eCommerce Quarterly: Q1 2020

The Value of NPS

Net Promoter Score ("NPS") has emerged as the standard metric for measuring a company's customer sentiment and enthusiasm for their brand. Compared against other measures of customer sentiment, NPS has many advantages. Product Reviews are focused on products and don't capture customers' enthusiasm about a company overall. Customer surveys can inform a company about customers' opinions of their brand, but because of the uniqueness of surveys, it can't be distilled into a standardized metric comparable with other companies. Because of this, NPS has become the most commonly used metric to display customer sentiment and brand popularity.

What is NPS?

NPS is ranked on a score from -100 to 100 and measures how likely customers are to recommend a company to somebody else. For companies, the process of getting an NPS is straightforward—a one question survey is sent to a customer following a purchase asking "On a scale of 0 to 10, how likely are you to recommend this company's product or service to a friend or a colleague?" Depending on their answer, they will be categorized into three groups: Detractors (0-6), Passives (7-8), and Promotors (9-10). Finally, the score is calculated by the % of Promotors less the % of Detractors.

Is NPS a Valuable Metric?

Are there ways to test how worthwhile it is to pursue a high NPS? In theory, achieving a high NPS, which means a high percentage of customers are enthusiastic enough about a company's products to recommend them to friends, should produce the following effects: increased brand awareness, decreased marketing spend requirements, higher percentage of repeat buyers, and, potentially, better stock performance.

Company	NPS	Instagram + Twitter Followers	3 Yr. Avg. Marketing % of Revenue	Repeat Customer Rate	YTD Stock Performance
Chewy	86	500K	10%	90%	27%
PetMed Express	84	32K	9%	85%	23%
The RealReal	70	423K	18%	83%	-61%
Casper	60	275K	36%	23%	-68%
SmileDirectClub	57	438K	60%	N/A	-44%

While there are many third-party sources for measuring NPS, the numbers above are taken directly from SEC filings and are likely more accurate. Like LTV/CAC, publicly traded eCommerce companies rarely publish their NPSs. It's unclear why this is. It could be that they don't place importance on it, their scores are not good, or they don't wish to publish another metric that investors will use to compare their company against their competitors.

NPS & Brand Awareness

Does a higher NPS bring higher brand awareness? Using Social Media followers as a proxy for brand awareness, the results are mixed. Chewy has the highest NPS of its peers and the highest number of social media followers. This lines up with what we would predict to be the case. However, the lowest rated company amongst our sample for NPS, SmileDirectClub, has the second highest social media following and PetMed Express, which has the second highest NPS, has the lowest number of social media followers. Conclusion: there does not seem to be a clear correlation between NPS and brand awareness based on these observations.

NPS & Marketing Spend

Given the limited data set, we can't reach any definitive conclusions, however, we observe that the higher the NPS, the lower marketing spend required.

Company	NPS	Marketing
Chewy	86	10%
PetMed Express	84	9%
The RealReal	70	18%
Casper	60	36%
SmileDirectClub	57	60%

One factor that may be skewing results is that Chewy, PetMed Express, and The RealReal are all Marketplaces, which tend to have lower marketing spend requirements (you can see the distinct jump in marketing spend from The RealReal (Marketplace) to Casper (Brand)). With that said, the RealReal's NPS was fourteen points lower than PetMed Express and had double the marketing spend requirements. There's not much to glean from comparing Chewy and PetMed Express since both their NPS scores and their marketing spend requirements are nearly the same. One can consider them nearly equal and compare them as a duo vs. The RealReal within the realm of marketplace companies. In conclusion, even within the group of Marketplace companies, we see an instance of lower NPS being associated with higher marketing spend requirements.

NPS & Customer Retention

If your customers love your brand, then they keep buying your products.

