

E-Commerce

The Samwers Take Their Copycat Act on the Road

► After stumbling, their Web venture pushes into hardware

► "Profitability is incredibly elusive in emerging e-commerce markets"

Oliver, Marc, and Alexander Samwer have had a rocky couple of years. The German brothers had built their startup incubator, **Rocket Internet**, into a billion-dollar business by staking, staffing, and helping to launch clones of American shopping websites such

as **EBay** and **Groupon** tailored for European consumers. Often, they persuaded the knockoffs' U.S. counterparts to buy their websites. In the past two years, the Samwers have been forced to rethink that formula since the flash-sales site **Fab** eclipsed Rocket's imitator in Europe, **Bamarang**. **Fab's** success prompted companies such as **Airbnb** to fight the clones instead of paying them off. The Samwers declined to comment for this story.

Rocket has had a couple of hits, such as **Zalando**, a **Zappos** clone, and **Zalora**, its sister site in Southeast Asia. But since 2012 it has shuttered or cut staff and offices at more than a half-dozen of the startups it's backed. Among the casualties: **Amazon.com** clone **Mizado**; furniture retailer **Mebelrama**; and **OfficeFab**, an office supplies site. There have been cutbacks at jewelry site **21Diamonds** and furniture seller **Home24**.

The clone strategy is still compelling, and the Samwers are adapting to growing e-commerce markets. They're bringing new online shopping sites and some of their surviving ones to Latin America, Southeast Asia, and Africa. Berlin-based Rocket has teamed with **Ooredoo**, a telecom carrier based in Qatar, to launch

Technology

Copy Machine

Rocket's Web Investments	Founded	Site Resembled
Alando	1999	EBay
Bamarang	2012	Fab
CityDeal	2009	Groupon
Easy Taxi	2011	Uber
Linio	2012	Amazon
Payleven	2012	Square
Paymill	2012	Stripe
Zalando	2008	Zappos
Zalora	2011	Zappos

◀ e-commerce companies in Asia and the Middle East. In Brazil, the Samwers are funding the Zappos-style apparel company **Dafiti**, which has a successful online magazine in Portuguese that features local models and articles promoting the latest fashions. In India, Rocket-backed **Jabong.com** sells local fashion labels such as **Fabinidia** alongside **Crocs** and other American brands. In Myanmar, Samwer-launched **Work.com.mm** is a **Monster**-style job board used by companies such as **Unilever**, **Nestlé**, and **Hyundai Motor** for recruiting.

In Europe, the Samwers are developing and staffing startups that focus on financial-services and computing hardware, areas many venture capitalists avoid because of complex regulations and high startup costs. **Payleven**, backed by Rocket, is similar to **Square's** smartphone-compatible credit card reader. **Payleven** was more difficult to build than a translated website: European credit cards contain a chip to make them more secure, and shoppers often have to enter a PIN to use them. To comply with financial regulations, **Payleven** developed a smartphone attachment with a chip sensor and PIN pad that processes transactions wirelessly and securely.

The gizmo costs €79 (\$109); **Square's** plastic card reader, designed to be used with the magnetic-swipe cards prevalent in the U.S., is free. **Square** doesn't yet operate in Europe. **Payleven** wouldn't disclose financials but says its business has been growing 30 percent a month since early last year. Rocket's forays into hardware and

financial services also help support other companies in the Samwers' portfolio. **Easy Taxi**, a Rocket-backed cab-hailing app in emerging markets such as Ecuador, Nigeria, and the Philippines that is similar to **Uber**, uses **Payleven** to process credit cards. "Profitability is incredibly elusive in emerging e-commerce markets," says Zia Daniell Wigder, an analyst at **Forrester Research**.

Paymill, another of Rocket's ventures into financial services, is an online payments processor like San Francisco-based **Stripe**, which is used in apps such as **Lyft** and **Instacart**. (**Paymill** co-founder Jörg Sutara acknowledges, "I would say there are similarities between the two companies.")

Several Rocket-backed shopping sites rely on **Paymill** to handle credit card transactions in more than three dozen countries, from Andorra to Turkey. That's cheaper than making each site build or buy a separate processing system. "They're facing those payment problems with all of their e-commerce companies around the world," Sutara says. "It's a huge challenge, because it's a very regulated business, and you also have to take the risks very seriously."

—Mark Milian

The bottom line Struggling at home, Rocket Internet's Samwer brothers are bringing their "EBay of Germany" model to other continents.



The Samwer brothers