CAROUSELL

HOW TO THRIVE AMID FIERCE COMPETITION?

BY: WONG KING YIN
Ranked #1 Lifestyle app in Singapore App Store for over 90 per cent of the days during 2014 and 2015 (App Annie Store Stats, n.d.), Carousell is a mobile app that provides its users with a simple and intuitive platform to sell and buy. Its tagline is “Sell in a Snap, Buy with a Chat”. The app was designed to take advantage of the smartphone for ease in selling and buying. Sellers could take photos of items they intended to sell and create a free listing to sell their items, and buyers could text and ask about the items, all at one’s fingertips through the use of a smartphone.

Riding on the wave of the rapidly increasing mobile and Internet penetration rate, Carousell gradually gained traction and popularity in Southeast Asia since its Singapore launch in 2012. At the end of 2015, about eight million items had been sold through Carousell, and 26 million items were listed. The Carousell app had been downloaded over one million times as of January 2016. Its mission is to inspire the world to start selling, while its vision is to make peer-to-peer buying and selling a lifestyle (Carousell, n.d.).

In order to further expand in the Asia Pacific region, Carousell needed to raise sufficient capital. In January 2016, it was more than a year since it had secured the USD six million Series A fund. It was about time for Carousell to get ready for the next round of fundraising. Carousell’s co-founders needed to reflect on its internal capabilities and analyse the external business environment thoroughly so that they could develop a concrete strategic plan on how to compete and expand amid fierce competition. They needed the strategic plan to convince potential investors that Carousell was a company worth investing in when they tried to raise the Series B fund.

**Context of the problem**

Carousell had experienced rapid user growth after it successfully raised USD six million from various investors in November 2014, which supported its expansion to Malaysia, Indonesia and Taiwan. Although the stable user growth of Carousell was able to attract investors’ attention for the next round of fundraising, there were many similar mobile apps in the market such as Duriana and Shopee, making Carousell look less promising in the future. The popularity of these similar apps had also been growing fast since the end of 2015. Fierce competition among that kind of mobile marketplace was expected in the future. In order to attract investors, Carousell’s co-founders had to convince them that it could outperform the others in the years ahead. By looking back at its own history, the co-founders tried to gain a better understanding of Carousell’s own strengths and weaknesses.

*The beginning – Chasing the start-up dream*

The three co-founders of Carousell – Siu Rui Quek, Lucas Ngoo and Marcus Tan – were students of National University of Singapore (NUS). Through the NUS Overseas College programme, they had a chance to study and work in Silicon Valley in 2011, which turned out to be a life-changing experience for them. Living and working in a place full of entrepreneurial spirit, the three co-founders were immersed in an environment that ignited their passion to think about how to use technology to solve meaningful problems, change people’s lives, and make a better world. The idea of a digital flea market came to their minds when they all found themselves surrounded by gadgets that they wanted to get rid of. They tried using different sites and forums such as Yahoo auctions, Ebay, Hardwarezone, and Clubsnap to sell their used or pre-owned items, but the process of getting the items listed was tedious and time-consuming. They felt that it was a real problem that could be
solved by technology and the solution could be impactful, so the trio started to think of ways to make selling and buying much simpler. The idea for Carousell was conceived.

The idea of a digital flea market was originally named SnapSell by the trio back then. Pitching the idea of SnapSell during the Startup Weekend Singapore in March 2012, the trio entered the final round as the last team but ended up winning the entire competition. The prizes and support they got from the competition put the trio at a crossroad – keeping a comfortable status quo (Siu Rui would continue to pursue his honours degree, Lucas would continue his studies, and Marcus would remain in Oracle) or working full time to form a start-up to bring their idea to life.

The “kiasu” or “fear of losing” culture in Singapore had kept many of its people from taking risks. Giving up an honours year and a stable job in a big company in order to chase a start-up dream sounded insane to the trio’s parents. The trio also understood that they needed to work without salary for an uncertain period of time, and to face the doubts and misunderstanding of family and friends. However, they were inspired by their Silicon Valley experience, and were passionate to pursue their entrepreneurial dream. They finally chose the road less travelled and kick-started the development of the app in May 2012.

Early challenges – Learning to persist in the face of adversity
The entrepreneurial journey began with giving up time and money for the start-up. The three co-founders pooled their savings and started the company with SGD 20,000. Siu Rui dropped out of his honours year, Lucas gave up his study time in the engineering school and Marcus gave up his job in Oracle. The trio started to work full time to develop the app. They tried to apply for a SGD 10,000 grant from NUS to secure funding for product development. They were initially rejected and questioned about the reason for working on the idea as it was not a new one. The trio did not give up and went after the professor to do an elevator pitch and persuade him that the idea would really work. They were given a SGD 7,000 grant the next day. The trio learnt that they should never take no for an answer. In addition to their own contribution and the NUS grant, there was also a grant of SGD 50,000 which came from the Singapore government to support the start-up at the early stage.