Company	NPS	Repeat Customer Rate	Specific Metric
Chewy	86	90%	% of Revenue from subscribers ("Auto-Shippers")[1]
PetMed Express	84	85%	% of Revenue from repeat buyers ("Reorder Sales")[2]
The RealReal	70	83%	% of GMV from repeat buyers.[3]
Casper	60	23%	% of Revenue from repeat buyers.[4]
SmileDirectClub	57	N/A	N/A

Except for Chewy, the trend lines up with what would be predicted: the higher the NPS, the higher repeat customer rate. Aside from NPS, another factor influencing repeat purchase rate is business model. A large portion of Chewy's business model is subscription. Customers classified as "Auto-Shippers" automatically purchase products periodically throughout the year. Similarly, as a pet pharmacy, PetMed Express' model begets many repeat medicines ordered on behalf of pets.

1 https://www.sec.gov/Archives/edgar/data/1766502/000119312519124430/d665122ds1.htm
2 https://www.sec.gov/Archives/edgar/data/1040130/000143774919010894/pets20190331_10k.htm
3 https://www.sec.gov/Archives/edgar/data/1573221/000156459020010131/real-10k_20191231.htm
4 https://www.sec.gov/Archives/edgar/data/1598674/000104746920001618/a2241047z10-k.htm

NPS & Stock Performance

Not that we would argue that NPS and stock performance are too closely linked, but it's possible that during the COVID-19 induced-market-downturn like we've experienced in Q1 (and are still in the midst of experiencing as of publication), the companies who had more loyal customers fared better in the downturn than those without.

Company	NPS	YTD Stock Performance	Dow Jones YTD Stock Performance
Chewy	86	27%	-34%
PetMed Express	84	23%	
The RealReal	70	-61%	
Casper	60	-68%	
SmileDirectClub	57	-44%	

As seen above, the company with the highest NPS (not to mention a subscription model) fared the best out of the rest of the companies. Casper was the worst performer. Among other factors, this may have less to do with a lower NPS and more to do with a low repeat purchase rate (23%). Trying to acquire new customers in an economic downturn isn't ideal. In conclusion, it may not be so much that NPS keeps companies safer from downturn, but more so a business model that involves more non-discretionary products with a regular buying cycle (i.e., Chewy & PetMed Express). Not surprisingly, this also happens to correlate with a higher NPS.

Conclusion

Voluminous research suggests that NPS is a key metric for understanding a brand's health and vigor. Anecdotal evidence suggests it can be the most effective form of marketing. Unfortunately, available data limits our ability to tie this to and benchmark it across financial metrics. At the same time, the self-measurement and reporting nature of NPS creates further noise in the data. We look forward to collecting more such valid proof points and analyzing it against fundamental financial and market data. We do believe great companies invest in NPS and would welcome feedback and ideas from our readers on how they think about NPS when it comes to operating their business, making investment decisions, or their own consumer buying habits.

Private Market

Notable M&A Transactions[5]

BUYER	SELLER	DATE ANNOUNCED	ENTERPRISE VALUE	EV/TTM REV
OfferUp	letgo	03-25-2020	$120	N/A

Synopsis: As seen below, OfferUp needed to raise $120M from investors in order to acquire its competitor, LetGo. Both companies enable people to make local sales between each other.

BUYER	SELLER	DATE ANNOUNCED	ENTERPRISE VALUE	EV/TTM REV
1-800 flowers.com	PERSONALIZATION MALL	02-18-2020	$252	1.7x

Synopsis: Personalization Mall specializes in online gifting. Their owner, Bed Bath and Beyond (NAS: BBBY), had acquired Personalization Mall in 2016 for $190M.

BUYER	SELLER	DATE ANNOUNCED	ENTERPRISE VALUE	EV/TTM REV
atg AUCTION TECHNOLOGY GROUP	proxibid	02-14-2020	N/A	N/A

Synopsis: Auction Technology Group (ATG), through their Financial Sponsor TA Associates, sought to expand it's auction platforms through the acquisition. Proxibid specializes in auctioning high-value items.

