3, 2023; Fuscaldo, Donna, "Square Review," Business News Daily, February 21, 2023, available at https://www.businessnewsdaily.com/8064-best-mobile-credit-card-processor.html. Last accessed on May 3, 2023.

[155] "Understanding Square payments fees," Square, available at https://squareup.com/us/en/payments/our-fees. Last accessed on May 3, 2023.

d.   Digital sales are crucial but Squishable chooses to focus on on-site efficiency with Square

Aaron Glazer – Chief Squisher

Company Background

Squishable sells plush toys and accessories in a variety of sizes with many unique designs such as inanimate objects, foods, animals, and unique characters, including mythological creatures. It was founded by Zoe Fraade-Blanar (Co-Founder and Chief Creative Office) and Aaron Glazer (Co-Founder and Chief Squisher) in 2007.[156] Since its inception, Squishable has sold more than 8.3M Squishables, mostly in the U.S.[157] Squishable is headquartered in New York and employs over 250 people. Squishable does not disclose its revenues.

Target audience and sales

Squishable sells through a variety of channels including: (1) wholesaling to other retailers, representing around 50% of total sales, (2) physical stores, representing around 30% of total sales, and (3) a Squishable-owned website representing 20% of total sales.[158] Most Standard Squishables are between 12 and 17 inches tall and retail for between $35 and $60. There are also other specialized products such as Micro Squishables that stand about 4 inches tall and retail for around $12, Mini Squishables, which stand 7 inches tall and start at around $25, as well as Massive Squishables retailing at $250.

Squishable operates around 30 physical stores with the numbers increasing to 50-60 around the holidays when it opens pop-up stores. Mr. Glazer describes the in-store experience as "needed for the type of products they sell." When Squishables are displayed in-stores, customers are attracted by their bright colors and "squishability," and are further encouraged to interact with the plush toys to feel the material and overall quality. In fact, around 40% of in-store customers will be repeat customers and buy another Squishable in the future. Squishable relies on a strong community of customers and designers that continue to refresh the brand (e.g., proposing new characters

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[156] "The Squishable Team," Squishable, available at https://www.squishable.com/mm5/merchant.mvc?Screen=ABUS. Last accessed on May 3, 2023.

[157] Interview with Aaron Glazer, Chief Squisher, March 28, 2023.

[158] Squishable's target audience encompasses three different categories: (1) kids 10 years and under, who tend to buy more traditionally themed-toys such as animals, (2) tweens between 11 and 14 years old, who tend to be a little edgier and look for more exclusive characters such as the avocado toast or a sushi, and (3) adults 18-30 in age, who tend to spend a little more, usually become collectors but are limited by storage space. Interview with Aaron Glazer, Chief Squisher, March 28, 2023.

before design and manufacture) and on organic interactions between the company, collectors, and superfans. These interactions happen online; for example, via Squishbale's own website, Facebook, Instagram, and a platform called Discord.[159]

Digital sales are crucial but Squishable chooses to focus on on-site efficiency

Squishable's website and ecommerce business is currently supported by Miva Merchant. The backend is currently supported by NetSuite's enterprise resource planning ("ERP"), which the company has used since its infancy.[160] Miva and NetSuite are maintained by an in-house team of ecommerce associates and developers who have other responsibilities beyond keeping the website. Because of the type of product and the degree of engagement of its customers, Squishable's website is unique. It allows personalization and customization including but not limited to: (1) submitting new Squishable designs, (2) voting for new Squishable designs, (3) customers' personal wish-lists, (4) customers' personal collections, and more. Miva Merchant continues to support Squishable's business but also limits the brand's facilitator options. For example, Squishable has chosen not to use payment processing tools like Apple Pay and Google Pay for faster mobile check-out due to the complexity of integration and continues to rely on integration with PayPal, which accounts for "a fifth of online payments via the website." Mr. Glazer states NetSuite limits integrations with some third-party payment vendors that adds additional complexity when aligning online and offline sales.

> *"25% of Squishable's online customers can be considered repeat customers, in comparison to 40% of its in-store customers. Plus, the cost of acquisition for online customers tends to be higher."* [161]

While online sales represent 20% of Squishable's total revenues, management has placed more focus on improving the in-store purchase experience due to the nature of its products, which benefit from tactile interactions, and the customers it serves.

Squishable chose Square as its onsite POS system

To support its onsite channel, Squishable sought to provide customers with greater payment convenience and integrate with seasonal pop-up stores. Mr. Glazer states Squishable decided to use Square as a facilitator "because it was up and running very quickly, not complex and allowed for great ease of payment." Squishable uses

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[159] "Discord is a voice, video, and text chat app that's used by tens of millions of people ages 13+ to talk and hang out with their communities and friends." "What is Discord?" Discord, available at https://discord.com/safety/360044149331-what-is-discord. Last accessed on May 3, 2023. Squishable has its own Discord channel here: https://discord.com/invite/squishable.

[160] NetSuite is an enterprise resource planning software system owned by Oracle "used by more than 34,000 fast-growing organizations across the globe. That platform consists of a suite of applications that help companies run their business, understand the performance of their businesses and drive major efficiency gains and cost savings. The company's ERP system manages core functions, including finance and accounting, inventory, orders and procurement." McCue, Ian, "What Is NetSuite and How Does It Work?," Oracle NetSuite, available at https://www.netsuite.com/portal/resource/articles/erp/what-is-netsuite.shtml. Last accessed on May 3, 2023.

[161] Squishable invests on social and paid media advertisement for customer acquisition. These investments tend to be expensive in comparison to other marketing activities for customer acquisition. The numbers represent a "gut feeling" for the numbers versus being based on research. Interview with Aaron Glazer, Chief Squisher, March 28, 2023.

Square in-store to allow customers to choose whichever payment method they prefer, including all major credit cards and contactless payments. For pop-up stores, holiday stores, and holiday markets, Squishable can have a POS system set up in 20 minutes or less requiring just one iPad and minimal employee training. Choosing Square has allowed Squishable to maintain a strong physical store presence, including seasonal pop-ups, and to provide payment choices to its customers. This has helped drive in-store customer loyalty. While Square has proven to be an important facilitator for Squishable, it is still not a perfect solution for the business. For example: (1) The built-in coupon and discounting programs (e.g., buy one, get one half-off) that can be established automatically via Square's POS are less robust than desired. Thus, Squishable employees must deal with scenarios including different online and offline promotions. This situation can confuse and frustrate consumers who expect a seamless experience regardless of point of sale. (2) Because Squishable does not use Square for integration with its website (using Miva instead), it has proven too difficult to offer a BOPIS option. (3) Squishable relies on third-party logistics ("3PL") partners to help manage its supply chain rather than using its own inventory management system. Square does not easily integrate with these 3PLs to manage live inventory from POS.

Key Takeaways

- While 20% of Squishable's sales were through digital channels, it decided to focus on in-store purchases due to the tactile nature of its products.
- Squishable selected Square for its POS payments.
- Square is simple and easy to set up, makes payments convenient, and allows customers to choose their preferred payment method, which contributes to in-store customer loyalty.
- Despite several benefits, using Square entails some disadvantages for Squishable. In particular, the built-in coupon and discounting programs are less robust than desired. Moreover, Square is too difficult to offer BOPIS or to integrate with Squishable's current system for supply chain management.

3. "Buy Now, Pay Later" Tools

A "buy now, pay later" ("BNPL") solution is a type of service that makes it possible for customers to split the cost of their purchases over several payments, often with no interest, while the seller is paid in full. The service provider usually charges companies a commission per transaction, a certain fee per installment, and/or a monthly subscription fee. Afterpay and Splitit are two major facilitators that offer BNPL services to SMBs. Below, we will briefly describe these providers along with a relevant case study.

a. Afterpay

Founded in 2014 in Sydney, Australia and acquired by Square in 2022, Afterpay offers an interest-free buy-now-pay-later service as a payment option for digital and in-store purchases.[162] Afterpay offers point-of-sale loans to customers of merchants within its network, which those customers can pay off in four installments--with no fees if

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[162] In-store shopping using Afterpay requires usage of the digital Afterpay card via Apple Wallet or Google Wallet. "Financial wellness is a tap away," Afterpay, available at https://www.afterpay.com/en-US/how-it-works. Last accessed on May 10, 2023; "We're proud to be creating financial freedom for all," Afterpay, available at https://corporate.afterpay.com/our-story. Last accessed on May 10, 2023.

paid on time.[163] Afterpay serves retailers including Nike, Macy's and Target and makes money from merchant fees, charging 4% to 6% on transactions and replacing credit card processing fees.[164] Afterpay also generates additional revenues from late fees of buyers who do not pay on time, pay-per-click advertising on the Afterpay app, and its subsidiary businesses.[165] With Afterpay, companies can benefit from higher average order value (AOV) and shopping frequency.[166] The following case demonstrates how Amika, a small brand producing hair care products, used Afterpay to improve conversion rate and order value.

Amika and Afterpay

Breaking into the saturated beauty market with convenient payment options

amika:

Company Background

Amika is a Brooklyn-based company founded in 2009 that offers professional styling and personal care products inspired by the fashion, music, and art scenes of New York. Amika has 11 collections of hair products for different hair types, textures, and styles.[167] Amika has approximately 330 employees and generates roughly $7M in yearly revenue.

Amika's Ecommerce Journey

Competition in the hair care product market continues to increase, and small brands like Amika must compete with many well-established, heavily promoted beauty brands. While Amika's brand is positioned as an affordable luxury in hair care, it also offers a more expensive premium product line that provides the company with options to upsell and serve a new market. Initially, the company distributed products solely through salons, brick-and-mortar stores, and independent stylists. In 2018, eight years after being founded, Amika decided to

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[163] Afterpay has two payment options: (1) pay-in-four and (2) pay-monthly. Customers can make the "first payment upfront and the rest over time" interest-free using pay-in-four. Afterpay also offers monthly payment for purchases over $400 and pay over 6 or 12 months with interests fees that customers can see upfront. "Financial wellness is a tap away," Afterpay, available at https://www.afterpay.com/en-US/how-it-works. Last accessed on May 10, 2023; "Introducing Monthly Payments," Afterpay, available at https://www.afterpay.com/en-US/pay-monthly. Last accessed on May 10, 2023; Reaume, Amanda, "4 Ways Afterpay Makes Money," Seeking Alpha, April 20, 2022, available at https://seekingalpha.com/article/4502418-how-afterpay-makes-money. Last accessed on May 10, 2023.

[164] "It's all in the app," Afterpay, available at https://www.afterpay.com/en-US. Last accessed on May 10, 2023; Reaume, Amanda, "4 Ways Afterpay Makes Money," Seeking Alpha, April 20, 2022, available at https://seekingalpha.com/article/4502418-how-afterpay-makes-money. Last accessed on May 10, 2023.

[165] Afterpay has two subsidiaries: Clearpay and Pagantis. Reaume, Amanda, "4 Ways Afterpay Makes Money," Seeking Alpha, April 20, 2022, available at https://seekingalpha.com/article/4502418-how-afterpay-makes-money. Last accessed on May 10, 2023.

[166] "Shoppers who use Afterpay spend +40% more than those who do not. Shoppers who use Afterpay shop +50% more frequently than those who do not." "Supercharge sales. Get new customers," Afterpay, available at https://www.afterpay.com/en-US/for-retailers. Last accessed on May 10, 2023; "The Economic Impact of Buy Now, Pay Later in the US," Accenture, September 2021, available at https://afterpay-corporate.yourcreative.com.au/wp-content/uploads/2021/10/Economic-Impact-of-BNPL-in-the-US-vF.pdf, pp. 24, 32-33.

[167] The company has won awards for their professional styling tools including the High Tide Deep Wave, which received Allure's Best of Beauty 2019 Award and a Refinery29's 2019 Beauty Innovator Award. "Amika," Amika, available at https://loveamika.com/pages/about-us. Last accessed on May 10, 2023; "Our award winning tool for the easiest beach waves," Amika, available at https://loveamika.com/blogs/the-strand/award-winning-tool-for-beach-waves. Last accessed on May 10, 2023.

enter the ecommerce channel with the goal of reaching new audiences and building direct relationships with online shoppers.

