



# The go-to solution for Amazon Third Party Sellers, US venture company Thrasio has rapidly expanded through M&A

Acquisition of 100 small and medium-sized companies, sales promotion, etc.

JANUARY 19, 2021 11:00



You've opened a store on Amazon.com, but sales and profits aren't growing as fast as you'd like. There is a start-up in the United States that acquires such small and medium-sized businesses and helps them grow. One such startup in the U.S. is Thrasio, which has about 100 companies. It is not trying to compete with Amazon like Shopify (Canada), a company that supports the construction of mail order websites. Rather than competing with Amazon, like Shopify (Canada), it seeks to coexist with Amazon by serving as a refuge for small and medium-sized companies that lack human and financial resources. Thrasio has been acquiring small and medium-sized sellers of kitchenware and household goods, such as whisk.



We're taking companies that don't have the capital of Nike but sell unique goods to the next level of growth," said Josh Silberstein, co-founder and co-CEO of Thrasio, which was founded in 2018.

Thrasio will acquire companies that sell everyday items and other products on Amazon to leverage production, logistics and sales to increase sales. In 2008, Thrasio's sales are estimated to have reached 500 million dollars (about 51.5 billion yen).

One of the reasons behind the growth is that the number of sellers on Amazon is increasing, and competition among sellers is getting tougher.

According to an estimate by the research firm Marketplace Pulse, sales through the Amazon Marketplace, where outside businesses open stores in Amazon's e-commerce (EC) business, were \$200 billion in 2007, 60% of the total. It is estimated that there are more than 2 million businesses and individuals who open stores worldwide.

While small and medium-sized sellers support Amazon's wide selection of products, many of them have limited financial and human resources. Thrasio aims to acquire these companies and become a major player in the marketplace. The acquired companies offer more than 10,000 items, including cleaning products and health equipment.

### **Appointment of former CFO of Amazon**

Thrasio's strength is its ability to negotiate with Amazon, which is difficult for a small business.

Of Thrasio's approximately 600 employees, more than half are responsible for dealing with Amazon. When a company is acquired, a specialized team creates a plan to improve efficiency in manufacturing, procurement, and sales promotion. Some members of the team come from companies such as Procter & Gamble (P&G), a major manufacturer of daily necessities.

Thrasio believes that the biggest failure of small businesses is how they spend their marketing money, so they use algorithms to calculate how much they should invest. In some cases, the product itself is recreated from scratch by reviewing the packaging and the manufacturer. The company responds quickly to Amazon's requests and obtains a display position that is easily visible to consumers. The sales of Angry Orange, a deodorizer that used to sell about \$2 million a year, have increased more than eightfold in the two years since Thrasio acquired it.

**Sales of "Angry Orange," a deodorizer from a company acquired by Thrasio, have increased more than eightfold in two years.**



Another strength that supports the expansion of the company's scale is the short turnaround time of 35 days on average for acquisitions. Tom Szkutak, former CFO of Amazon, was invited to join the board. The company has created a list of about 500 criteria for assessment, including finances, patents, and product safety, which it scrutinizes in advance and acquires quickly.

### **Aiming for \$3 billion in sales**

It also meets the needs of small and medium-sized companies that want to sell their companies quickly. In the early days of the company, Thrasio approached companies for acquisitions, but now 75% of the deals come from the companies themselves. For Amazon, which is facing fierce competition from Shopify and others, it is important to have a good selection of products. The presence of companies like Thrasio that acquire

small and medium-sized companies with promising products and increase their sales may increase.

Thrasio is aiming for 3 billion dollars in sales in 2021. Currently, its business area is mainly in the U.S., but it will focus on global expansion in the future. Most recently, it acquired a German exhibitor to expand its sales channels not only in Europe but also in the US. On the other hand, competition is likely to become tougher. In the U.S., there is a movement of new entrants, such as a former executive of a major furniture retailer starting a similar business.

While some startups in the same industry are raising funds, Thrasio is also planning to raise funds from US financial institutions to strengthen its investment in growth. The focus will be on whether the company can continue to make acquisitions and maintain its leading edge.

### **Japan and Asia on the horizon**

The following is a question-and-answer session with Carlos Cashman and Josh Silberstein, co-founders & CEOs of Thrasio.

--Why did you start your own business in this field?

Cashman: "I ran an e-commerce (e-commerce) marketing company and understood how to make customers successful. But marketing companies only get a fixed amount of revenue no matter how successful their clients are. So we concluded that we should buy a small business and run it.



Cashman: "We are also interested in the Asian market, including Japan. We'll be looking to expand our business within the next year."

Silberstein: "If we were going to do e-commerce, we really wanted to include Amazon in our business. When we analyzed Amazon, the data showed that for small and medium-

sized brands that opened stores, the profit dropped dramatically after the sales exceeded one million dollars.



Silberstein: “As the scale of the business grows, at a certain point, sales promotion and logistics start to expand, and the profit margin starts to drop rapidly because it is too much for a sole proprietor to handle. The goal is to acquire companies at this stage of growth and push them to the next level.”

--What are the future plans?

Silberstein: “(Thrasio) will be a great place for smaller stores to sell their business. For Amazon, it will be a distributor that guarantees product quality control and manufacturing safety.”

*(Maho Kawachi, New York)*