BUYER	SELLER	DATE ANNOUNCED	ENTERPRISE VALUE	EV/TTM REV
TA ASSOCIATES	atg AUCTION TECHNOLOGY GROUP	02-14-2020	N/A	N/A

Synopsis: ATG specializes in online auction information and services to the fine art and antiques industry. Shortly after TA Associates acquired ATG, they (as seen above) acquired Proxibid.

BUYER	SELLER	DATE ANNOUNCED	ENTERPRISE VALUE	EV/TTM REV
COLGATE-PALMOLIVE	hello	01-31-2020	N/A	N/A

Synopsis: Hello specializes in organic, DTC oral health products. The Company has raised $6M+ in VC from BrandProject, Endeavor, Harmony Partners, and others.

5 Deal values shown in millions

BUYER	SELLER	DATE ANNOUNCED	ENTERPRISE VALUE	EV/TTM REV
GOODIEBOX	bette. IT'S THE LITTLE THINGS	01-27-2020	N/A	N/A

Synopsis: Bette Box, based in Finland, sends beauty products to their customers regularly through their subscription service. Deal terms were not disclosed.

BUYER	SELLER	DATE ANNOUNCED	ENTERPRISE VALUE	EV/TTM REV
LVMH	Kat Von D	01-16-2020	N/A	N/A

Synopsis: LVMH (PAR: MC) acquired Kat Von D, adding to its multitude of fashion brands. Kat Von D offers a range of make-up products which are vegan and cruelty-free.

BUYER	SELLER	DATE ANNOUNCED	ENTERPRISE VALUE	EV/TTM REV
FARFETCH	OPENING CEREMONY	01-13-2020	N/A	N/A

Synopsis: Opening Ceremony was acquired by New Guards Group, a subsidiary of Farfetch (NYS: FTCH). The Company manufactures fashion apparel and accessories and had previously raised Growth Capital from Berkshire Partners and Front Row Partners.

BUYER	SELLER	DATE ANNOUNCED	ENTERPRISE VALUE	EV/TTM REV
P&G	billie	01-08-2020	N/A	N/A

Synopsis: Billie delivers women's shaving supplies on a regular basis through their subscription program. Notable Investors exiting Billie include Goldman Sachs Growth, Female Founders Fund, and Greycroft.

Notable Financings[6]

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
a16z GGVCAPITAL WARBURG PINCUS	OfferUp	03-25-2020	$120	N/A

Synopsis: Money raised in this round was used to acquire Letgo. OfferUp, which specializes in local sales, has been a unicorn since 2018. Other investors in the round include Max Levchin, T. Rowe Price, and OLX.

6 Deal values shown in millions

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
GOODWATER CAPITAL, Lightspeed	Weee!	03-17-2020	$28	$100

Synopsis: Weee! Is an online Chinese supermarket intended to offer authentic gourmet delicacies from Asia. Other investors in the round include iFLy.vc, Silicon Valley Bank, VMG Partners, and XVC.

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
AlmazCapital, EVLI GROWTH PARTNERS	refurbed	03-17-2020	$17	N/A

Synopsis: Refurbed is an online marketplace for refurbished electronics. Other investors in the round include Bonsai Partners, All Iron Ventures, FJ Labs, InVenture Partners, and Klaus Hofbauer.

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
Cobalt CAPITAL, BainCapital, KLEINER PERKINS	FEATHER	03-09-2020	$34	$70

Synopsis: Feather is an operator of online furniture rental platform. Other investors in the round include PJC, FUEL Capital, Spark Capital, Y Combinator, SV Angel and Wildcat Capital Management. The proceeds will be used to scale its proprietary reverse logistics infrastructure, expand into new markets, and acquire new talent.

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
SUMMIT PARTNERS	brooklinen	03-03-2020	$50	N/A

Synopsis: Brooklinen offers a multitude of bedding items on their website. The Company is profitable. The money raised will be used to open more stores and expand internationally.