Afterpay Helped Increase Amika's Conversion and AOV

Afterpay's appeal to Amika was their partnership with "so many other notable brands"[168] within the beauty space and Afterpay's ability to integrate quickly and easily with Amika's own website partnership with Shopify. With the help of Afterpay, Amika was able to increase its customer conversion rate by 18% compared to the organic traffic without an option to pay later. Amika also saw success in increased basket size together with higher spending on premium hair care products and professional grade tools at higher price points, translating to a 66% increase in average order value (AOV). Afterpay helped Amika's customers "get over [the] high price point barrier" for their more expensive styling tools, which was a "game changer for [Amika and its customers]."[169]

Sources

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[2] Moratto, Anne, "Amika Team to Be Honored by City of Hope," Modern Salon, February 19, 2020, available at https://www.modernsalon.com/622188/amika-team-to-be-honored-by-city-of-hope. Last accessed on May 10, 2023.

[3] "Amika," Apollo.io, available at https://www.apollo.io/companies/amika/54a139b769702d2d7ff27300?chart=count. Last accessed on May 10, 2023.

[4] "Chelsea Riggs," Cew Daily, available at https://cew.org/people/chelsea-riggs/. Last accessed on May 10, 2023. "Why Amika Chose Afterpay Over The Competition," Afterpay, available at https://www.afterpay.com/en-US/for-retailers/access/success-stories/why-amika-chose-afterpay-over-the-competition. Last accessed on May 10, 2023.

[5] Amika Case Study," Traackr, available at https://www.traackr.com/resources/amika-influencer-marketing-case-study. Last accessed on May 10, 2023.

[6] Why Amika Chose Afterpay Over The Competition," Afterpay, available at https://www.afterpay.com/en-US/for-retailers/access/success-stories/why-amika-chose-afterpay-over-the-competition. Last accessed on May 10, 2023.

b. Splitit

Splitit is an installment payment service that leverages a customer's existing credit or debit card as a method to buy-now-pay-later.[170] Founded in 2012 and headquartered in New York, Splitit differs from legacy buy-now-pay-later options by branding themselves as "shopper-focused."[171] They enable merchant partners to embed Splitit's service into their checkout journey in-store or online without redirecting customers to a third-party website or registration, which allows merchants to provide their customers with convenient financing options while building

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[168] For example, Afterpay provides service for beauty brands such as Dyson, Olaplex, Briogeo Hair, SheaMoisture, among many others. *See* "Categories on Afterpay," Afterpay, available at https://www.afterpay.com/en-AU/categories. Last accessed on May 10, 2023.

[169] "Why Amika Chose Afterpay Over The Competition," Afterpay, available at https://www.afterpay.com/en-US/for-retailers/access/success-stories/why-amika-chose-afterpay-over-the-competition. Last accessed on May 10, 2023.

[170] "We created Splitit because nothing like it existed," Splitit, available at https://www.splitit.com/about/. Last accessed on May 10, 2023.

[171] Jones, Kristen, "Guide to Splitit: A no-interest, no-nonsense installment payment service," Creditcards.com, available at https://www.creditcards.com/education/splitit-guide/#what. Last accessed on May 15, 2023.

brand loyalty.[172] Splitit breaks down payments into equal payments that span between 2 to 24 months with no interest or additional fee if paid on time.[173] Splitit makes money by charging a merchant transaction fee.[174] As of 2022, Splitit has served 1,250 active merchants and 330,000 active customers utilizing their service.[175]

4. *Logistics and Shipping Solutions*

A difficult challenge for many SMBs is storing, transporting, and managing merchandise inventory from production to the customer. In retail channels, the endpoint is the location where the retailer receives the merchandise—a distribution center or individual store. When selling direct-to-consumer, the endpoint is wherever the consumer receives their order—generally, orders are shipped to the consumer's home but may be picked up in-store.

Over time, logistics has seen substantial technology-enabled innovation. Recently, however, the facilitator segment has come to be dominated by a few large, well-established carriers (e.g., USPS, UPS, and Fedex) that also offer a menu of logistics services. On the other hand, this consolidation has occurred in conjunction with an expansion of a larger, more diverse set of smaller, specialized facilitators that integrate seamlessly with the larger carriers as well as with popular ecommerce solutions. This new facilitator landscape offers SMBs the opportunity to choose a single full-service logistics solution provider or partner with multiple facilitators to architect their own customized, yet still integrated, solution.

a. Shippo

Shippo, founded in 2013 and headquartered in San Francisco, California, is a multi-carrier shipping software for ecommerce businesses that acts as a third-party logistics (3PL) provider.[176] Shippo is designed specifically for SMBs, serving over 100,000 small businesses and having partnerships for easy integration with 23 ecommerce platforms, including Shopify, Squarespace, and Wix.[177] Shippo also has partnerships with over 85 carriers worldwide, with roughly 20 providing services in the U.S.[178] Shippo also has fulfillment partners who "leverage

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[172] "Splitit," Crunchbase, available at https://www.crunchbase.com/organization/payitsimple. Last accessed on May 16, 2023; Jones, Kristen, "Guide to Splitit: A no-interest, no-nonsense installment payment service," Creditcards.com, available at https://www.creditcards.com/education/splitit-guide/#what. Last accessed on May 15, 2023.

[173] "Installment Payment Services," Splitit, available at https://www.splitit.com/installments-as-a-service/. Last accessed on May 16, 2023.

[174] Lambarena, Melissa, "5 Things to Know About Splitit," NerdWallet, November 2, 2021, available at https://www.nerdwallet.com/article/credit-cards/5-things-to-know-about-splitit. Last accessed on May 16, 2023; Cuofano, Gennaro, "How Does Splitit Make Money? The Splitit Business Model In a Nutshell," FourWeekMBA, January 9, 2023, available at https://fourweekmba.com/how-does-splitit-make-money/. Last accessed on May 16, 2023.

[175] "Splitit announces FY21 full-year results with Record MSV surpassing $500M annualized run rate," PR Newswire, March 3, 2022, available at https://www.prnewswire.com/news-releases/splitit-announces-fy21-full-year-results-with-record-msv-surpassing-500m-annualized-run-rate-301495431.html. Last accessed on May 16, 2023.

[176] "Ship Smarter," Shippo, available at https://goshippo.com. Last accessed on May 10, 2023; "We're Building the Shipping Platform for 21st Century E-commerce," Shippo, available at https://goshippo.com/about/#partnership. Last accessed on May 10, 2023.

[177] "Technology Partners," Shippo, available at https://goshippo.com/partner-type/technology. Last accessed on May 10, 2023.

[178] These include USPS, FedEx, UPS, and DHL amongst others. "A Global Network of Carriers at Your Fingertips," Shippo, available at https://goshippo.com/carriers/. Last accessed on May 10, 2023.

Shippo to provide a seamless shipping experience for businesses."[179] Shippo reported a 90% potential savings on shipping labels and a 77% average year-over-year growth for Shippo brands.[180] Through partnering with Shippo, Vontélle, a specialized eyewear producer, improved its shipping efficiency in terms of both time and monetary costs.

Vontélle and Shippo A Multi-Carrier Shipping Solution for Eyewear Delivery	V VONTÉLLE

Company Background

In 2019, Tracy Vontélle Green and Nancey Harris cofounded Vontélle to create eyewear designed to fit well on black customer faces. The cofounders identified this market opportunity based on their own personal struggles to locate black-owned and/or black-centered eyewear companies. Currently, Vontélle has expanded to produce both optical glasses and sunglasses designed to fit any face in a variety of designs, several of which are inspired by the founders' African, Caribbean, and Latin heritages.

Vontélle's Shipping Challenges

Prior to using Shippo, the Vontélle team struggled with a variety of shipping issues. Initially, the company delivered products using the post office, which wasted time commuting and waiting in lines. Vontélle's team also found the process to be "very confusing and time-consuming."[181] Vontélle recognized the need for a logistics partnership but had learned from the challenges encountered when trying to integrate other shipping carriers with its Shopify platform. More importantly, Vontélle needed a partner that could "support international shipping, […] allow them to split shipments, and generate return labels with ease."[182]

Shippo Saves Vontélle Time and Money

In January 2021, Vontélle decided to try Shippo. The Vontélle team was happy to discover Shippo's easy integration with Shopify's platform. Vontélle was also pleased with the rates Shippo offered for its products and order sizes. Shippo's rates were "the most competitive," and their annual rates were "better than everyone else."[183] With Shippo's help, Vontélle was able to increase its efficiency by 50% compared to having to order and print labels, then go to the post office. Using Shippo's carrier connections, Vontélle saw a savings of approximately 30% on first class shipping, 36% on priority mail, and 40% for ground shipping compared to post office rates.

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[179] "Fulfillment Partners," Shippo, available at https://goshippo.com/partner-type/fulfillment/. Last accessed on May 10, 2023.

[180] Ship Smarter," Shippo, available at https://goshippo.com. Last accessed on May 10, 2023.

[181] "Vontelle + Shippo," Shippo, available at https://goshippo.com/case-studies/vontelle-case-study/. Last accessed on May 10, 2023.

[182] "Vontelle + Shippo," Shippo, available at https://goshippo.com/case-studies/vontelle-case-study/. Last accessed on May 10, 2023.

[183] "Vontelle + Shippo," Shippo, available at https://goshippo.com/case-studies/vontelle-case-study/. Last accessed on May 10, 2023.

Sources:

[1] "Our story," Vontelle Eyewear, available at https://www.vontelle.com/pages/our-story. Last accessed on May 10, 2023.

[2] "Vontelle + Shippo," Shippo, available at https://goshippo.com/case-studies/vontelle-case-study/. Last accessed on May 10, 2023.

[3] "Our story," Vontelle Eyewear, available at https://www.vontelle.com/pages/our-story. Last accessed on May 10, 2023.

b. Stamps.com

California-based Stamps.com was founded in 1996. This facilitator initially focused on allowing users to print USPS postage from PCs, without having to go to a post office. Since then, its services have expanded both organically and through acquisitions, to include order placement, processing, shipping, and tracking via ecommerce integration.[184] The following case shows how ScanMyPhotos leveraged Stamps.com to reduce manual work and save money.

ScanMyPhotos and Stamps.com

Improving Customer Service and Ease of Transactions

Company Background

ScanMyPhotos was founded in 1990 to provide in-person photo and film development services. It now focuses on digitizing physical photos, slides, and negatives, as well as film and VHS. ScanMyPhotos allows customers to scan at a variety of resolutions with a diverse set of pricing options for both individual and bulk scans.[185] Scanned photos are emailed to the customer and, for a premium, can be saved and sent on a flash drive or a DVD. The hard copy originals can either be returned or disposed of by ScanMyPhotos.

Facilitator Background

California-based Stamps.com was founded in 1996. This facilitator initially focused on allowing users to print USPS postage from PCs, without having to go to a post office. Since then, its services have expanded both organically and through acquisitions to include order placement, processing, shipping, and tracking via ecommerce integration.

ScanMyPhotos Ecommerce Journey

By virtue of its business model, ScanMyPhotos must manage a large number of shipping transactions. The company handles around 400,000 photos and ships over 200 boxes each day. As a first step, ScanMyPhotos sends customers USPS Priority Mail flat-rate boxes with postage for them to pack up their photos and send

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[184] "Stamps.com (STMP) to Acquire ShippingEasy," StreetInsider.com, available at https://www.streetinsider.com/Corporate+News/Stamps.com+(STMP)+to+Acquire+ShippingEasy/11754634.html. Last accessed on May 10, 2023; "E-commerce Delivery Platform Leader Metapack Bought By Stamps.com," Metapack, July 25, 2018, available at https://www.metapack.com/press-release/e-commerce-delivery-platform-leader-metapack-bought-by-stamps-com/. Last accessed on May 17, 2023.

[185] One pre-set price option is $995 for six boxes of photos, which the site says amounts to about 11,000 photos. "Digital Photo Scanning Service," ScanMyPhotos, available at https://www.scanmyphotos.com/services/photo-scanning.html. Last accessed on May 10, 2023.

back to ScanMyPhotos in a Priority Mail box for digitization. Second, if customers want their photos returned or want a copy of their digital photos on a flash drive or DVD, ScanMyPhotos will ship them in another USPS Priority Mail, flat rate box. ScanMyPhotos began by printing postage and making deliveries through a local post office, but that had become too time-intensive.

Stamps.com Helped Decrease Variable Costs

By partnering with Stamps.com, ScanMyPhotos began printing postage from its office and benefiting from its order management system, which reduces manual inputs for order placement, tracks orders, and automatically sends the customer update emails.[186] Stamps.com is also integrated with USPS and facilitates ScanMyPhotos' use of USPS Priority Mail flat rate boxes. ScanMyPhotos calculates that its partnership with Stamps.com and its use of USPS Priority Mail flat rate boxes together save approximately $30,000 per month in postage alone.[187]

Sources

[1] "Stamps.com (STMP) to Acquire ShippingEasy," StreetInsider.com, available at https://www.streetinsider.com/Corporate+News/Stamps.com+(STMP)+to+Acquire+ShippingEasy/11754634.html. Last accessed on May 10, 2023

[2] Metapack, July 25, 2018, available at https://www.metapack.com/press-release/e-commerce-delivery-platform-leader-metapack-bought-by-stamps-com/. Last accessed on May 17, 2023.