SnapSell was rebranded to Carousell, a name inspired by the carousel, in the hope of giving an emotional and nostalgic appeal to the brand. Since the trio were new to design and app development, they had to learn everything from scratch, such as how to use Photoshop, design a product, do product testing, etc. Developing a product that would fit the market was the main focus, so the trio brought their user interfaces and mock-ups to flea markets at Scape and public gardens, giving out free bottles of water to sellers and talking to them. They listened to the needs and wants of the sellers, who would be the potential users of the Carousell app. They tried to think about how to solve their problems by using mobile technology. After three months, the trio finally launched the Carousell App in the Singapore App Store in August 2012.

It was difficult to predict the usage at the beginning, so the trio was not fully prepared to handle the situation when their server crashed on the first day of launch after an unexpected usage spike. They had to drive down to NUS where their server was located and migrate it to a better hosting provider. Unfortunately, the initial spike did not last. With zero budget for marketing, Carousell experienced a flat growth for the next few months. There was even a day when they received only seven sign-ups.
It was frustrating and depressing, but the trio concentrated their energy on understanding the 400 active users that they had, instead of giving up on the idea. They actively sought feedback from active users.

They realised that the active users were actually females between 18 to 25 years old, so they went to flea markets and visited blog shops, trying to understand the market segment of young ladies. They asked them questions and learned that all of them had bursting wardrobes and closets and were in dire need of de-cluttering. With this insight, the trio decided to reposition the app to target females who wanted to de-clutter their wardrobes. At the same time, the trio was also reminded of the need for user retention by their mentor from Golden Gate Ventures. They then set up transactional emails and pushed notifications to direct users to revisit the app. The number of sign-ups had by then grown gradually.

The next obstacle to growth was their absence in Google Play Store. Without an Android app, Carousell could not gain access to about half of the market. In view of this, the trio spent another three months to develop a Carousell Android app. Carousell finally launched in Google Play Singapore in January 2013. The number of users continued to climb, but they had not yet earned a cent as Carousell was free to download and users could list and buy in the marketplace without being charged. The trio worked full time for Carousell for one and a half years without pay. They led a very frugal lifestyle during that period - eating economical meals, drinking plain water, working late nights and being just in time to catch the last train home. To reduce their parents’ worries, the trio brought them to their office, showed them what they were doing, and explained why it was important to them. The trio had considered all the sacrifices and commitments they needed to make for the pursuit of their entrepreneurial dream before they started the journey. Thus, whenever they had tough times, they reminded themselves about the passion they had about the idea at the very beginning to encourage themselves to persist.

Being recognised – Climbing up the chart step by step
The collaboration with Singapore Press Holdings’ (SPH) STClassifieds in January 2013 served as an important milestone for Carousell. The partnership was a validation of what Carousell had been doing and where it was heading – bringing simplicity to sellers and buyers. The partnership was mutually beneficial. Items listed for sale using the Carousell app would also be listed on STClassifieds marketplace, helping Carousell users to reach a larger pool of prospective buyers and allowing STClassifieds to reach out to the mobile-savvy young generation.

In August 2013, Carousell formed its second partnership with SPH, a collaboration with SPH’s magazines to launch SheShops Marketplace, which was introduced to readers of herworldPLUS and digital editions of selected magazines like Her World. The collaboration this time brought the fashion and beauty listings created by the Carousell app to the SheShops Marketplace. This significantly increased the chance of successfully closing a sale for Carousell sellers, and at the same time greatly enriched the experience of the readers of SPH’s magazines as they could shop for a huge variety of fashion and beauty products sold by Carousell members at prices much lower than the retail prices.

The two partnerships with SPH helped Carousell gain more traction. More sellers were attracted to use the app, because they believed that they could really make money by selling items they no
longer needed on Carousell. More buyers too were attracted to use the app because they believed that they could really save money by buying second-hand goods in the Carousell marketplace. Moreover, some entrepreneurial sellers who created great products were also drawn to use Carousell as their main distribution channel when they saw the growth of the Carousell community. The number of sign-ups kept increasing gradually.