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
ABS CAPITAL PARTNERS, CAUSEWAY MEDIA PARTNERS	SQUAD LOCKER	02-25-2020	$20	$60

Synopsis: SquadLocker offers teams and organizations a variety of custom uniforms and gear. Other investors in the round include ABS Capital Partners, Causeway Media Partners, and James Lombardi. This funding round will help them expand their channel partner relationships.

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
M13	TECOVAS	02-21-2020	$15	$165

Synopsis: Tecovas is a TX-based DTC retailer of luxury western products. Other investors in the round include Plus Capital, and other undisclosed investors. They plan to use this capital to expand their brick-and-mortar presence across Texas.

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
THE CRAFTORY	dropps	02-18-2020	$16	N/A

Synopsis: Dropps is an online retailer of home-laundry and dish-soap products. The capital will be used to scale the operations of the business and meet the demand of their subscription business.

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
GV, FORERUNNER VENTURES	Outdoor Voices	02-18-2020	$30	$35

Synopsis: Outdoor Voices is an athletic and lifestyle brand. Other investors in the round include Anchorage Illiquid Opportunities, General Catalyst, and Oakwell Coinvest.

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
BOX GROUP, Canaan	BRAVO SIERRA USA	02-06-2020	$12	N/A

Synopsis: Bravo Sierra is a performance hygeine brand designed for the most demanding consumers. Other investors in the round include Capstar Partners, Global Founders Capital, Grace Beauty Capital, Lapa Capital, Mousse Partners, and Redo Ventures. The funds will be used to accelerate growth and expand their product line.

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
VULCAN Capital	RAD POWER BIKES	02-05-2020	$25	N/A

Synopsis: Rad Power Bikes sells on and off-road electric bicycles. Durable Capital Partners also participated in the round. The proceeds will be used to support new brick and mortar locations and expand their mobile service offerings.

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
Apax Partners, LVMH	MODA OPERANDI	01-31-2020	$100	N/A

Synopsis: Moda Operandi is an online marketplace for high-end fashion products. Other investors in the round include Comerica Bank, Lauren Santo Domingo, NEA, and TriplePoint Venture Growth. The additional funds will be invested into their technology environment and used to grow the business.

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
Fidelity Investments, T.Rowe Price	allbirds	01-07-2020	$25	$1,700

Synopsis: Allbirds sells athletic and casual footwear made from natural materials. Other investors in the round include Ballie Glifford, Fifth Wall, and IPD Capital. This funding round will be used to support growth and invest into sustainable products.

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
LIQUIDITY FOR GROWTH	RESIDENT	01-06-2020	$13	N/A

Synopsis: Resident owns multiple eCommerce brands including 1771 Living, Awara, Bundle, DreamCloud, Level, Nectar, and Wovenly. Resident will use this funding to help capitalize on growth and expand into additional home products.

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
Cartesian Capital Group	SIMBA	01-03-2020	$24	N/A

Synopsis: Simba is a manufacturer and retailer of sleep products. The proceeds will be used to grow internationally in Canada and China and expand in its core markets.

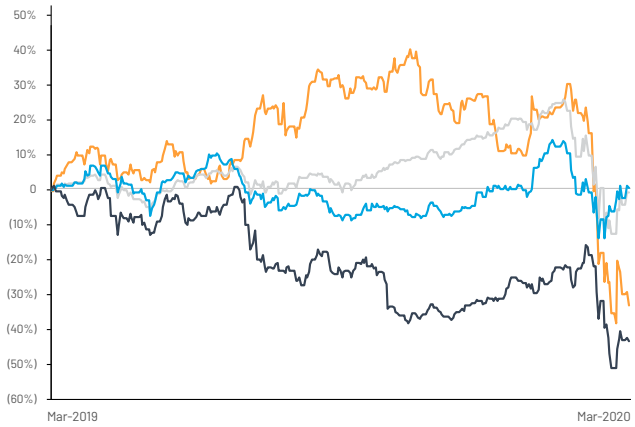
Public Markets[7]