[3] "About Us," ScanMyPhotos, available at https://www.scanmyphotos.com/ABUS.html. Last accessed on May 10, 2023.

[4] "Stamps.com (STMP) to Acquire ShippingEasy," StreetInsider.com, available at https://www.streetinsider.com/Corporate+News/Stamps.com+(STMP)+to+Acquire+ShippingEasy/11754634.html. Last accessed on May 10, 2023

[5] "Case Study ScanMyPhotos.com," Stamps.com, available at https://www.stamps.com/postage-online/case-study/scanmyphotos/. Last accessed on May 10, 2023. [1]

[6] "USPS Flat-rate Boxes Help Photo Scanning Business," ScanMyPhotos, available at https://www.scanmyphotos.com/blog/2012/07/scanmyphotos-usps-profile.html. Last accessed on May 10, 2023.

c. FedEx, USPS, UPS, DHL, and LaserShip[188]

FedEx is a large shipping and logistics company based in the United States. It offers ground, air, and express transportation for a variety of packages from envelopes to freight-size packages. To complete its pick-up and delivery business, FedEx contracts with over 6,000 independent small businesses. The company delivers approximately 16.5 million packages every day.

USPS is the postal service of the US, though it is not government subsidized. Founded in 1775, USPS is also one of the oldest delivery companies in the US. It ships personal and business mail, manages mailboxes, is

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[186] The rate of tracking updates from ScanMyPhotos was complimented in a Forbes article. Kramer, Scott, "This Photo Scanning Service More Than Delivers," Forbes, December 13, 2019, available at https://www.forbes.com/sites/scottkramer/2019/12/13/a-photo-scanning-service-that-more-than-delivers/?sh=7824fa73f092. Last accessed on May 10, 2023.

[187] "Case Study ScanMyPhotos.com," Stamps.com, available at https://www.stamps.com/postage-online/case-study/scanmyphotos/. Last accessed on May 10, 2023.

[188] For a more complete profile of these facilitators, please refer to **Exhibit 1** and **Exhibit 2** that contain more information.

responsible for PO boxes, and manages a network of physical post offices. In 2022, USPS delivered approximately 7.2 million packages, 48.9 million pieces of first-class mail, and 67.9 million pieces of marketing mail.

UPS is one of the largest shipping companies in the world, with more than 500,000 employees. It offers shipping supplies, international shipping, as well as some supply chain management services. In 2021, the company had 1.7 million shipping and 11.8 million delivery customers.

DHL is one of the largest international shipping companies in the world, with approximately 380,000 employees. It offers air, ocean, and land shipping for both small packages and large quantities of goods requiring freight. DHL serves 220 countries and delivered more than 1.1 billion packages for its ecommerce division in 2021.

LaserShip is a US-based shipping company focused on last-mile delivery. It currently delivers in 31 states and serves as an alternative to more traditional shippers like UPS and Fedex. LaserShip has the ability to reach more than 250 million consumers and boasts one of the largest regional footprints for one- and two-day ground deliveries.[189]

C. Facilitators Could be Used in Parallel to Create an End-to-End Solution – Case Studies

a. Mackleys Benefits from a Suite of Facilitators to Operate and Grow

MacKenzie Morris – CEO of Mackleys

Company Background

Mackleys is a small business based in Oklahoma City. It was founded by MacKenzie Morris, the owner and CEO, in 2019. The idea for the Mackleys was born following Ms. Morris's personal experience after getting engaged. She and her friends ordered bachelorette apparel online that was not delivered in time for the celebration. The

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[189] "Faster, Reliable Residential E-Commerce Parcel Delivery," OnTrac, https://www.ontrac.com/residential-e-commerce-delivery/. Last accessed on May 18, 2023.

group attempted to find bachelorette-themed merchandise locally and was not able to secure anything more than a few simple t-shirts. Ms. Morris saw a business opportunity based on the lack of choices and array of products.[190]

Mackleys began selling novelty bachelorette gifts such as t-shirts and shot glasses with an average value of $85 per order. The company shortly expanded to selling robes and pajamas (primarily designed for bridal events) as well as items for a variety of other celebrations including birthdays and anniversaries.[191] Ms. Morris quickly realized that offering personalized products and services was a key success factor for the company. Thus, the company opted for providing and prioritizing one-on-one consultation services to better understand customer needs. Ms. Morris recognized it was crucial to be involved with the planning of gifts from the beginning to the end of a wedding event in order to increase the average value of a client's usual order. These consultations also allowed Mackleys to provide customers with an itemized budget estimate, which was an important decision factor for purchase.[192] Over time, because of the direct relationships formed with customers, the company also recognized there was room for growth by up-selling and cross-selling. Beyond physical merchandise, Mackleys integrated wedding services such as on-site steaming as well as bouquet and dress preservation, which have significantly increased the average value of a customer.[193]

Although still small (with only three employees including Ms. Morris), Mackleys serves bridal parties nationally with a strong local contingent in Oklahoma. Local customers get to attend tradeshows and other on-site events. As of April 2023, the average order value for Mackleys' products and services is between $500 to $1,200. Almost half of the sales are through wholesale (mostly products) and the other half through their own website (mostly services). Since inception, Mackleys has benefited from working with several facilitators for a variety of business needs, including website development, advertising, managing invoices, shipping, and online sales. Below, we describe how specific facilitators have helped Mackleys continue to grow as a business.

Mackleys Leverages Wix and the Wix-Integrated Facilitators

Mackleys' customer base is a niche market. Ms. Morris needed a website to access and connect with a wider customer base, rather than just relying on local brides-to-be walking past her physical storefront. She tried several tools including Squarespace, Shopify, and Wix, and chose the latter because of easy navigation as well as Google calendar and Zoom integration, which made it convenient to schedule consultation calls. For only $348 a year, Ms. Morris can leverage many of the tools her business needed, such as payment processing.

Mackleys Uses Square to Manage Invoices

For its bridal services, Mackleys benefited from getting customers to commit several months in advance of the actual event. Instead of paying for full-service price, which could range from $200 to $1200, Mackleys was able to

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[190] Interview with MacKenzie Morris, Chief Executive Office, April 17, 2023.

[191] "All Products," Mackleys, available at https://www.mackleys.co/allproducts. Last accessed on May 10, 2023.

[192] "Let's Talk," Mackleys, available at https://www.mackleys.co/book-vib. Last accessed on May 16, 2023.

[193] "Services," Mackleys, available at https://www.mackleys.co/services. Last accessed on May 16, 2023.

reserve a spot for them for a small non-reimbursable fee. Using Square as a payment system, Ms. Morris could close deals with an $85 deposit while completing the rest of the transaction at a later date using PayPal for direct payments.

Mackleys Utilizes Content Creation and Organic Interactions on Social Media Platforms

Most of the traffic to Mackleys' website comes through organic Google search and organic social media. Due to limited employee bandwidth and in-house expertise, Mackleys decided not to implement paid advertising on any platforms. Rather, the company has focused on producing and distributing their own social media content on Instagram and Facebook in two forms. First, Mackleys has created a Facebook page[194] with links to the company's website. Although no direct shopping or transactions are being made through this page, social media has proven to be a crucial lead generation tool, as it helps direct traffic to Mackleys' website where Ms. Morris can book consultations. Second, organic conversations on social media wedding groups on Facebook as well as Facebook and Instagram direct messages are key to her consultation business, where most of the company's transactions take place. While the conversion rate for website visits is fairly low, the close rate for Ms. Morris's 30-minute consultation calls is 85%. Therefore, linking Ms. Morris with potential customers through organic social media and converting that conversation to a consultation session drives considerable revenue for Mackleys.

Mackleys' Expansion from Services to Services and Products via Amazon and its Ecommerce Platform

Apparel such as robes and pajamas were initially included as part of a bridal service purchase, without any extra charge. Over time, Ms. Morris realized there was demand for seasonal or unique items, such as robes and pajamas. For example, a few years ago, rust and sage colored robes were very popular. Once again, Ms. Morris saw an opportunity to expand sales. She started listing these products on Amazon and on Mackleys' website, seeing this as an opportunity for targeting a new type of consumer. Although the Mackleys website has not achieved significant sales, Ms. Morris has learned from testing the Amazon platform for sales. For example, Amazon helped facilitate rapid delivery of items because of specific inventory, while regular Mackleys sales are made to order and have a lead time. When shipping independently, most of Mackleys orders were shipped out between two to four weeks after the order was placed, a schedule that could only cater to customers who were planning weeks ahead. By partnering with Amazon, Mackleys gained access to last-minute purchasers who could receive products in as few as two days using Amazon's delivery service.

Ms. Morris tried Amazon's pay-per-click (PPC) service but did not realize significant profits in an 8-month period. Ms. Morris attributed this to not being registered as an Amazon Brand, which prevented Mackleys from having an Amazon Store.[195] In pursuit of creating a Storefront, Ms. Morris begun the trademark application process, aided by Amazon, which is required for Amazon's Brand Registry. In the meantime, Mackleys stopped selling products on

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[194] Note that a Facebook page is separate from a Facebook Storefront, which directly enables e-commerce from within the Facebook website or app.

[195] An Amazon Store is essentially a website dedicated to a seller hosted entirely within the Amazon marketplace. Like a traditional website, it allows the seller to display all of its products in one place, to highlight key offerings, and to provide product and brand descriptions. Stores are only available to sellers who have enrolled in the Amazon Brand Registry. "Ecommerce storefront: Build an online store on Amazon.com," Amazon, available at https://sell.amazon.com/learn/ecommerce-storefront. Last accessed on May 11, 2023.

Amazon. As of May 2023, the Mackleys trademark has been registered and issued, which has allowed Mackleys to have a legitimate Amazon Store and resume sales.[196] Mackleys has also started to use Amazon-sponsored display ads.

Mackleys' Shipping Facilitators

Mackleys uses several facilitators for logistics and shipping services. The company orders boxes and other shipping supplies through Amazon or Uline, prints labels using GoShippo or PirateShip, and drops boxes for final delivery at UPS, USPS, or other shipping companies. For products sold through Amazon, Mackleys uses Amazon Fulfillment, which handles all shipping activities.

Key Takeaways

- Ms. Morris created an end-to-end process and grew her business by taking advantage of a wide range of facilitators and customizing their services to Mackleys' specific needs.
- Though Mackleys is a small business, it has been able to effectively segment wedding customers across its wholesale (to specialty retailers), marketplace, and direct-to-consumer channels.
- Ms. Morris attributes a significant portion of her online sales to website traffic from organic social media content links, which Ms. Morris believes is more effective for their business than paid social media (or any other type of) advertising.
- Though Amazon represented less than 5% of Mackleys' business, it offered the benefit of rapid shipping and delivery. This benefit enabled Mackleys to serve a customer segment that it could not serve effectively otherwise.

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[196] "Mackleys," Amazon, available at https://www.amazon.com/stores/Mackleys/page/44398C5D-DCED-4EB4-9FE0-50FF7FD113E7?ref_=ast_bln, Last accessed on May 16, 2023.

b.   Med Couture Uses Multiple Facilitators to Improve Brand Visibility and Generate Leads

Jeff Eames
Director of Brand Marketing,
Cherokee and Med Couture

Company Background

Med Couture is a small-sized company with just over 50 employees that makes fashion-oriented medical clothing known as scrubs. The company, originally named Peaches, was founded by Barry Rothschild in 1987 and was rebranded as Med Couture in 2015. In 2022, Med Couture was acquired by Careismatic Brands, a leading healthcare apparel company. As an almost exclusive B2B company, Med Couture wholesales to companies of all sizes, including large retailers such as Scrubs and Beyond as well as small regional wholesalers. The company uses a variety of facilitators in unique ways to run its own lead generation efforts as a B2B business.