With steady growth in Singapore, the trio had a soft launch of Carousell in Malaysia and Indonesia. They understood that Singapore was only a small market with a population of about five million, so expanding in the region was necessary though it would be challenging due to various barriers such as information infrastructure and language. The trio decided to expand by running quick experiments and learning from the results. Their plan was to launch the Carousell app in certain countries with only minimal marketing efforts at first. They would then plan their expansion based on the usage and acceptance data gathered from those countries.

They chose Malaysia and Indonesia as the first two countries for pilot testing due to their immense potential for Carousell in terms of the smartphone penetration rate and the e-commerce market size. The market responses from these two countries turned out to be quite encouraging, hence the team considered putting in more effort and investing more resources in expanding to these two countries.

In November 2013, about 18 months since its inception, Carousell successfully attracted various investors and was able to raise USD 800,000 in seed funding to support its expansion in Southeast Asia. The investors, led by Rakuten, included Golden Gate Ventures, 500 Startups, Danny Oei Wirianto and Darius Cheung. They were attracted by the huge potential of the e-commerce industry in Southeast Asia, the high volume of activity in Carousell’s marketplace and the strong Carousell community. At that time, while a Facebook user opened the app 14 times a day and used it for 30 minutes daily on average, a Carousell user opened the app 10 times a day and used it for about 25 minutes daily. Also, over 20 per cent of the listings ended up getting sold during that period of time.

These data showed the investors that the vision of Carousell was achievable, its idea was appealing to the market, and the execution ability of the Carousell team was high. A brief description of each investor is summarised in Table 1. These investors not only provided financial support to Carousell, but also offered valuable advice and suggestions to Carousell’s management team, facilitating its growth. In fact, the trio had built very good relationships with its investors. The USD 800,000 in seed funding enabled Carousell to hire engineers and community managers so that it could move forward to expand in Southeast Asia, with Malaysia and Indonesia on top of the list because of the positive market responses as well as the expert advice they obtained from the investors. The media coverage for that round of fundraising had raised the profile of Carousell to more people, making it more well-known and stimulating its growth.

<table>
<thead>
<tr>
<th>Investor</th>
<th>Description</th>
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<tbody>
<tr>
<td>Rakuten Ventures</td>
<td>The third largest e-commerce marketplace company in the world.</td>
</tr>
<tr>
<td>Golden Gate Ventures</td>
<td>A venture capital firm investing in early-stage Internet start-ups in</td>
</tr>
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Table 1 Summary of Investors for the Seed Fund
Southeast Asia. Its founder and managing partner Vinnie Lauria had been mentoring Carousell from the start.

| 500 Startups | An early-stage seed fund and incubator program focusing on consumer and small and medium-sized Internet start-ups. Its managing partner Khailee Ng also provided advice on Carousell's expansion to Malaysia based on his experience of building and selling Groupsmore to Groupon. |
| Danny Oei Wirianto | An angel investor, who was co-founder of MINDTALK and CEO of MCM Group, also provided advice on Carousell’s expansion to Indonesia based on his previous experience as the chief marketing officer growing Kaskus into Indonesia’s largest online community. |
| Darius Cheung | An angel investor who was co-founder of BillPin and tenCube (acquired by McAfee). |

Just two months after getting the seed fund, Carousell welcomed its first number one - being the top app in the Lifestyle category in the Singapore App Store. That was a turning point for Carousell. The achievement proved that the marketing approach worked well even though Carousell had zero budget for marketing. Most people got to know about Carousell through word-of-mouth. The trio believed that they should spend less on advertising and promotion at the beginning so that they could better gauge how the product was doing by getting the most direct and realistic feedback from the market – the number of users, listings, and items sold in the Carousell marketplace.

The main focus was on making a good enough product that was useful to the target customers. They focused primarily on making sellers successful. The successful sellers then became their advocates spreading positive word-of-mouth for Carousell. The trio also devoted a lot of time and effort to build a community for Carousell. They went to flea markets and personally engaged with sellers and buyers there to paint a picture of what a dream marketplace looked like to them. They let the picture set the tone for the market. They then planted the image in the minds of their users, and let that grow gradually to become the spirit and culture of the Carousell community. That was how they climbed up the App Store chart step by step.

**Business problem**

Once Carousell successfully raised the USD 800,000 seed fund, it obtained the resources needed for expansion in the region. Malaysia was selected as the first stop and was a great success. Carousell’s success in Singapore and Malaysia attracted the attention of Sequoia Capital, a prominent venture capital firm which had also invested in Apple, Google, LinkedIn and WhatsApp. In November 2014, Carousell successfully raised USD six million Series A funding led by Sequoia Capital, with existing investors including Rakuten, Golden Gate Ventures, 500 Startups and Darius Cheung continuing to support for that round.

