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Online Retail Venture StartHere Shops for Investors

ByGillian Tan

Australian startup StartHere is launching a Series A raising, targeting up to 2 million Australian dollars (US\$2.05 million) to lay the foundation for growth.

Since launching its platform in September last year, StartHere has gained more than 57,000 members who have been attracted to a cashback incentive if they shop through the site. Cash is paid back to shoppers monthly by the startup and can range from between 1% to more than 11% of the total transaction value.

More than 1,200 merchants including Apple Inc.'s Apple Store, Dell Inc., Marks & Spencer, Macy's, Amazon Inc. and Expedia are among the online retailers that pay StartHere a commission for every online transaction made through the site.



Bloombera News

Apple Inc. products are among those w hich StartHere can receive a cashback incentive for purchasing

"It's a rapidly growing business, and though it's not yet profitable, funds from the raising will be used to accelerate growing the member base in Australia initially as well as Asian markets like Hong Kong where we've recently done a soft launch," co-founder and chairman Adir Shiffman said Friday. A\$1 million in equity is being sought, with room for over-subscriptions of another A\$1 million.

He said StartHere's next target markets could include India, Indonesia or Malaysia but was adamant that the startup wouldn't lay its roots in any new country without a local partner.

StartHere is aiming to grow its Australian membership base to between 500,000 and 1 million in the medium term.

But there are risks. The company's platform can only cope with 40,000 concurrent users and its membership base is much smaller than that of proven global peers. Whether the business can execute its

model at scale isn't certain.

U.K. peer Quidco has more than 2.8 million members and recorded its highest-ever cashback amount of 7,950.60 British pounds (US\$12,070) in 2007, according to its website. U.S. peer ebates.com, which is backed by venture capital firms August Capital, Canaan Partners, and Foundation Capital, has more than 12 million members and has paid back more than US\$85 million in cash since inception in 1998.

"The U.S. is still under-penetrated so North American players are focused there while those in Europe are now focused on nations like Germany, Austria, Switzerland, which have a combined market almost the same size as the U.S., so the Asia Pacific is ours to dominate," Mr. Shiffman said.

Mr. Shiffman has a track record in growing online businesses. He sold <u>HelpMeChoose.com.au</u>, a comparison site for mortgages, insurance products and health insurance, to <u>Mortgage Choice</u> Ltd. in July 2011 for an undisclosed amount.

"There's exposure to the growth of e-commerce without the headaches of logistics or fulfillment and it has the characteristics of a financial services investment since revenues are a clip of every transaction," Mr. Shiffman said.

He added that StartHere could become profitable even before the platform reached its initial target of processing 1% of Australia's A\$12.6 billion market of annual e-commerce transactions, a market that is projected by Forrester Research Inc. to grow to A\$33.3 billion by 2015. In the six months since inception, it has processed transactions worth A\$7.2 million.

"Merchants are also beginning to pay us to share offers with our very loyal membership base because they are such active shoppers. Metrics show the conversion rate of clicking through to purchase are around 25% through us and between 2% to 3% on the retailer's actual website," Mr. Shiffman said.

"These retailers understand that instead of spending endlessly on search engine optimization or on advertising, they can tap markets through us," he added.

Disruptive Capital, the venture capital arm of Sydney-based Aura Capital Group, is managing the raising for StartHere.

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