Med Couture Uses WebFlow to Develop and Run its Website

Med Couture developed its own website using WebFlow, software for website building and hosting. Med Couture has dedicated an employee to running and updating its website. As a B2B business, the company does not do any direct sales to customers and hence does not need any standard ecommerce functionality (e.g., shopping cart, payments, catalogs, etc.). Rather, the focus of the website has been on optimizing the appearance and presentation of products and providing links to retailers' websites, which requires software with a high level of customizability. WebFlow offers this high level customizability through minimal coding and a robust Content Management System ("CMS").[197]

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[197] "A content management system (CMS) is a software application that provides you with the background infrastructure you need to create, edit, and publish content on a website. A CMS helps you to build for the web without having specialized knowledge or technical skills. […] Without a CMS, developers would need to build each page on the website one by one — which would be a repetitive waste of time and energy for recurring, templated pieces of content like blog posts, case studies, and other posts. A CMS allows you to standardize and manage templated pages in one place, rather than maintaining a sprawling set of disconnected individual pages." "What is a content management system?" Webflow, available at https://webflow.com/blog/what-is-a-content-management-system. Last accessed on May 18, 2023.

Med Couture Leverages Paid and Unpaid Social Media Advertising to Generate Leads

Med Couture follows a number of strategies to attract customers and generate leads. The purpose of these marketing activities is to create brand awareness and direct end-users to retailers' websites or brick-and-mortar stores.

First, Med Couture makes use of unpaid, organic social media and an ambassador program.[198] The company's Facebook and Instagram pages include links that direct viewers to Med Couture's website, which then directs them to various online stores or locates a physical store nearby for viewers to try on and purchase the products in-store. This online presence on social media increases brand visibility for nurses, doctors, and medical professionals, ultimately increasing demand for Med Couture products. This is important because direct competitors have started to reach out directly to consumers and have created ecommerce websites. This was previously uncommon for the scrubs industry.

"Instagram is where we gain the most traction from doctors and nurses."

Second, Second, Med Couture also uses paid advertising, spending an average of $2,500 per month on Google search ads and $2,500-$5,000 per month on other targeted advertising Like unpaid social media advertising, these ads direct viewers to Med Couture's website and then to individual retailers' websites.

Finally, the company provides marketing materials to retailers that sell their products. These materials include banner images, product images, product descriptions, social media content (images and videos), posters, flyers, catalogs, physical signage, even a rack for their brick-and-mortar stores if the revenue justifies it.[199]

Med Couture Helps Select Retailers Sell their Products through Amazon

Med Couture noticed that many retailers sell its products on Amazon. It reacted by formalizing the relationship between Amazon and six of those retailers with which Med Couture had the best retail relationship, establishing via contract certain distribution details such as which products could be listed on Amazon and at what price, as well as which products could not be listed on Amazon to maintain product exclusivity on the retailers' websites and physical stores. Med Couture also has its own Amazon Store.[200] Currently, orders from Amazon are still fulfilled by

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[198] "A brand ambassador is any person who is invited by a brand to represent and promote them in a positive light with the purpose of increasing brand awareness and sales. Influencers, celebrities, students, employees, and customers can all be brand ambassadors if the company invites them. […] An ambassador program is a standardized process companies create to find, recruit, manage, pay, and track brand ambassadors." "How to Start a Brand Ambassador Program: The Best Guide for 2023," SocialLadder, available at https://socialladderapp.com/blog/brand-ambassador-program. Last accessed on May 17, 2023.

[199] For more information, see "Sell MORE in your Store!" Med Couture, available at https://www.medcouture.com/gear. Last accessed on May 16, 2023.

[200] "Med Couture," Amazon, available at https://www.amazon.com/stores/MedCoutureRothWear/page/870411A2-1449-41D2-A813-6141A7DD1682?ref_=ast_bln. Last accessed on May 16, 2023.

the company's retailers via Fulfillment by Amazon ("FBA"). [201] Furthermore, Med Couture partnered with retailers to handle Amazon orders. They would send Amazon labels to Med Couture, and Med Couture would use them to ship the products directly to Amazon.

In 2023, Med Couture also began selling directly to Amazon as a 1P seller. As of April 2023, Med Couture's bulk sales direct to Amazon account for 20-25% of Med Couture sales. The rest of Med Couture's sales are through Scrubs and Beyond (20-25%) and other outlets, representing much smaller total shares.

Med Couture's Shipping Partners

Prior to acquisition by Careismatic, Med Couture was using Fedex shipping services due to its optimal prices. After acquisition, they switched to UPS "for about everything," unless their retail customer has a partnership with a different shipping facilitator, in which case Med Couture will use the partnering facilitator. [202]

Key Takeaways

- Med Couture is a B2B company that has managed to use facilitators to improve brand visibility to compete with B2C competitors (e.g., Figs, S&H Uniforms, and Medicine Mountain Scrub Company).
- Med Couture uses Amazon to keep wholesale online delivery standardized, WebFlow to address its specific website design needs, and social media advertising (Facebook, Instagram, and Google Ads) for traffic and brand recognition.

V. Summary and Conclusions

This report has focused on the channel strategies used by SMBs and on how SMBs can successfully execute those strategies, with a particular emphasis on digital channels. SMBs can go to market using a single channel, such as brick-and-mortar stores, an ecommerce-enabled website, a digital marketplace, or a virtual storefront on a social media website. Alternatively, SMBs can go to market using more than one channel, executing *multichannel* or *omnichannel* strategies, which are increasingly common. Although the US retail sector has grown relatively slowly during the past decade, ecommerce sales (including omnichannel sales) have grown much faster. From 2012 through 2022, US ecommerce retail sales increased from $329 million to $1.15 trillion. Similarly, the share of ecommerce retail sales as a percentage of total US retail sales has increased from 7.6% to 16.3%. It is important to note that some product categories are particularly dependent on ecommerce sales. For example, nearly 70% of book/music/video sales are digital.

We find that digital channel strategies are almost always enabled by third-party *facilitators*, which help SMBs access ecommerce platforms or help them sell their merchandise more efficiently and effectively. Facilitators come

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[201] Interview with Jeff Earnes, Director of Brand Marketing, April 19, 2023. "FBA, also known as Fulfillment by Amazon, is a fulfillment service that helps Amazon sellers outsource shipping to Amazon." "Amazon FBA: Fulfillment services for your ecommerce business," amazon, available at https://sell.amazon.com/fulfillment-by-amazon. Last accessed on May 17, 2023.

[202] Interview with Jeff Earnes, Director of Brand Marketing, April 19, 2023.

in many types and sizes, from vast marketplaces like Amazon and advertising solution providers like Google to smaller, technology-based facilitators like Shippo. Collectively, facilitators that support SMBs have evolved extensively over the past 5 to 10 years in response to rapid technological innovation and changing consumer preferences, as well as increasing competition among facilitators. We find that, as SMBs mature and grow, they may decide either to outsource business functions to facilitators, to perform internally business functions that were previously outsourced, or to switch facilitators to take advantage of new facilitator capabilities or to meet their own evolving needs.

SMBs should use facilitators, either individually or in combination, based on their own specific needs. Those needs are often driven by the SMB's size (from a single employee to 500+), lifecycle stage, management team bandwidth, and available resources (both financial and expertise-related). Our cases demonstrate that the types of facilitators and specific services that represent the best solution depend on the challenges that the SMB faces. The challenges vary widely (see **Figure 5**), though they are typically different from those faced by large companies. We find that SMBs use facilitators in innovative ways, either individually—for an integrated or "end-to-end" solution—or in combination, to address those challenges.

Our cases also demonstrate that facilitator solutions vary nearly as widely as the ways that SMBs implement them. Yet two interesting patterns emerge. First, while SMBs may sell predominantly on mainstream marketplaces, we find evidence that Amazon in particular is often used strategically within a multichannel/omnichannel strategy. More specifically, the marketplace can be used to sell particular products/product lines. Second, we find that SMBs selling through digital channels often use social media for marketing and advertising. More interestingly, many of these SMBs use unpaid social media posts, with or without social media paid advertising, to achieve marketing objectives for brand building (using stories and video content) and customer action (using clickable links). Unpaid social media posts, therefore, represent a low-cost complement to paid advertising for resource constrained SMBs.

Appendix A:

Prominent Channel Options for Retailers

A. Offline Channels

Offline channels, which can also be referred to as physical channels, are physical store locations where a customer can purchase goods and/or services in-person. While online shopping continues to become more popular, offline channels are still responsible for most retail sales.[203] Offline shopping allows customers to assess the quality of goods in person, a feature that is particularly important when physical examination and/or sensory information may affect purchase decisions. For example, customers may prefer to feel the fabric of a shirt and try it on, experience the picture quality of a flat-screen TV, or test the softness of a plush toy before purchasing.[204] Another important benefit of offline retail channels is customers' lack of waiting time, offering instant gratification as they leave with their purchases and avoiding any potential shipping/delivery issues (e.g., damaged products, delays, etc.). Today, the lines between offline and digital retail are blurring as traditionally offline businesses attempt to attract consumers more inclined to shop in digital channels, and vice versa.

There are several types of physical retail outlets. This appendix addresses the following three: 1) brick-and-mortar stores, 2) wholesale distribution and clubs, and 3) non-traditional retail.

1. Brick-and-Mortar

The term "brick-and-mortar" is used to refer to the permanent, physical storefront of a business, so-called because of the materials (i.e., brick-and-mortar) used in the construction of stores over the years. Brick-and-mortar stores have been and still represent important channels for connecting companies with customers. Nonetheless, the way this connection takes place has continued to evolve as newer channels have become available. Traditionally, customers enter a brick-and-mortar store, purchase products, then walk out of the store with products in-hand. However, in response to changing consumer preferences and behaviors (e.g., digitalization or the COVID-19 pandemic), many businesses founded on brick-and-mortar store sales have implemented omnichannel strategies to engage consumers and to enhance or expedite their shopping experience. These strategies include allowing customers to place online orders, pick up those orders in-store or curbside or have them delivered, and also return online orders in-store.

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[203] In fact, around 85% of retail in 2022 was conducted through physical stores. "Quarterly Retail E-Commerce Sales: 4th Quarter 2022," US Department of Commerce, February 17, 2023, available at https://www2.census.gov/retail/releases/historical/ecomm/22q4.pdf. *See also* Gauri, Dinesh K., et al., "Evolution of Retail Formats: Past, Present, and Future," *Journal of Retailing*, Vol. 97, No. 1, 2021, pp. 42-61; Wang, Kitty, and Avi Goldfarb, "Can Offline Stores Drive Online Sales," *Journal of Marketing Research*, Vol. 54, No. 5, 2016, pp. 706-719, available at https://journals.sagepub.com/doi/10.1509/jmr.14.0518.

[204] In **Section IV.B.2**, we describe how Squishable relies on physical stores to promote the uniqueness, softness, and size of its products as a main way to convert potential buyers into loyal customers.

a. Buy Online, Pickup In-Store

Customers can place an order online (i.e., on an ecommerce-enabled website) then pick up the order at a brick-and-mortar store, either in-store or curbside. Buy online and pick up in-store, known by the acronym "BOPIS" as well as "click-and-collect," lets customers avoid walking around the store and shortens their waiting times, also allowing them to acquire their merchandise faster than via home delivery. Unlike BOPIS, which is the dominant mode of click-and-collect today, curbside pickup allows customers to avoid entering the store altogether – typically collecting their orders in the parking lot or on the curb.

Not only do these omnichannel tools enable SMBs to respond to changing consumer preferences and to the increasing desire for convenience, but they also benefit SMBs by increasing online orders and perhaps generating incremental store traffic. Further, omnichannel tools present new marketing opportunities.[205] For example, SMBs can benefit from more customers being in, or even outside of, the store to encourage add-on sales. This model was already growing in popularity prior to the COVID-19 outbreak and has now expanded far beyond grocery retail.[206]

b. Delivery

Consumers have also demonstrated an increasing preference to receive products without driving to brick-and-mortar stores or even leaving their homes. This encourages SMBs to offer convenient options.[207] Delivery services may be provided by the SMB itself or through a third-party delivery service. Some third-party facilitators now even offer same-day or on-demand delivery, especially for products like food and beverages, other grocery products, and other similarly high-volume merchandise. For more on these delivery facilitators, see **Section IV**.

2. Wholesale Distributors and Clubs

Wholesale distributors and clubs are retailers but, for some smaller and/or more niche companies, they can also serve as a separate sales channel. In addition to selling directly to consumers, wholesale distributors and clubs also resell SMBs' products to other retailers or even to business end-users. This channel can be particularly useful for SMBs looking to tap into new markets or to increase exposure without incurring high costs (e.g., compared to operating their own stores). With the increasing importance of digitalization, wholesale distributors have had to integrate digital features and technologies such as architecting a seamless online business-to-consumer-like

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[205] Parnell, Clay, and John Lawing, "Benefits of BOPIS and Implementation Considerations," The Parker Avery Group, available at https://parkeravery.com/industry-experience/benefits-of-bopis-and-implementation-considerations/. Last accessed on May 3, 2023.