The total USD 6.8 million in funding allowed Carousell to hire more engineers and overseas staff to accelerate its expansion in the region. However, expansion always involves risks such as the uncertain business environment in foreign countries, unpredictable market responses and the possibility of losing control in managing staff located overseas. More importantly, as more and more competitors entered the mobile commerce market, Carousell needed to step cautiously to avoid
making any serious mistakes. When planning for its expansion, Carousell had to consider all the foreseeable opportunities and threats to ensure that the company could withstand the risks.

On the right track - Accelerating growth in the region
Carousell chose to officially launch in Malaysia in January 2014, followed by Taiwan in December that year and Indonesia in January 2015. Carousell’s expansion strategy in these three countries is described below.

Expansion in Malaysia
Malaysia was chosen to be the first target of expansion for three reasons. First, Malaysia was close to Singapore both geographically and culturally. Second, the m-commerce market in Malaysia had grown rapidly in the preceding few years, from 5.5 per cent of the total e-commerce market size in 2010 to close to 50 per cent in 2013, representing a market of MYR 1.82 billion (Manjur, 2015). Third, the trio was more familiar with the Malaysian market, because Lucas was a Malaysian and Khailee Ng from 500 Startups, one of the investors in the seed round, could advise the team based on his successful startup experience in Malaysia.

Recommended by Khailee, Reshma Sanghvi was hired as Carousell’s community manager in Malaysia. She was the 2012 winner of 8TV’s The Job reality show, which required contestants to undergo seven challenges with big multinational companies in Malaysia to test their creativity, business knowledge, sales and marketing skills, and communication and organisation abilities. Reshma’s competence and knowledge of the market helped Carousell grow fast in Malaysia, with the number of listings doubling every two to three months.

The strategy of growth in Malaysia was to get the grassroots to download the app and start listing. Carousell’s team in Malaysia went to bazaars, flea markets, and ran various roadshows to introduce the mobile marketplace to the locals. They also actively built its own online community through social media such as Facebook and Twitter. Moreover, similar to its collaboration with SPH in Singapore, Carousell had another collaboration with SPH Magazines in Malaysia. The fashion and beauty sales listings in Carousell were brought to digital editions of selected magazines in Malaysia, reaching out to a larger pool of buyers resulting in a higher chance of being purchased. The feedback from Malaysians was very positive. In fact, Malaysians had been longing for such an m-commerce platform like Carousell, which allowed them to shop and sell on-the-go easily and quickly. They liked the convenience brought by Carousell.

Expansion in Taiwan
Taiwan was chosen as the second market for expansion for three reasons. First, the smartphone adoption in Taiwan was relatively high compared to Southeast Asian countries. Second, the e-commerce industry in Taiwan was flourishing, with its revenues estimated to be at USD 25 billion in 2013 and growing by 10 to 20 per cent every year (SP eCommerce, 2015). In fact, the Taiwanese were the world’s fifth biggest spender in Google Play (App Annie, 2015). Third, the e-commerce ecosystem in Taiwan was very mature. It already had an extensive logistics network that allowed efficient product delivery within the island. More importantly, Taiwanese were very familiar with the concept of peer-to-peer e-commerce, which was already part of Taiwan’s Internet culture. However, this also meant Carousell needed to face
tough competition in the Taiwanese market. Existing e-commerce platforms such as Yahoo Auctions, and PChome’s Ruten were well known to Taiwanese sellers and buyers, while PTT (a bulletin board system) was another popular way for selling and buying in Taiwan.

Two local employees were hired in Taiwan to help introduce the app to the locals and recruit sellers to start using Carousell. Joyce Chen, Carousell’s community manager in Taiwan, started by meeting designers who sold in the designer markets and also cold- emailed sellers on Yahoo Auctions and Ruten, to show them the hassle-free experience of using Carousell for selling and buying and persuade them to start using Carousell. The team was also active in building a Carousell community in Taiwan. They organised regular meetings with users. In the meetings, they interacted and listened to users, bringing their suggestions to the engineering team in order to continuously improve users’ experience on the Carousell app.

After a year of expansion, the number of users in Taiwan grew by 100 times and kept doubling every two to three months during 2015. The founding trio expected that Taiwan would become the largest market for Carousell in the near future. Since peer-to-peer e-commerce was not new to the Taiwanese, many Taiwanese users were able to take professional and stylish pictures of their items, and were eager to start their own business in Carousell.