USD$ M	Stock Price 2020-03-31	Market Cap	Enterprise Value	Revenue TTM	Revenue NTM	Growth % TTM	Growth % NTM	EBITDA TTM	EBITDA NTM	Revenue Multiples TTM	Revenue Multiples NTM
BRANDS											
1-800-Flowers.com	$13.23	$851	$725	$1,301	$1,399	8%	8%	$84	$100	0.6X	0.5X
Blue Apron	12.05	160	241	455	426	-32%	-6%	(21)	10	0.5X	0.6X
Casper	4.29	170	168	439	506	23%	15%	(82)	(57)	0.4X	0.3X
Cimpress	53.20	1,394	2,938	2,791	2,578	4%	-8%	413	420	1.1X	1.1X
Leaf Group	1.34	36	35	155	148	0%	-5%	(17)	(2)	0.2X	0.2X
Peloton Interactive	26.55	7,452	7,415	1,234	1,883	98%	53%	(174)	(103)	6.0X	3.9X
Purple Innovation	5.68	306	308	428	435	50%	1%	(2)	29	0.7X	0.7X
SmileDirectClub	4.67	1,795	1,685	750	1,010	77%	35%	(492)	(69)	2.2X	1.7X
Lower Quartile		162	186	431	428	1%	-6%	(151)	(66)	0.4X	0.4X
Mean		1,520	1,689	944	1,048	28%	12%	(36)	41	1.5X	1.1X
Median		578	517	603	758	15%	4%	(19)	4	0.6X	0.6X
Upper Quartile		1,695	2,624	1,284	1,762	70%	30%	63	83	1.9X	1.5X
RESELLERS											
Amazon	1,949.72	970,591	997,704	280,522	334,749	20%	19%	36,533	49,911	3.6X	3.0X
Chegg	35.78	4,361	4,894	411	523	28%	27%	68	163	11.9X	9.3X
Chewy	37.49	14,944	14,932	4,847	6,387	37%	32%	(222)	2	3.1X	2.3X
Groupon	0.98	556	177	2,219	1,400	-16%	-37%	108	128	0.1X	0.1X
Overstock.com	4.99	201	117	1,459	1,399	-20%	-4%	(105)	(26)	0.1X	0.1X
PetMed Express	28.78	580	488	274	287	-4%	5%	34		1.8X	1.7X
REVOLVE	8.64	599	534	601	654	21%	9%	51	56	0.9X	0.8X
Stitch Fix	12.70	1,301	1,285	1,738	1,831	27%	5%	24	63	0.7X	0.7X
Wayfair	53.44	5,043	6,830	9,127	10,877	35%	19%	(735)	(537)	0.7X	0.6X
Lower Quartile		568	332	506	589	-10%	0%	(164)	(19)	0.4X	0.4X
Mean		110,909	114,107	33,466	39,790	14%	8%	3,973	6,220	2.5X	2.1X
Median		1,301	1,285	1,738	1,400	21%	9%	34	59	0.9X	0.8X
Upper Quartile		9,993	10,881	6,987	8,632	31%	23%	88	155	3.3X	2.7X
PLATFORMS											
eBay	30.06	23,930	31,207	10,800	9,675	1%	-10%	3,079	3,626	2.9X	3.2X
Etsy	38.44	4,534	4,938	818	974	36%	19%	140	157	6.0X	5.1X
Farfetch	7.90	2,685	2,482	1,021	1,512	69%	48%	(274)	(76)	2.4X	1.6X
The RealReal	7.01	607	452	318	303	53%	-5%	(88)	(73)	1.4X	1.5X
Lower Quartile		1,126	960	443	471	9%	-9%	(227)	(75)	1.7X	1.5X
Mean		7,939	9,770	3,239	3,116	40%	13%	714	909	3.2X	2.9X
Median		3,609	3,710	920	1,243	44%	7%	26	42	2.7X	2.4X
Upper Quartile		19,081	24,640	8,355	7,634	65%	41%	2,344	2,759	5.2X	4.6X