[206] Hoyler, Bob, "The rise of curbside pickup: Best practices for retailers," Retail Dive, May 13, 2021, available at https://www.retaildive.com/news/the-rise-of-curbside-pickup-best-practices-for-retailers/599931/. Last accessed on May 3, 2023.

[207] Aktas, Emil, Michael Bourlakis, and Dimitris Zissis (2020): Collaboration in the last mile: evidence from grocery deliveries, International Journal of Logistics Research and Applications, DOI: 10.1080/13675567.2020.1740660, p. 1.

shopping experience for customers with higher standards for convenience and service due to the business procurement processes of mainstream digital marketplaces.[208]

3. Non-Traditional Retail

Non-traditional retailers are physical storefronts that operate as brick-and-mortar stores or as outlets for wholesalers and distributors. Most importantly, these storefronts are typically temporary. Although many businesses have recently reintroduced forms of non-traditional retail as a response to market conditions, formats such as rolling stores (also referred to as stores-on-wheels) and farmers markets predate even the industrial age. Non-traditional retail makes merchandise more accessible to consumers by bringing it closer to their day-to-day lives, enabling consumers who may otherwise shop online or never walk into a less conveniently located permanent storefront to experience and interact with the merchandise. Today, the types of non-traditional retail have expanded beyond mobile vendors and farmers markets to include pop-up stores, temporary stores hosted by or rented from third-party owned stores, as well as sponsored "events" or "experiences" created by SMBs in public spaces to draw in potential customers interested in more than a standard shopping experience.[209]

B. Digital Channels

Digital channels, also called ecommerce channels, include all platforms that allow for the electronic purchase or sale of products over the internet. Internet purchases may be completed via mobile devices or computers, even in-store kiosks. The use of digital channels has evolved rapidly over the last few decades due to drivers including: (1) the proliferation of smartphones, tablets, and other mobile devices, (2) increased customer confidence in online shopping, and (3) SMBs' increased investments in marketing budgets to improve digital experiences.[210] In 1982, Boston Computer Exchange launched the first digital marketplace for people to buy and sell used computers. Nowadays, consumers have access to very sophisticated digital tools such as digital payment systems, targeting advertising, same day third-party delivery options, and more. Indeed, digital sales are now part of everyday business, and many SMBs take advantage of digital sales to increase their geographical reach, operate for longer or more flexible hours, and use digital marketing tools to gain customer insights such as website analytics and digital purchasing patterns and behavior.

Next, we will discuss five of the main digital channels: (1) homepage and website tools, (2) digital marketplace, (3) social media storefronts, (4) owned apps, and (5) third-party delivery apps.

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[208] "Automation, digitization, and more: 5 trends disrupting the wholesale industry," Liberty Mutual Insurance, August 11, 2021, available at https://business.libertymutual.com/insights/automation-digitization-and-more-5-trends-disrupting-the-wholesale-industry/. Last accessed on May 3, 2023.

[209] Gauri, Dinesh K., et al., "Evolution of Retail Formats: Past, Present, and Future," *Journal of Retailing*, Vol. 97, No. 1, 2021, at pp. 42-61.

[210] Ratchford, Brian, et al., "Online and offline retailing: What we know and directions for future research", *Journal of Retailing*, Vol. 98, No. 1, 2022, at pp. 152-177, https://doi.org/10.1016/j.jretai.2022.02.007. (https://www.sciencedirect.com/science/article/pii/S0022435922000070); "New survey: 53% of consumers lack confidence in direct sales purchases," Kount, Last accessed on May 3, 2023 (now offline).

1. Homepage and Website Tools

The primary type of digital storefront is a homepage or website dedicated entirely to the company, hosted at an internet address that is likely owned by the company and which typically shares a connection to the company's brand name (e.g., Nike's website at "nike.com").[211] Through its own website, a business can showcase its brand, company information, descriptions of its products and services, and other information of value to consumers such as customer reviews, links to third-party reviews and articles, product selection tools, etc. SMBs have the choice to integrate third-party tools to their websites for tasks like processing orders, accepting payments, managing shipping and logistics, and providing customer service. For example, Enterprise Resource Planning ("ERP") systems enable SMBs to integrate and manage different business processes from supply chain operations and manufacturing to human resource management and accounting. Further, SMBs may use third-party tools that facilitate designing and running their own websites. Some notable ERPs include Shopify, Wix, and Squarespace. We discuss some of the tools available for ecommerce-enabled websites in **Section IV.A.3**.

2. Digital Marketplace

In contrast to company-owned websites, digital marketplaces attract consumers due to the breadth and depth of products offered from many different sellers on one site – sometimes even offered at lower prices (e.g., exclusive promotions) or with additional benefits (e.g., faster shipping) compared to company-owned websites. The most popular digital third-party marketplaces are Amazon, eBay, and Etsy.[212] However, wholesale distributors and clubs, along with less conventional digital marketplaces like Mercari, Poshmark, and Facebook Marketplace now also facilitate the sale and purchase of products.

Each digital marketplace has its own requirements, product categories, listing fees and audiences, which makes some digital marketplaces more suitable than others for certain types of businesses. With the rising popularity of digital marketplaces and the accompanying increase in digital sales, marketplaces can be an excellent way for SMBs to launch and build brands.[213] Sellers can also benefit from educational programs offered by marketplaces like Amazon and eBay to navigate the waters of marketing, selling, and fulfillment. These programs show businesses how they can leverage digital marketplaces to build a robust online strategy, including optimizing product content and advertising campaigns.

3. Social Media Storefronts

Social media storefronts are ecommerce stores within social media platforms that are available to businesses interested in offering their products directly through these channels. For example, Shops is Meta's storefront that

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[211] To limit the scope of this paper, I will not be exploring any nuances of renting versus owning internet addresses, or domain names.

[212] Gniazdo, Daniel, "Top 12 Online Marketplaces To Sell On In The USA [2023]," Intelligent Reach, available at https://www.intelligentreach.com/blog/best-online-marketplaces-usa/. Last accessed on May 3, 2023.

[213] "The Best Online Marketplaces to Sell Products and Spark Growth," BigCommerce, available at https://www.bigcommerce.com/articles/omnichannel-retail/online-marketplaces/. Last accessed on May 3, 2023.

allows people to "browse, explore and purchase" products within Facebook and Instagram.[214] Storefronts can help businesses increase their brand awareness in social media, reach new customers, increase immediate conversions, and get sales performance analytics.

4. Owned App

With the recent growth of ecommerce and mobile shopping, many businesses have chosen to maximize their operations by creating a mobile application. The term "owned app" refers to company-specific mobile apps. While not every SMB can or should create its own mobile application, certain SMBs can leverage their own applications to provide a better, more seamless customer experience. For example, owned apps can allow customers to spend time browsing offline and save items to their shopping carts, enabling the check-out process to be deferred by saving or accessing local data from the user's mobile device. Mobile apps also allow for push notifications to the users' mobile device with messages about offers and discounts that can serve as advertising. Mobile apps can also help drive customer loyalty (e.g., a coffee shop offering a rewards program via their application.)

In-app purchases (IAPs) are monetary transactions conducted entirely within a mobile app. IAPs were first introduced in 2009 and have played a key role in the advancement of goods and services selling within the smartphone app market.[215] Consumers have grown more comfortable making purchases on their smartphones, especially for brands with high familiarity and trust, which can offer flexibility in payment options (e.g., via ApplePay or Google Pay) in addition to a seamless customer experience. While a mobile app can create value for businesses in many ways, building a dedicated app can be costly and requires app development expertise.

5. Third-Party Delivery App

A third-party app is a facilitator-owned application that connects client companies to consumers. Third-party apps typically offer enhanced features relative to SMB-owned apps or even websites. Businesses, including SMBs, often choose to outsource delivery to third-party delivery apps such as DoorDash, Uber Eats, Grubhub, or Postmates. For example, a restaurant may choose to use a third-party delivery service to offer online ordering and on-demand delivery to its customers. This means that the restaurant does not have to hire drivers, pay for gas, insurance, or even provide transportation. Outsourcing delivery to third-party facilitators enables restaurants to access their broader and deeper customer base. Adding delivery capability also enables restaurants to meet the increasing demand for off-premise quality prepared foods, driven in part by the COVID-19 pandemic. Third-party delivery apps have actually diversified beyond food, groceries, and convenience products to include new offerings

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[214] Facebook, "What is a shop on Facebook and Instagram?", available at http://www.facebook.com/business/shops. Last accessed on July 7, 2023.

[215] "The App Store turns 10," Apple, July 5, 2018, available at https://www.apple.com/newsroom/2018/07/app-store-turns-10. Last accessed on April 18, 2023; Qiu, John X., "Alternative Revenues: A Quantitative Study on In-App Purchases" (2014). Chancellor's Honors Program Projects.

like apparel, cosmetics, sporting goods, and crafts.[216] For example, DoorDash recently added Lush Cosmetics, Victoria's Secret, and Party City to its platform.[217]

Third-party apps can also virtually connect a user with "shoppers," people who receive the user's order, travel to brick-and-mortar stores, locate and purchase the ordered items for delivery to the user. This is common within delivery apps that offer grocery deliveries, such as Instacart and Shipt, where a "shopper" picks the order from the user's retailer of choice.

Third-party apps offer consumers flexibility and convenience. At the same time, businesses can benefit from being able to focus on their brands and products without worrying about external processes. Businesses can also benefit from third-party apps' established marketplaces and broader delivery regions, as well as their in-app advertising.

[216] "How Instacart works," Instacart, available at https://www.instacart.com/help/section/how-instacart-works/. Last accessed on April 18, 2023; "Same-day delivery from stores you love," Shipt, available at https://www.shipt.com/stores/. Last accessed on May 3, 2023.

[217] Malik, Aisha, "DoorDash is adding three new retail partners and updating its shopping features," March 23, 2023, available at https://techcrunch.com/2023/03/23/doordash-new-retail-partners-updating-shopping-features/?guccounter=1. Last accessed on April 18, 2023.