Expansion in Indonesia
Although the e-commerce industry was only in its infancy in Indonesia, it had immense potential given the huge population, ranking fourth in the world just behind China, India and the United States. Indonesia had 73 million Internet users at the end of 2015 (The Jakarta Post, 2015), but the number was expected to reach 100 million in the following one to three years (eMarketer, 2014). Also, it was predicted that Indonesians would surf the Internet using mobile phones more than through computers by 2016 (Husson, Ask, Hammond, Facemire, & Wise, 2015). That represented a great opportunity for Carousell to introduce its mobile marketplace in Indonesia.

However, there were also many challenges for Carousell to expand in Indonesia. First, Indonesia was made up of thousands of islands, making timely and reliable delivery difficult, which was a big obstacle for e-commerce development. Second, the majority of Indonesians did not own a bank account, and fewer than five per cent of them owned credit cards. Although independent start-ups and telecommunications companies had been working hard in developing mobile phone payment systems, cash-based transactions still dominated the Indonesian market, which was another challenge for Carousell to expand in Indonesia. Third, Indonesians loved shopping malls where they could find everything in a secure and comfortable way. They did not like treasure hunting one-of-a-kind items from boutique stores located at sidewalks. Thus, the concept of a digital flea market adopted by Carousell might not be very appealing to most Indonesians.

While having multiple expansions in the region, Carousell’s Singapore team also had a successful collaboration with Airbnb. The Carousell x Airbnb campaign asked their users to share inspiring and memorable travel stories through a listing of related items on Carousell. At the same time, Carousell’s engineering team worked full speed to develop its web platform.
The web platform was a response to its users who expressed the need to reach out to more prospects, especially those who accessed the Internet through desktop computers.

The new web platform was finally launched in November 2015. It allowed Carousell’s users to sell and buy easily just as they would on the mobile app. The web version also enabled users to search and browse more easily so that there was higher chance that they could discover something they wanted. All listings were put in its local marketplace with price tags in local currency, and could be accessed via both mobile and desktop. Both the Carousell x Airbnb campaign and the newly launched web platform helped strengthen the Carousell community further by showing its interest and care for its members, and its responsiveness to users’ needs. The number of users had been growing rapidly since Carousell successfully raised its Series A fund in November 2014. As of the end of 2015, more than 50 new items were listed on Carousell every minute, and over 50 per cent of Carousell’s community was first-time users. It seemed that Carousell was on the right track, with an accelerating yet healthy growth in the region. A summary of Carousell’s milestones from 2011 to 2015 is shown in Table 2.

Table 2  Summary of Carousell Milestones from 2011-2015

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<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Milestone</th>
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<tbody>
<tr>
<td>2011</td>
<td></td>
<td>- Three co-founders worked in Silicon Valley for a year under the NUS Overseas College programme</td>
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<tr>
<td>2012</td>
<td>Mar</td>
<td>- SnapSell won main prizes in Startup Weekend Singapore 2012</td>
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<tr>
<td></td>
<td>May</td>
<td>- Three co-founders contributed a total of SGD 20,000</td>
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<tr>
<td></td>
<td></td>
<td>- Grant of SGD 7,000 from NUS and SGD 50,000 from Singapore government</td>
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<tr>
<td></td>
<td></td>
<td>- SnapSell rebranded to Carousell</td>
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<tr>
<td></td>
<td>Aug</td>
<td>- Kick-started the development of the Carousell app</td>
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<tr>
<td></td>
<td></td>
<td>- Server crashed on the first day of launching the app</td>
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<tr>
<td>2013</td>
<td>Jan</td>
<td>- Carousell App launched in Singapore Google Play</td>
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<tr>
<td></td>
<td></td>
<td>- Partnered with Singapore Press Holdings to have listings on STClassifieds</td>
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<td></td>
<td>Jun</td>
<td>- Soft launch in Malaysia</td>
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<tr>
<td></td>
<td>Aug</td>
<td>- Partnered with SPH Magazines to launch SheShops Marketplace</td>
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<tr>
<td></td>
<td>Sep</td>
<td>- Soft launch in Indonesia</td>
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<tr>
<td></td>
<td>Nov</td>
<td>- Raised USD 800,000 in seed fund from investors led by Rakuten to support Carousell’s expansion</td>
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<tr>
<td>2014</td>
<td>Jan</td>
<td>- Became #1 Lifestyle app in the Singapore App Store</td>
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<tr>
<td></td>
<td></td>
<td>- Official launch in Malaysia</td>
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<tr>
<td>Month</td>
<td>Event</td>
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<td>-------</td>
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<td></td>
</tr>
<tr>
<td>Sep</td>
<td>Soft launch in Taiwan</td>
<td></td>
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<tr>
<td>Oct</td>
<td>Soft launch in the USA</td>
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</table>
| Nov   | Raised USD 6 million Series A fund from various investors led by Sequoia Capital to support its expansion  
Rapid user growth |
| Dec   | Official launch in Taiwan |
| 2015 Jan | Official launch in Indonesia |
| Aug   | Partnered with Airbnb to introduce “Relive your travel story” campaign |
| Nov   | Carousell web platform official launch  
26 million listings in Carousell  
8 million items sold |