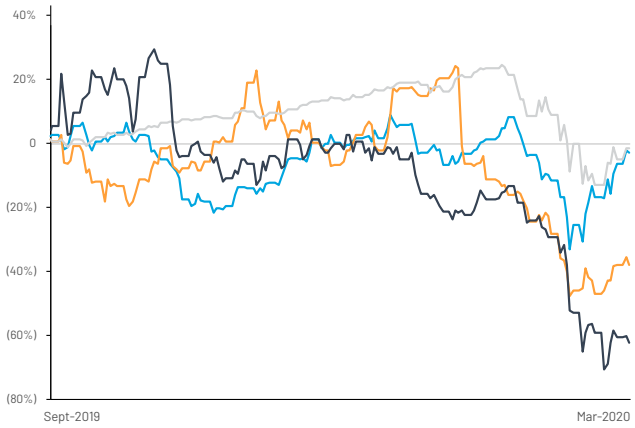
7 TTM is as of 12/31/2019, except for Chewy and Stitch Fix, which are both as of 1/31/2020. NTM is projected as of 12/31/2020, except for Chewy and Stitch Fix, which are both as of 1/31/2021. Data sourced by Pitchbook.

Note:For companies that completed IPO processes during TTM, full-year data is not available. As such, we created separate graphs for these companies below. Completed Brand IPO's during TTM were Casper, Peloton Interactive and SmileDirectClub. Completed Marketplace IPO's during TTM were Chewy, Revolve and The RealReal.[8]

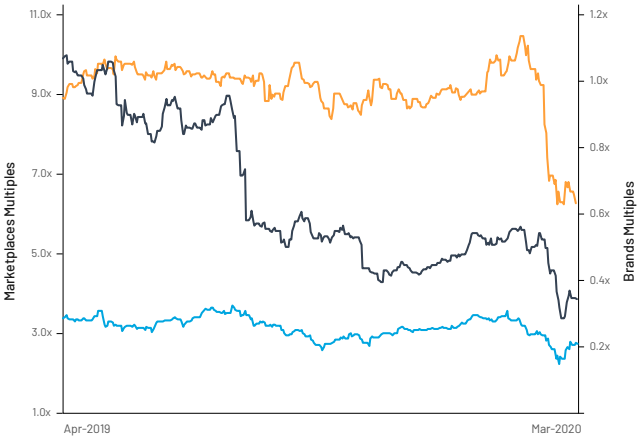
% Change in Average Stock Prices



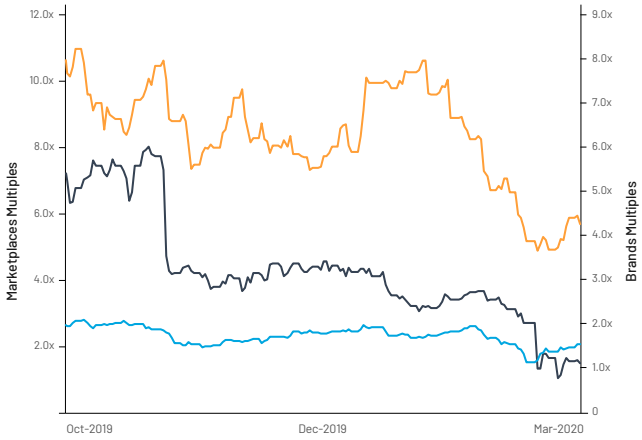
% Change in Average Stock Prices for Recent IPOs



Average Revenue Multiples



Average Revenue Multiples for Recent IPOs



Brands Resellers Platforms NASDAQ

8 Revenue Multiples are based off TTM as of 12/31/2019, except for Chewy and Stitch Fix, which are both as of 1/31/2020.

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