Exhibit 1

Type of Facilitator	Facilitator Name	Year Founded	Core Products and Services	Additional Products and Services	Price Range	Selected Data Points
Mainstream Digital Marketplaces	Amazon https://sell.amazon.com/small-business	1994	Individual: - List items for sale on Amazon - Amazon fulfillment services Professional: - Products selling in multiple categories - Branding - Bulk listing - Inventory management tools - Preferred product placement - Data analytics and software - Set own shipping fees - On-Amazon advertising - Promotions	Multi-Channel Fulfillment: Amazon fulfills orders for small businesses Fulfillment by Amazon: Amazon handles logistics, customer service, and offers help with inventory management and reselling Brand Registry: Allows sellers to create a virtual "store" which customers can follow and order from	Individual: $0.99 / item sold (+ additional selling fees) Professional: $39.99 / month (+ additional selling fees) All products face "referral fees," a percentage of total price varying by the category of the product from between 8% for full-size appliances, video game consoles, computers, and consumer electronics; to 45% for Amazon Device Accessories and 20% for gift cards (most are around 15%)	500,000+ sellers in the US[A] US sellers averaged $200,000 in sales[A] US sellers sold more than 3.8 BB products in 2020[A]
Mainstream Digital Marketplaces	eBay https://www.ebay.com/sellercenter/ebay-for-business/small-business-central	1995	Marketplace Selling tools & education programs	Up & Running Program: Helps sellers jumpstart their E-commerce experience eBay Academy: Digital learning platform to help sellers grow their business	Base rate: - Starter store: $4.95/month - Basic store: $21.95/month - Premium store: $59.95/month - Anchor store: $299.95/month - Enterprise store: $2,999.95/month Two types of additional fees for each sale: Insertion fee: Each plan allows the user to list a certain number of products for free before incurring a listing fee for each additional product placed digitally for sale, with the additional product fees varying by subscription plan Final value fee: Depending on categories, the percentages are different. Big overview for most categories: 3-15% on total amount of the sale + $0.30 per order. If total amount of the sale is over a certain amount in each category, percentage can be lower too	At the end of 2021, eBay had 147 MM active buyers and 17 MM sellers [B] In 2021, eBay generated $87 BB in gross merchandise value (GMV), approximately 46 percent of which was generated inside the US. (GMV consists of the total value of all paid transactions between users on eBay platforms during the applicable period inclusive of shipping fees and taxes) [B] In an eBay survey, 95% of sellers reported they rely on eBay; nearly a third (31%) report their businesses would not exist without eBay; 71% say they rely heavily on eBay for their business[C] 83% of all sellers surveyed agree that eBay is unique among digital marketplaces; 57% strongly feel eBay is unique among digital marketplaces [C] 85% of all sellers surveyed agree that eBay enables economic opportunities for SMBs/entrepreneurs [C]
Mainstream Digital Marketplaces	Walmart Marketplace https://marketplace.walmart.com/	2009	Marketplace Access to Walmart Fulfillment Services Selling tools and programs	Sponsored Search (ads) and Walmart Connect Brand management Walmart.com specific trainings	No fees, other than commission rates which vary by product category between 6% and 15%	In May of 2022, Walmart Marketplace had 151,820 sellers, up 66% from May 2021[D] Annual estimated yearly revenue is currently $1.1B[E]
Mainstream Digital Marketplaces	Etsy https://www.etsy.com/sell	2005	Marketplace The ability to buy and print discounted postage for orders from Etsy seller's account Custom stand-alone website design, with integration of the seller's Etsy shop	Etsy Plus: Etsy but with more tools such as marketing emails, customizable shops, advertising credits and a custom web address Etsy support specialist: a support staff to help manage the seller's Etsy account Etsy has seller forums for shared learning	$0.20 listing fee 6.5% transaction fee Offsite ads are free unless they generate a sale, in which case they cost 15% of sale price $10/month for Etsy Plus	Etsy marketplace sellers and those under Etsy's House of Brands generated $13.5 BB of gross merchandise sales in 2021. Of this, Etsy marketplace represented 90.6%, and the Reverb, Depop, and Elo7 marketplaces represented 7.0%, 2.2%, and 0.2%, respectively (the latter three marketplaces are owned by Etsy) [F] Collectively Etsy marketplaces had over 120 MM items for sale as of December 31, 2021 [F]
In-App Social Media Storefronts and Marketing Solutions	Facebook https://www.facebook.com	2004	In-Platform store	Facebook Marketplace/Store: Sellers can set up pages and have their goods sold directly through the platform *Facebook ads are discussed below	5% per shipment or a flat fee of $.40 for shipments that are $8 or less	2022 ad revenue was $113.6 BB [G] 200 MM business pages [H]
In-App Social Media Storefronts and Marketing Solutions	YouTube https://support.google.com/youtube/answer/12257682	2005	Digital marketplace through YouTube Shopping Selling directly through one's own channel Can also sell through others channels (influencers, partnerships)	Through a partnership with Shopify, channels can display products highlighted in their videos and provide users a fully onsite checkout experience *YouTube ads are discussed below	Free - YouTube does not charge for listing items and all forms of the payment processing and order fulfillment are handled by the retailer, or by the service handling the retailer's digital presence (i.e., Shopify). There are certain requirements one must meet to be eligible to promote/sell products	YouTube implemented this feature in July 2022, making data scarce. However, as of November it was reported that initial conversion rates through YouTube shopping were 1,000% higher than those in conventional e-commerce[I]

Type of Facilitator	Facilitator Name	Year Founded	Core Products and Services	Additional Products and Services	Price Range	Selected Data Points
In-App Social Media Storefronts and Marketing Solutions	Instagram https://www.instagram.com	2010	In-Platform store	Companies can set up Shops on Facebook and Instagram, with checkout hosted in-app *Instagram ads are discussed below	Free - There are no fees to process payments on Instagram	There are over 200 MM businesses on Instagram [J]
In-App Social Media Storefronts and Marketing Solutions	Google Ads https://ads.google.com	2000	Google ads appear on desktop and mobile devices, on Google Search, Google Maps, YouTube, and other sites and apps Google ads are displayed in geographic regions, at a certain radius around some central point	Search campaigns: Google Search ads (often comprised of text and link) Display campaigns: Usually images, appearing on websites or apps Video campaigns: Synonymous with "YouTube Ads"	Ad auctions [1]	Google Search Advertising generated $162 BB in 2022, up from $149 BB in 2021 [K] More than 80% of businesses worldwide rely on Google Ads for Pay-Per-Click (PPC) campaigns [L]
In-App Social Media Storefronts and Marketing Solutions	YouTube Ads https://www.youtube.com/int/en_us/ads	2007	Ad space Ad creation tools Ad analytics	Skippable instream ads: Ads skippable after 5 seconds Non-skippable instream ads: Non-skippable ads <= 15 seconds long Bumper ads: Non-skippable ads <= 6 seconds long In-feed video ads: Thumbnail images of ad with text appearing next to related videos, as a part of a search result, or on the YouTube homepage Outstream Ads: Mobile-only ads appearing outside of YouTube, on websites and apps running on Google video partners Masthead: Large ads at the top of the YouTube homepage or YouTube app	Ad auctions [1]	89% of small businesses use a combination of paid ads and organic content on YouTube[M] YouTube ads generated $29.2 BB in 2022, up from $28.8 BB in 2021[M]
In-App Social Media Storefronts and Marketing Solutions	Meta Ads (Facebook/ Instagram) https://www.facebook.com/business/ads https://business/instagram.com/advertising	2007	Advertisements Ad analytics	Complex analytics of ad campaigns Ads for new or custom audiences, with automatic refinements applied by Meta over time, to run on Facebook and Instagram, with pairings to Messenger and WhatsApp Cross Platform Advertising: Ads run on Facebook, can also run on Instagram, Messenger, and WhatsApp seamlessly Ads for new or custom audiences, with automatic refinements applied by Meta over time, to run on Facebook and Instagram, with pairings to Messenger and WhatsApp integrations	Ad auctions [1]	Facebook ad revenue was $113.6 BB in 2022[N]

Type of Facilitator	Facilitator Name	Year Founded	Core Products and Services	Additional Products and Services	Price Range	Selected Data Points
Third-Party Hosted Storefronts & Delivery Services	Grubhub[2] https://get.Grubhub.com/	2004	Grubhub App/Marketplace Promotion and Loyalty Tools Virtual Restaurants Merchant Portal Grubhub Direct Tech and POS integrations	Virtual Restaurant: Grubhub allows restaurants to create digitally-native "restaurants" from their existing brick-and-mortar restaurants. The restaurant then prepares food for orders placed with the virtual restaurant. Virtual restaurant orders can only be placed digitally and are only available for delivery or pickup and may feature new products that aren't normally available from the kitchen preparing the virtual restaurant menu. Grubhub offers services for the creation of these virtual restaurants. Grubhub Direct: Grubhub will create a website for the restaurant through which customers can place orders, with no commission	Basic: 15% (includes 10% delivery fee) Plus: 20% (includes 10% delivery fee) Premium: 25% (includes 10% delivery fee)	For the duration of a new customer promotion, restaurants see on average 72% more new customers on Grubhub when running promotions[O] 32 MM active diners[P] 300,000 restaurants of which 280,000 are partnered with Grubhub[Q]
Third-Party Hosted Storefronts & Delivery Services	Postmates[3] https://merchants.ubereats.com/us/en/s/postmates/	2011	Food, drinks, groceries delivery and pickup Postmates membership	Postmates allows customers to order from stores and from non-partnered restaurants	15%-30% commission on each order	N/A [3]
Third-Party Hosted Storefronts & Delivery Services	Toast https://pos.toasttab.com/	2012	Restaurant management systems Digital storefront systems Marketing & loyalty systems Payroll & team management systems Financial service solutions	Toast Marketing: Integrated email marketing Toast Gift cards: Digital and physical gift cards Toast Loyalty: Loyalty programs both in-store and digitally Toast Capital: Toast offers funding and financial service solutions for restaurants, such as loans ranging from $5,000 to $300,000 with different pay structures	Starter Kit - Pay-as-You-Go: (2.99% of sales + 15c per transaction) - Standard plan: (2.49% of sales + 15c per transaction) + (3.50% + 15c per transaction) + $69/month POS software subscription + $799 for hardware bundle Point of Sale - Starting at $69/month: cloud-based POS + custom hardware configuration Essentials - Starting at $165/month: cloud-based POS + custom hardware configuration + digital ordering Custom - Custom pricing depending on chosen features Restaurant Basics Package - $110/month + $4 per employee/month: POS + Payroll + Additional employee management tools (Business Insurance, Vestwell 401K, Toast PayCard)	As of December 31, 2021 Toast operates in approximately 57,000 restaurant locations [R] As of December 31, 2021, Toast was processing over $57 BB of gross payment volume in the trailing 12 months [S]
Third-Party Hosted Storefronts & Delivery Services	Instacart https://www.instacart.com/company	2012	Instacart Platform Fulfillment Ads Insights	Fulfillment: Offers warehouses that help optimize delivery Caper Carts: Specialized carts that use AI and a POS system to help users shop faster Caper Counter: An AI-powered contactless self-checkout device	There is no fee for retailers to partner with Instacart	Total grocery revenue increased by $6.4 BB from 2013 to 2020 [T] 800+ partners (grocery and retail) [U] 9.6 MM active users in 2020 [V]
Third-Party Hosted Storefronts & Delivery Services	Drizly [4] https://bevalcinsights.com/become-a-drizly-retail-partner/	2012	Alcohol delivery (and extras such as mixers, soda, party supplies, syrups, etc.)	Driver app: See new orders, monitor activity, track deliveries, and analyze order history. ID verification scanner: A scanner that ensures compliance with age regulations at delivery	SMBs only pay on a per-order basis. There are no fixed costs associated with Drizly (i.e., no sign-up fees, maintenance fees, minimums, etc.) For more specific pricing structure, SMBs are asked to contact the Drizly team	4.8K retail partners, consisting of liquor stores, bodegas, specialty shops, and more [W] 230+ average monthly orders/store [W] 350% average growth in sales in 2020 [W]

Type of Facilitator	Facilitator Name	Year Founded	Core Products and Services	Additional Products and Services	Price Range	Selected Data Points
Third-Party Hosted Storefronts & Delivery Services	DoorDash https://get.doordash.com/en-us	2013	Food delivery Advertising for businesses within app	Brand Licensing: License an existing brand with an already established brick-and-mortar to launch a virtual restaurant Storefront: Commission-free digital ordering on a business' website. Business owners can add a Storefront link to their website, social media, Yelp, or Google Business Profile. Orders will be received via DoorDash tablet or a POS system Capital: Financing for merchants (typically access to capital of $5,000 to $15,000 or more) through a partnership between DoorDash and Parafin (business financing provider). DoorDash Capital is a cash advance (offer is based on sales and account history) with a one-time fee, and is not a loan with an interest rate On-Demand Delivery: Delivery from a business-owned app or website by using DoorDash deliverers for a flat fee per delivery Promotions: In-App Advertising	Partnership Plans: - Basic: 15% delivery commission and 6% pickup commission - Plus: 25% delivery commission and 6% pickup commission - Premier: 30% delivery commission and 6% pickup commission Additional pricing: - Storefront: 2.9% + $0.30 credit card processing fee - On-Demand Delivery: $6.99-$10.99 flat fee for delivery orders	Restaurants see an average of 26% more incremental sales when they added Storefront [X] Over 25 MM monthly active users [Y] 1.4 BB orders completed globally in 2021 [Z]
Third-Party Hosted Storefronts & Delivery Services	Deliveroo https://restaurants.deliveroo.com/en-gb/	2013	Restaurant food delivery service and on-demand grocery service Marketing Custom Packaging Technology Food Photography Restaurant Hub	Deliveroo Technology: Tablet with printing capabilities. Also includes the ability to connect a Deliveroo menu to the business's point-of-sale (POS) system Deliveroo Marketing (Marketer): Promotes a business to local customers through the Deliveroo app, with marketing emails, and by including it in social media and Google ads Professional Restaurant Photography: Professional menu photography sold in two packages: Gold (25 item photos) and Silver (15 item photos)	Commission: 25 to 35% per order Varies based on number of locations and/or region, among other factors	170,000+ restaurant and grocery partners globally [Z] 10M+ app downloads [Z] 180,000+ riders globally [Z] 301 MM orders in 2021 [AA]
Third-Party Hosted Storefronts & Delivery Services	Uber Eats https://merchants.ubereats.com/	2014	Marketplace Web Shop Same-day delivery Orders: POS integration and Uber Eats Orders app Operations: Analytics and insights, menu management, contactless ordering Sales: Ads, promotions, loyalty program Customers: customer reviews, top Eats, Instagram integration	Web shop: Customers can place orders for delivery and pickup directly through the restaurant's existing website, or through the Uber Eats website Uber Direct: Same-day delivery POS Integration: Connects Uber Eats platform with existing machine/hardware Loyalty program: Allows a business to create customizable deals and referral offers for customers	Web Shop fee: 2.5% order processing + $0.29 per order Contactless Menu: QR codes are free. SMB's will be charged a 2.5% fee to cover payment processing costs	780K+ total active merchants on the Uber Eats platform globally, 60%+ are SMBs [AB] 84% of SMB's report that offering delivery or pickup with Uber Eats has increased their revenue and by an average of 15% [AB] Minority-owned SMBs report their revenue has increased by an average of 19% because of Uber Eats [AB] Uber Eats exited 2021 with over 6 MM members for its Uber One, Uber Pass, Eats Pass and Rides Pass membership programs [AC]