**Moving forward – Conquering the challenges**

Although Carousell had successfully established its communities in different countries accompanied by strong growth in the number of users and volume of activity in its marketplace, the trio described Carousell as nascent. They understood that there were many challenges lying ahead for Carousell to grow including building a product its users truly value, standing out among its competitors, developing a sustainable business model and expanding wisely.

**Product features**

In the past when smartphones did not exist, people who wanted to sell online needed to take photos of the items using a digital camera, and then transfer the files from the camera to the desktop computer by either connecting the two with a cable or using memory cards. They then posted the photos of the items with some added descriptions to online forums or websites. Prospective buyers could then contact the sellers in the way specified in the post, via email, phone or text message. With the smartphone and Carousell app, sellers only needed to snap photos of the items they intended to sell with the phone camera, edit the photos with the built-in filters, add the price and description, and lastly click to list the items in the Carousell marketplace. It took just 30 seconds or less to put an item up for sale. For buyers, the items could be browsed by categories such as “For her”, “For him”, “Books”, “K-Wave” and many more. Together with the search function, buyers could easily find things they liked, whether brand new or pre-owned items. They could also make an offer and talk to the sellers easily through the built-in chat feature, which made communications with the sellers much more natural and convenient.

Carousell not only provided convenience to sellers and buyers, but also served as a social network and community for them. Buyers could like, comment and follow sellers. They could get notified when new items were available from the sellers they were following. They could also share listings that interested them with their friends via Facebook, Twitter, Pinterest and Google Plus. Buyers could also post things that they were seeking in a section called “looking for”, where sellers could check if there were any potential buyers for their items.

In January 2016, the Carousell Groups feature was added. This allowed users to join groups that might be relevant to them, and receive notifications whenever there were new listings...
within the group. There were a variety of groups including brand specific groups such as “Apple Fans” and “Nike Sports Club”, hobby and collector groups like “Board Games Club” and “Coins & Currency Collectors”, and school groups like “National University of Singapore” and “Nanyang Technological University”. As seen from existing users’ behaviours, sellers and buyers liked to extend their business relationship to friendship, forming small groups through social networks and messaging apps to share cool finds or just keep in touch with others who had similar interests. Carousell Groups was a feature trying to serve the social needs of its users.

There was a line-up of product features in Carousell’s agenda. To facilitate payment between sellers and buyers, Carousell considered developing its own payment gateway to improve user experience. Another feature that Carousell considered developing was on-demand logistics which allowed users to arrange shipping and delivery of the items within the app. The team also wanted to add more features that could help buyers increase their chance to get what they want. Furthermore, enabling items to be sold and bought in different marketplaces was also on the list. For example, a Carouseller in Singapore could buy an item which was sold by a Carouseller in Jakarta. The team was also working on building a more trustworthy and credible platform in order to prevent any “Carouhell” experiences from happening and leading users to the Tumblr Carouhell page to share their negative experiences. For example, they wanted to enable sellers and buyers to leave a review for every transaction, and to have a red flag mechanism to report and ban possible scammers, unsafe and unreasonable persons. In the long run, the team wanted Carousell to serve the business-to-business market as well. All these were conceptual ideas only. Whether the features could be developed successfully depended on a lot of factors including the availability of financial resources, dedication of the engineering team, and actions of competitors. After all, the product features had to be what users wanted and valued.

**Competitors**

The success of Carousell attracted many technology start-ups and existing companies to enter the social e-commerce market. Its collaboration partner SPH launched its own e-commerce platform Trezo in Singapore in April 2015. Trezo looked and worked in almost exactly the same way as Carousell. There were photos of the items arranged in a similar grid-like layout, items sorted into categories, and item search and build-in chat functions. Being a follower who just copied the idea and even app interface, Trezo was shielded from any research and development (R&D) risks, saving a lot of time and expenses in R&D. Thus, Trezo was able to spend a lot more on advertising and promotion such as giving away a smartphone a day to attract new sign-ups. Also, with the support of SPH, Trezo was able to get the attention of SPH’s readers easily, drawing a considerable number of readers to try the new app. As of January 2016, only about nine months after its launch, Trezo had already been downloaded between 50,000 and 100,000 times (Google Play Store, 2016). Nevertheless, whether Trezo could retain its users, keep them using the app and maintain a steady growth was still unknown.

