Jesse Bloom – Venture Capital Case Studies FBO Imaginary Ventures – February 17, 2020

Tipser: Monetizing content by breaking down the walls of the internet

Team: Tipser was founded by Marcus Jacobsson and Jonas Sjöstedt, two Swedish veteran operators. Jacobsson has a broad resume, ranging from being deputy CEO of the Swedish Herbal Institute to overseeing international expansion for a large public cosmetics company. Notably, he previously founded Kortio, a credit card marketplace that was acquired in December. Sjöstedt is the former CTO of Whispr, a large AI-focused digital marketing agency with clients like McDonald's, Coca-Cola, and Disney. The founder and CEO of Whispr, Joakim Leijon, was one of the first investors in Tipser.

Product: Traditionally, to monetize internet content, a publisher collects a fee to display ads on its website, which when clicked, redirect the viewer to the advertiser's landing page for further shopping. Through Tipser's software stack, this interaction from content viewing to product browsing to checkout, is contained wholly on the publisher's website. This method of digital affiliate advertising, known as distributed commerce, is said to dramatically outperform traditional ads by reducing transaction friction and without expelling the viewer from the publisher's content. The company has been around since 2011, but there are signs that there may be new traction. In January, Tipser acquired a complimentary technical platform that can expand the core product to larger channels like Google, and a recent Forbes article quotes the CEO in saying that growth was five times greater in 2019 than 2018. Tipser announced that the combined company saw about $3.5 million in sales in the broken fiscal year (18/19).

Market: Digital advertising is a $360 billion global market growing roughly 10% annually, according to Statista. Affiliate advertising, the act of a publisher promoting a retailer's product on its site and receiving commissions, represents about 15% of the digital advertising market. Ecommerce is a $3.5 trillion global business growing about 20% per year, and the dizzying pace of new content publishing is only expected to accelerate as mobile internet penetrates emerging markets. There has been interesting validation in the space with similar in-app purchasing capabilities launched by Instagram, and new platforms like Patreon raising hundreds of millions from VCs to support content creators. Innovating in this market presents an unbounded opportunity, and in my limited ability to diligence the defensibility of this technology, I have not found any substantial competition or IP. The largest affiliate marketers today, like ShareASale, Ebay, and Amazon, still ask publishers to post links that steal viewers. Given a choice, I believe that all publishers would prefer the Tipser model.

Exit: Tipser is an attractive acquisition target for any major advertiser because the product is easy to incorporate into an existing offering portfolio and its European operations, currently partnering with 10 of Europe's top 15 publishing houses, would immediately expand an agency's reach. Additionally, an American firm acquiring a company based in a highly taxed jurisdiction like Sweden would allow for creative tax synergies. Over the last five years, adtech represented about 0.15% of VC investment dollars, according to Pitchbook, down from 0.75% in the five years prior, reducing the likelihood that valuations are overheated. Similarly, it isn't the most reliably prolific exit market, but it has shown recent signs of resilience. Adtech represented 0.93% of exits over the last five years, up from 0.80% in the five years prior. I am keenly aware of Pitchbook's data shortcomings and will continue to search for contradictory information.

Thesis: Instead of a retailer knocking on your virtual door and asking you to get in your car and follow him to his store to shop, Tipser lets a retailer walk right into your living room armed with product and a register. Tipser tears down the walls of the internet.