Type of Facilitator	Facilitator Name	Year Founded	Core Products and Services	Additional Products and Services	Price Range	Selected Data Points
Third-Party Hosted Storefronts & Delivery Services	Shipt https://www.shipt.com/delivery	2014	Same-day Grocery Delivery Shipt App Shipt Marketplace	Shipt Driven: A last mile delivery solution. Shoppers deliver goods to Shipt users. Orders can be placed in the Shipt app or on a retailer's website	No fee for retailers to partner with Shipt	252% increase in deliveries from 2019 to 2021 [AD] 11% increase in deliveries from 2021 to 2022 [AD] 200 retailers available across Shipt in 2022 [AD] 5,000 cities covered [AE] 120+ retailers and growing [AE] 300k shoppers to serve customers [AF]
Ecommerce-enabling Website Tools	Squarespace https://www.squarespace.com/pricing	2003	Websites	Squarespace Video Studio: Helps businesses create high quality videos Logo Maker: Allows businesses to make a logo Squarespace Scheduling: Allows users to book and make appointments through the website	Personal: $16/mo. Business: $23/mo. Commerce: $27/mo. Commerce Advanced: $49/mo.	Squarespace unique subscriptions increased 4.1% to 4.2 MM from September 30, 2021 to September 30, 2022 [AG]
Ecommerce-enabling Website Tools	WordPress https://wordpress.org/	2003	WordPress Website Hosting Domain name Website and blog creation Professional email Enterprise solutions (agile content marketing, content management, content analytics & optimization, ecommerce solutions, platform, security)	Website Design Service: WordPress will build a custom website for their customer	Free: Base package is free Personal: $4/mo. billed annually or $9/mo. billed monthly Premium: $8/mo. billed annually or $18/mo. billed monthly Business: $25/mo. billed annually or $40/mo. billed monthly Commerce: $45/mo. billed annually or $70/mo. billed monthly Enterprise: Starts at US $25,000 annually	40% of the web is built on WordPress [AH] Almost three-quarters of Professionals using WordPress were using it as a Content Management System (CMS) in 2020 [AI] [5] More than half (51%) of the Professionals said it takes 20-60 hours to launch their typical WordPress project in 2020 [AJ] In a 2020 survey, respondents most often used WordPress on a freelance/independent basis (22%) [AK] Most clients of Professional respondents are from small businesses (72%), significantly lower than 2019 (87%). However, a significantly higher proportion (40%) of clients are from a large business, compared to 2019 [AL]
Ecommerce-enabling Website Tools	Vimeo https://vimeo.com/	2004	Videos Video creation tools Stock photos Video templates	Collaboration: Users can add team members to their account who can then collaborate/comment on videos within Vimeo. Includes features such as time stamped notes, voice recordings, file sharing, managing editing permissions, etc. Vimeo OTT: Allows customers to run their own video streaming channel and charge for subscription	Starter: $9/month Standard: $25/month Advanced: $65/month Enterprise: SMBs must reach out to the Vimeo team	Vimeo has over 260 MM registered users [AM] 300,000 new videos are uploaded daily [AM]
Ecommerce-enabling Website Tools	Wix https://www.wix.com/business/website	2006	Websites with built-in management tools and secure payment solutions	Abandoned cart recovery Social Post: Wix's tool to design social media post Facebook Ads: Wix engineers specific ads to run on Facebook	Website Plans (Professional Site): $16-$45/month Business and Ecommerce Plans: $27-59/month Enterprise Plans: SMBs must reach out to the Wix team	In 2020, 79.2% of Wix's revenues came from creative subscriptions and 20.8% from business solutions [AN] As of December 31, 2020, 85% of Wix's active premium subscriptions were for a one year period or more and 15% were monthly [AO] Over 220M SMBs use Wix [AP]

Type of Facilitator	Facilitator Name	Year Founded	Core Products and Services	Additional Products and Services	Price Range	Selected Data Points
Ecommerce-enabling Website Tools	Shopify https://www.shopify.com/	2006	Websites POS Marketing tools Analytics and business management tools	Search Engine Optimization ("SEO"): Offers tools to help increase reach POS System: Allows in-person transactions, inventory tracking, staff management and more Users can sell and promote through multiple social media platforms (like through a Shopify integration with YouTube for YouTube Shopping) Capital: SMBs can manage banking through Shopify	Basic: $29/mo. Shopify: $79/mo. Advanced: $299/mo.	A large majority of merchants are on subscription plans that cost less than $50/month [AQ] As of December 2021, Shopify had approximately 2,063,000 merchants [AQ] No merchant has ever been more than 5% of Shopify's total revenue [AQ]
Ecommerce-enabling Website Tools	Weebly [6] https://www.weebly.com/	2007	Websites, including for ecommerce	Weebly Promote: Allows for easy website integration of email marketing, SEO and marketing partners (MarketGoo, SiteWit), security partners (McAfee SECURE, Sales Pop), delivery partners (Printful, Shippo), and e-commerce software	Free: $0 Personal: $10/mo. billed annually or $13 month-to-month Professional: $12/mo. billed annually or $16 month-to-month Performance: $26/mo. billed annually or $29 month-to-month	N/A [6]
Payment Processing Tools	PayPal https://www.paypal.com/us/business	1998	Digital and non-digital payment system	Pay Later: Offers "pay later" and "pay in installments" features	Card-present and QR code transactions: 2.29% + $0.09 per transaction Card reader: $29 for first, $79 for subsequent Terminal: $199 for terminal only, $239 with add a barcode scanner, and $269 with printer and dock Manual card entry, and invoicing transactions: 3.49% + $0.09 per transaction	28% increase in checkout when PayPal is selected [AR] 39% cart size increase and boost in conversion rates seen by merchants who use Pay Later [AS] 72% of buy now, pay later users are more likely to complete a purchase if a buy now, pay later option is available [AS]
Payment Processing Tools	Rakuten https://business.rakuten.com/solutions/	1998	Cash Back Discounts In-app advertising Personalized offers	Cash Back: Consumers earn cash back on a variety of products when they shop	Free: Rakuten splits the commission from partnering with businesses with customers and takes the rest itself	1.2 BB users globally [AT] 17 MM members in the US [AT]
Payment Processing Tools	Clover [7] https://www.clover.com/	2010	Card Readers & POS devices POS System Invoicing Clover Virtual Terminal	Clover Virtual Terminal: Allows business to accepts payments digitally and tracks sales data Creates invoices SMBs can email to customers and they can pay digitally	Varies by business type and service but $14.95-$175	Available in 100 countries [AU] Used at more than 6 MM merchant locations every year [AU] In 2021, the merchant business processed 78 BB transactions, including 21 BB E-commerce transactions [AU]
Payment Processing Tools	Square [8] https://squareup.com/us/en	2009	E-commerce payment processing Customer outreach and marketing Banking Staff management tools and payroll services	Square POS System: Physical terminal that allows businesses to process payments Virtual Terminal: Turns a computer or smartphone into a credit card terminal Banking: Square offers businesses checking and savings accounts and loans	Software and Services: $0-$35 Hardware: $0-$1,479 Processing Fees: - Card Present: 2.6% + 10 cents per transaction - Card not present: 2.9% + 30 cents per transaction - Manually input customer info: 3.5% + 15 cents per transaction	$152.8 BB gross payment volume in 2021 [AV] 3 BB card payments (# times people used cards via platform) processed in 2021 [AV] 526 MM unique cards used for payments in Block transactions in 2021 [AV] 261 MM Buyer Profiles [AV]

Type of Facilitator	Facilitator Name	Year Founded	Core Products and Services	Additional Products and Services	Price Range	Selected Data Points
Payment Processing Tools	Venmo [9] https://venmo.com/business/start/	2009	Venmo app Venmo Debit Card Venmo Credit Card POS System	POS: SMBs can set up a business profile and customers can pay in-person with Venmo, through its app Credit Card: Traditional credit card with cash back benefits, allows users to purchase crypto with cashback as well Venmo App: Users can send money to people/ businesses through the Venmo app	3.49% + $.49 per US transaction for businesses Free for customers to send/receive money	N/A [9]
Payment Processing Tools	Stripe https://stripe.com/	2010	Payments Revenue and Financial Management Banking-as-a-Service	Stripe Terminal: A physical terminal that allows users to accept payments Payment Links: Users can create a full payment webpage, shareable by a clickable link Financial Connections: Allows customers to share their financial data with businesses in order to streamline payments Atlas: Helps streamline launching a start-up. It primarily consist of paperwork and legal documents Climate: Directs a fraction of revenue to help fund carbon removal technologies Stripe Capital: Provides access to financing and loans Issuing: A physical credit/debit card for SMBs to use Treasury: Helps users provide banking-as-a-service with integration of stored value accounts, bank accounts, and more into SMBs' platforms	Stripe Payments: 2.9% + 30 cents per successful transaction Stripe Terminal: - 2.7% + 5 cents per transaction - $59 Stripe Reader M2 - $249 BBPOS WisePOS E Stripe Connect: - Standard: Included w/ stripe - Express: $2/month + 0.25% + 25 cents per payout - Custom: $2/month + 0.25% + 25 cents per payout Stripe Payment Links: - Pay-as-you-go: Starts at 20.9% + 30 cents per successful charge - Post-payment invoices: 0.4% on transaction total, $2.00 cap per invoice Stripe Issuing - Standard: 10 cents per virtual card - $3 per physical card - $15 per lost dispute - 1% + 30 cents per international payment Atlas setup fee: $500 Atlas renewal fee: $100 per year	$640 BB in payments processed in 2021, up 60% from 2020 [AW] 1,400 companies joined Stripe each day in 2021 [AW] More than 100 business passed $1 MM payments processed on Stripe in 2021 [AW] 60% of technology companies that went public in 2021 were Stripe customers [AX]
Buy Now Pay Later Tools	Splitit https://www.splitit.com/installments-as-a-service/	2012	Payment Installments	Installment Plans: Shoppers can split their payments over 2-12 monthly installments	Subscription fee: $75/month Standard: Splitit charges 2% of the transaction amount + $1.50 per installment Funded: From 3.5% of transaction amount + $0.50 per installment	Average Order Value (AOV) remained above US $1K in FY21 [AY] 1,250 Merchants [AY] 330,000 active users [AY]
Buy Now Pay Later Tools	Afterpay https://www.Afterpay.com/en-US/for-retailers	2014	Buy-now-Pay-Later (BNPL) Money App Digital Wallet Card	Afterpay: Allows SMBs to get paid in full for goods/services while the customer can split the cost of the item over 4 interest free payments Use Card: Digital card customers can add to their digital wallet to use Afterpay at businesses/stores in person. Businesses must accept Afterpay as a payment method	4.17% Merchant fee	19 MM active global customers [AZ] 98,200 active merchants [BA] According to Afterpay, shoppers who use Afterpay shop 50% more frequently than those who do not [AZ]