Perhaps one of the strongest competitors was Shopee, created and backed by Garena, a leading Internet platform and solutions provider for communication, payment, and
entertainment services in Asia. In addition to the basic selling and social functions provided by Carousell, Shopee had its own secure payment system, “Shopee Guarantee”, which allowed a buyer to transfer payment to a separate bank account held by Shopee first. The payment was released to the seller only when the delivery had been confirmed. Shopee also partnered with Ninja Van, a logistics start-up in Singapore providing delivery with tracking and notification services to its users. Other than the payment and logistics features, Shopee tried to cater to the social needs of users by providing news feed in which users could follow one another and receive updates from their favourite sellers. Hashtags and trending products were also introduced to the system to facilitate product search and sharing. Moreover, Shopee created a “seller assistant” function which aimed at offering advice and tips to sellers on running their virtual shop.

With abundant financial resources and established distribution network provided by its mother company Garena, Shopee had been marketing its app aggressively. Shopee had already been soft launched in Singapore, Indonesia, Malaysia, the Philippines, Taiwan, Thailand and Vietnam since June 2015; its official Singapore launch was in November. Although it was only a few months old as of January 2016, Shopee had been downloaded between 100,000 and 500,000 times (Google Play Store, 2016). App tracking statistics showed that Shopee’s popularity and usage followed that of Carousell closely in Singapore and Taiwan, but surpassed Carousell in Malaysia and Indonesia and also in countries where Carousell had not yet entered. Shopee focused on ensuring a safe, professional, and supportive environment for its users, which might lead it to put more emphasis on serving small to medium-sized yet established merchants that were seeking an online presence.

Another strong competitor was Letgo, a New York and Barcelona-based start-up. Letgo was very similar to Carousell, but it drew on users’ locations to order listings so that buyers could find nearby sellers easily. Letgo, as its name implies, focused on serving people who wanted to sell and buy second-hand items. It was launched in February 2015, but had grown quickly since then. The app had garnered two million downloads while the marketplace had more than 500,000 listings and the transaction value was over USD 25 million as of September 2015, only about eight months after its launch (Griffith, 2015). It focused primarily on the US market, but had already expanded into many European countries. It had become a “Top 10” free shopping app in Google Play in the US, Italy, New Zealand, Norway, Spain, Sweden and Turkey. It successfully raised USD 100 million in Series A funds in September 2015. Letgo not only had the giant pool of capital, it also had Alec Oxenford as its co-founder. With Alex’s experience in leading OLX to become the largest online marketplace in India, Poland and Brazil, accumulating 11 billion monthly page views, 25 million listings, and 8.5 million monthly transactions (Griffith, 2015), the growth and development of Letgo was definitely in good hands.

Besides Trezo, Shopee and Letgo, others such as Duriana, Tompong, Shopspot, SnapyShop and many more had already entered or were expected to enter the market, increasing the competition. At the same time, Facebook also tried hard to explore how to enter the e-commerce market. It introduced the “Buy” button in 2014, then launched “Businesses on Messenger” and peer-to-peer payments in Facebook Messenger in 2015, which respectively
allowed users to chat with the merchants and transfer payments among friends, showing its desire to step into the e-commerce market. Japanese chat app Line was also rolling out its e-commerce app which offered products from a range of different sellers including big brand names such as Zalora, small designer brands and individual sellers. Line Mart/Mall had already been available in Japan, Taiwan, and Thailand as of the end of 2015. Undoubtedly, Carousell had to face tough competition in the future.

Expansion
The rapid growth of smartphone sales in recent years allowed almost everyone in developed countries to access mobile Internet. Many developed countries had over 100 per cent smartphone penetration, meaning each person might own more than one smartphone. In addition, there was an even higher demand for smartphones in developing countries, because it was easier for people to get access to the Internet through a mobile network than by computers through a fixed network due to the difficulties in building fixed networks in remote areas. In Southeast Asia, out of a population of about 618 million, about 400 million people still did not have Internet access, but would soon get it through smartphones. As a result, mobile Internet represented a huge market awaiting businesses to explore. Mobile commerce contributed over USD 200 billion in revenue worldwide in 2014. Asia was expected to be the region with the fastest and strongest growth in m-commerce in the years to come because of its larger population and growing middle class. Hence, the m-commerce market in Asia has attracted global interest.

However, it was challenging to expand in the region due to language and infrastructure barriers. Therefore, it was really important to have people who were familiar with the local communities on board to help with the expansion. As such, when planning for its expansion in the Asia Pacific region, Carousell needed to compete with its competitors not only for customers, but also the right talents who could help to plan and execute the expansion. Carousell understood that they needed to hire like-minded people who were passionate about what they were doing – inspiring people to start selling – and willing to work hard and smart for equity but not high salary. Nonetheless, the team was not sure whether they should hire experienced persons in the field or fresh and energetic young people. They were also not sure whether they should expand to markets which already had a mature e-commerce infrastructure or those which lacked infrastructure but had great potential for growth. The market was lucrative, but Carousell preferred a healthy expansion with its brand image, vision, mission and culture intact rather than an unmanageable expansion.

Business model
Carousell was available for users for free and the team had no plans to change that in the foreseeable future. The team wanted to focus on developing a good product that users valued and a community in which users felt a sense of belonging in order to build up its reputation and user base. However, the team understood that they could not totally neglect the monetisation issue as the venture capital funding would run out eventually. Following the way Facebook and Instagram generated revenue, Carousell might open up a premium listing category where users could pay to increase their visibility and advertise their items in the future. The business models adopted by successful e-commerce players such as Alibaba, eBay
and Amazon might also serve as useful references for Carousell when it considered its monetisation strategy. For example, Alibaba generated revenue by collecting commissions from each transaction done by its third-party online payment solution (Alipay), from fees based on the number of units sold by a retailer, fees paid for its online marketing and Internet infrastructure services, and membership fees from its storefronts. Since Carousell focused much on community building and its relationship bonding with users as its growth strategy, monetisation had to be implemented in a way that every Carouseller felt comfortable with. It was crucial to choose the best timing to implement any monetisation measures to prevent any negative reactions from the community that would destroy the relationships built through years.
Concluding remarks

The future – fuelling the passion, achieving the mission and vision

The three co-founders of Carousell did not know how big Carousell would be and how far it would go, but they believed that the start-up journey was not a sprint but a marathon. They understood that they needed to keep learning, working hard and persevering. With limited resources and many opportunities, they also needed to make many decisions on what to focus on. In the face of the challenges that lay ahead, the trio needed to execute ideas faster and better than competitors in order to stay ahead. Although Carousell was facing fierce competition, it was not sure if its competitors were actually helping it to achieve its mission by spreading the digital marketplace idea, and educating the market on how to sell and buy via mobile phones. However, one thing was clear – the Carousell team was full of passion and desire to achieve its mission and vision, and they were prepared to overcome every challenge. The first challenge they had to face was to get ready for the next round of fundraising in which they needed to be clear about their competitive advantage and growth strategy. They understood that they had to prepare a comprehensive answer to certain critical questions in order to convince investors that Carousell was worth investing in.

End-of-Case Questions

**Question 1**
What are the competitive advantages of Carousell?

**Question 2**
How can Carousell stay ahead in view of the tough competition in the market?

**Question 3**
How can Carousell expand with manageable risk and optimal return?

**Question 4**
What are the possible changes Carousell can make to its business model in order to improve its monetisation? Do you recommend Carousell to make these changes? Why?
References


About Nanyang Technopreneurship Case Centre

With funding from both the National Research Foundation of Singapore and Nanyang Technological University, the Nanyang Technopreneurship Case Centre (NTCC) was one of the initiatives of the Nanyang Technopreneurship Centre (NTC) to enhance the quality of entrepreneurship education through the case pedagogy. These are part of NTC’s efforts to foster, promote and nurture enterprising mind-sets, skills and knowledge in entrepreneurship education.

There is a plethora of business cases but a general paucity of cases highlighting the specific problems faced by technopreneurs in growing their ventures. NTCC adds value to Technopreneurship education by developing a pool of cases on technology-based local and international enterprises. Through the cases, NTCC hopes to share the experiences, success stories and challenges faced by entrepreneurs/intrapreneurs in growing their organisations and how they overcome their problems to sustain growth.

The theme of this first compendium is “innovation through technology”. It features Singapore-based and global companies confronting issues and challenges due to technological shifts in the industry and changing market and competitive dynamics; when introducing new products in the marketplace; and in using technology to drive organizational change.

Online versions of these cases are available for complimentary downloads at www.ntc.ntu.edu.sg/ntcc.

Teaching notes are also available to faculty members for use as reference, reading and/or teaching materials in various academic and professional programs. For further information, please contact Ms. Denise Lee (deniseleecw@ntu.edu.sg) and Mr. Wu Chong Chuan (wucc@ntu.edu.sg).

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