Type of Facilitator	Facilitator Name	Year Founded	Core Products and Services	Additional Products and Services	Price Range	Selected Data Points
Logistics Solutions	USPS https://www.usps.com/business/	1775	Shipping Supplies Shipping Services Mail Advertisement USPS Loyalty Program Web Tools	USPS Connect: Allows small businesses to have same day shipping Web Tools: Gives ecommerce websites shopping carts and shipping software as well as access to USPS data, price calculators, and address validation/standardization	Stamps: $0.63 - $1.45 Shipping: $.0183 - $28.75 Offers Discounts for businesses with bulk mailings, depending on parcel type	7,186,000,000 packages delivered in 2022 [BB] 48,940,000,000 pieces of First Class Mail delivered in 2022 [BB] 67,092,000,000 pieces of marketing mail delivered in 2022 [BB] 142,328 city routes in 2022 [BC] 81,615 rural routes in 2022 [BC] 9,642 highway contract routes in 2022 [BC]
Logistics Solutions	UPS https://www.ups.com/us/en/business-solutions/business-shipping-tools.page	1907	Warehouse Management Package Insurance International Shipping Shipping Marketplace Shipping UPS Digital Connections Branded Tracking Electronic Data Interchange UPS Mail Innovations UPS My Choice	Smart Pickups: UPS comes to pickup packages only when a package has been registered in their system, instead of on a regular schedule Market Place Shipping: Helps manage an SMB's shipments across Amazon and eBay. Ware2Go: On-demand warehouse and fulfillment network owned by UPS; supply chain management Electronic Data Interchange: Application that allows business to electronically and directly send documents to each other UPS Digital Connections: Helps connect SMBs with tech partners with discounted pricing, must have a minimum shipping revenue UPS My Choice: An account to manage shipping and orders	Shipping Rates vary by volume, and the type of package being sent. UPS Branded Tracking: $9.99 UPS My Choice: Free	Approximately 24.3 MM packages and documents shipped per day in 2022 [BD] Approximately 1.6 MM shipping customers and 11.1 MM delivery recipients per day in 2022 [BD] Approximately 743.5 MM digital tracking request per day in 2022 [BD]
Logistics and Shipping Solutions	DHL https://www.dhl.com/us-en/home/dhl-for-business.html	1969	DHL Parcel International Direct DHL Duty and Tax Calculator Shipment Value Protection Delivery Confirmation Service DHL Global Freight Forwarding DHL Same Day Delivery Customer Web Portal	DHL Duty and Tax Calculator: API integration that calculates duties, taxes and governmental fees DHL Same Day: Can pick up packages and deliver them in the same day	Shipping Rates vary by volume, and the type of package being sent	Shipped more than 1.1 BB parcels for its ecommerce solutions division [BE] 14 MM square meters of warehousing and operational space for its supply chain division [BF] Serves 220 countries and territories [BG]
Logistics and Shipping Solutions	FedEx https://www.fedex.com/en-us/small-business.html	1971	FedEx Express Segment FedEx Ground Segment FedEx Freight Segment FedEx Services Segment	FedEx Custom Critical, Inc. (time-critical transportation)	Shipping rates vary by volume and by the type of package	As of May 31, 2022, FedEx Ground contracts with over 6,000 independent small businesses to conduct its linehaul and pickup-and-delivery operations [BH] FedEx average daily package volume is 16.5M [BI]
Logistics and Shipping Solutions	LaserShip https://lasership.com/	1986	Transcontinental Ecommerce Delivery Residential Ecommerce	Last mile ecommerce delivery services Delivers in 30 states and serves as an alternative to traditional shippers like UPS and FedEx	Shipping varies by weight of package and delivery zone: $10-74.72 dollars There are also surcharges for fuel	Over 250 MM consumers in 31 states, plus Washington DC [BJ] 1.9 days reduction in delivery time [BJ] 97% on-time delivery performance [BJ] 10 -35% cost savings for retailers [BJ]

Type of Facilitator	Facilitator Name	Year Founded	Core Products and Services	Additional Products and Services	Price Range	Selected Data Points
Logistics and Shipping Solutions	Stamps.com https://www.stamps.com/enterprise/	1998	Shipping Warehouse Stamps & Postage	USPS Access: Access to all USPS mail classes and special services USPS Integration: Integration of USPS shipping services into warehouse workflow	Pro: $19.99 Premier: $24.99 Enterprise: Must contact Stamps.com for individual pricing	Over $36 BB total postage printed [BK] Over 26 MM packages shipped per month w/ Stamps.com in 2017 [BK] Over 30% of all priority mail shipped through Stamps in 2017 [BK]
Logistics and Shipping Solutions	Shippo https://goshippo.com/	2013	Web App Integrations Shipping Insurance Shippo for Platforms Shipping API Shipping Elements	Shippo for Platforms: Ability to integrate Shippo directly into platforms like Shopify, making it an end-to-end experience Shipping API: A single integration to 85+ carriers Shipping Elements: Embeddable components that make shipping easier for ecommerce. Offers tools from store builders to logistics management systems	Starter: Free Professional: $10/month Premier: Must contact Shippo for individual pricing	Shippo has more than 100K SMBs represented [BL] 100MM+ shipments annually [BL] 77% Average YOY growth for Shippo Brands [BL]
Logistics and Shipping Solutions	ShipStation https://www.shipstation.com/	2013	Order Management Shipping Customized Branding for orders Inventory Management	Order Management: Integrates with over 70 different sites and can offer order reports, split orders, give shipment reports and more Discounts: Businesses can save up to 88% on shipping	Starter: $9.99/month Bronze: $29.99/month Silver: $59.99/month Gold: $99.99/ month Platinum: $149.99/month Enterprise: $229.99/month	Partners with over 100 carriers, marketplaces, and selling channels [BM]

Notes:

[1] Google/YouTube: AdSense uses an auction to select the ads that appear on a website and to determine how much the owner of the site earns from those ads. All ads pay different amounts of money, depending on factors such as how much an advertiser has bid for the ad. The ad that wins the auction is the one that the user sees on the website. For more see: https://support.google.com/adsense/answer/160525?hl=en.
Meta: Each time there is an opportunity to show an ad to someone an auction takes place to determine which ad is displayed. The winner of the auction is the ad with the highest total value based on bid, estimated action rates (e.g., click-through-rate), and ad quality. For more see: https://www.facebook.com/business/help/430291176997542.

[2] Grubhub is a subsidiary of JustEatTakeaway.

[3] Postmates is owned by Uber. Due to Uber's reporting methods, it was difficult to find data specific to Postmates.

[4] Drizly is a subsidiary of Uber.

[5] WordPress Professionals are those who work for a company that designs/develops websites; who use WordPress to build websites and/or blogs for others; who design or develop themes, plugins, or other custom tools for WordPress sites; or are a designer, developer, or other web professional working with WordPress.

[6] Weebly is owned by Square. Due to Square's reporting methods, it was difficult to find data specific to Weebly.

[7] Clover is a subsidiary of Fiserv.

[8] Square is a subsidiary of Block.

[9] Venmo is a owned by PayPal. Due to PayPal's reporting methods, it was difficult to find data specific to Venmo.

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Exhibit 2

Exhibit 2: Valuation Metrics of Selected Retail Facilitators

Type of Facilitator	Facilitator Name	Competitors	Funding[1]	2017 [2] Employees	2017 [2] Revenue	2022 [2] Employees	2022 [2] Revenue
Mainstream Digital Marketplaces	Amazon [A],[3]	Initially: Barnes & Nobles Now: Microsoft, UPS	$8.1B (3 rounds)	2017: 566K	$106.1 B	+1.5M	$315.8 B
Mainstream Digital Marketplaces	eBay [B]	Initially: Etsy, Amazon Now: GOAT, StockX	$1.2B (3 rounds)	2017: +14K	$9.6 B	11.6K	$9.8 B
Mainstream Digital Marketplaces	Etsy [C]	Initially: eBay Now: Alibaba, Amazon, Facebook Marketplace	$97.3M (9 rounds)	2017: 744	$441 M	2.8K	$807 M
In-App Social Media Storefronts and Marketing Solutions	Facebook (Meta) [D]	Initially: Instagram, MySpace Now: TikTok, BeReal, Snapchat	$26.1 B (17 Rounds)	2017: +25K	$40.7 B	75K	$116.6 B
In-App Social Media Storefronts and Marketing Solutions	YouTube [E],[4]	Initially: Vimeo, Netflix Now: Peacock, Hulu, Disney+	$4.3 M (2 rounds)	2017: NA	$8.1 B	NA	$29.2 B
In-App Social Media Storefronts and Marketing Solutions	Instagram [F]	Initially: Tumblr, Vine, Periscope Now: Tik Tok, Snapchat	$57.5 M (3 rounds)	2012: 13	$4.1 B	18.9K	$51.4 B
In-App Social Media Storefronts and Marketing Solutions	Google [G],[5]	Initially: Bing, Firefox Now: Disney +, Visa, Facebook	$26.1 M (3 rounds)	2017: +80K	$110.8 B	+190K	$224.5 B
Third-Party Hosted Storefronts & Delivery Services	Toast [H]	Clover, Square, Shopify	$962 M (8 rounds)	2021: +3K	2021: + $1.7B	4.5K	$2.7 B
Third-Party Hosted Storefronts & Delivery Services	Instacart [I]	goPuff, Shipt, FreshDirect	$2.9 B (19 rounds)	2017: 300	$300 M	3K	$2.5 B
Third-Party Hosted Storefronts & Delivery Services	DoorDash [J]	Initially: Seamless, Postmates, Uber Eats Now: Shipt, Instacart, Gorillas	$2.5B (13 rounds)	2020: +3.8K	2018: $291 M	16.8K	$6.6 B
Third-Party Hosted Storefronts & Delivery Services	Uber Eats [K],[6]	Initially: Seamless, DoorDash Now: Instacart, Gorillas	$25.2 B (32 Rounds)	2020: 22.8K	2020: $3.94 B	32,800	$10.9 B
Ecommerce-enabling Website Tools	Squarespace [L]	Wix, Canva	$578.5 (4 rounds)	2021: 1.6K	$300 M	1,800	$867 M
Ecommerce-enabling Website Tools	Wix [M]	Squarespace, Weebly, GoDaddy	$58.5 M (6 rounds)	2017: +2K	$425.6 M	5.5K	$1.4 B
Ecommerce-enabling Website Tools	Shopify [N]	Initially: Squarespace, Wix Now: Square, Clover	$122.3 M (4 rounds)	2017: 3K	$673.3 M	11.6K	$5.6 B
Payment Processing Tools	PayPal [O]	Initially: Square, Venmo Now: Apple Pay, CashApp, Stripe	$216 M (5 rounds)	2017: 18.7K	$13 B	29.9K	$27.5 B

| | | | | 2017 [2] | | 2022 [2] | |
Type of Facilitator	Facilitator Name	Competitors	Funding[1]	Employees	Revenue	Employees	Revenue
Payment Processing Tools	Square (Block) [P],[7]	Initially: Visa, MasterCard Now: Apple Pay, Google Pay	$601.2M (10 rounds)	2017: +2.3K	$2.2 B	12.4K	$17.5 B
Payment Processing Tools	Stripe [Q],[8]	Initially: PayPal, Mastercard Now: Clover, Shopify, Square	$8.7 B (19 rounds)	2021: NA	$640 B (in processing volume)	NA	$817 B (in processing volume)
Buy Now Pay Later Tools	Splitit [R],[9]	Initially: Discover, American Express Now: Affirm, Klarna, AfterPay	$275.1 M (7 rounds)	2018: NA	$59 K	NA	$10.6M
Buy Now Pay Later Tools	AfterPay [S]	Initially: Discover, American Express Now: Affirm, Klarna, Splitit	$448.7 M (3 rounds)	2017: <30	$23 M	1.3K	2021: $924.7 M
Logistics and Shipping Solutions	LaserShip [T],[10]	Initially: FedEx, UPS Now: Shippo	NA	2020: NA	$715 M	NA	NA
Logistics and Shipping Solutions	Stamps.com [U]	Initially: USPS, FedEx Now: ShipStation, ShipBob	NA	2017: 825	$468.7 M	1.1 K	$758 M
Logistics and Shipping Solutions	Shippo [V],[11]	ShipStation, ShippingEasy	$154.3 M (8 rounds)	2019: 80	NA	174	$6.5 M

Notes:

[1] As reported by Crunchbase. Figures may not be inclusive of all dollar amounts per funding round.

[2] 2017 and 2022 were used when available to highlight the company's growth. When 2017 was not available, another equally relevant reference year was used.

[3] Amazon revenues solely consist of "Net Sales North America."

[4] YouTube is a subsidiary of Alphabet Inc. Due to their reporting methods, it is difficult to find data specific to YouTube.

[5] Google revenue solely consist of "Ad revenue."

[6] Uber Eats employees represent all of Uber employees as reported in their 10K.

[7] Square became Block in 2021 thus revenues after 2021 include Square and all its subsidiaries.

[8] Stripe is a private company and due to their reporting methods, it was difficult to find specific data points.

[9] Splitit is a private company and due to their reporting methods, it was difficult to find specific data points.

[10] LaserShip is a private company and due to their reporting methods, it was difficult to find specific data points.

[11] Shippo is a private company and due to their reporting methods, it was difficult to find specific data points.

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Type of Facilitator	Facilitator Name	Competitors	Funding[1]	2017 [2]		2022 [2]	
				Employees	Revenue	Employees	Revenue

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