

10 November 2023

Is the world vertical? Or is it horizontal?

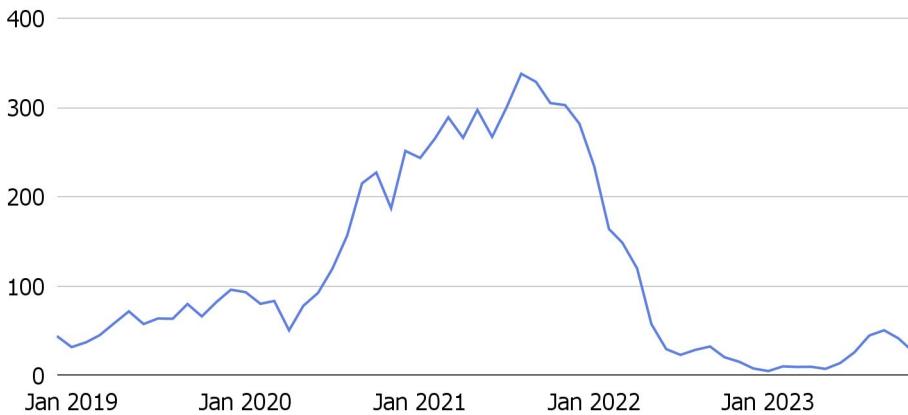


Jonathan Turpin, principal, AIM Group

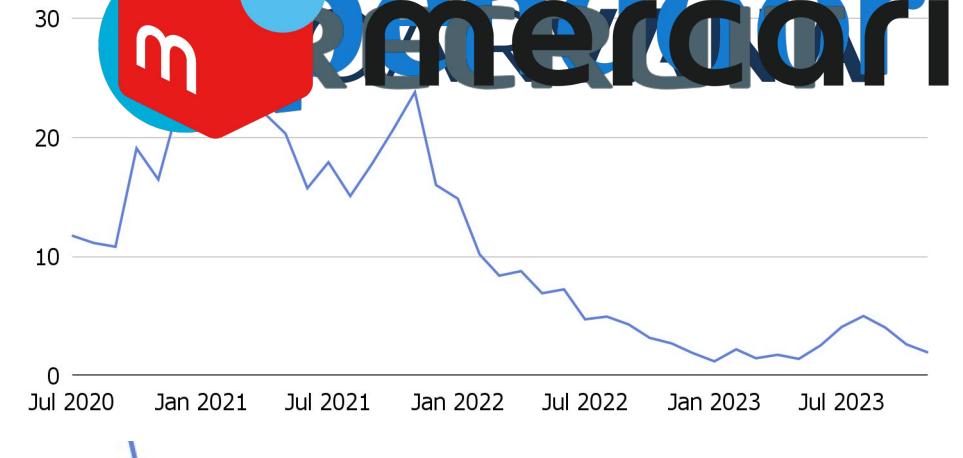
ICMA
International Classified
MARKETPLACE ASSOCIATION

External disruption has hit the bumpers, but ...

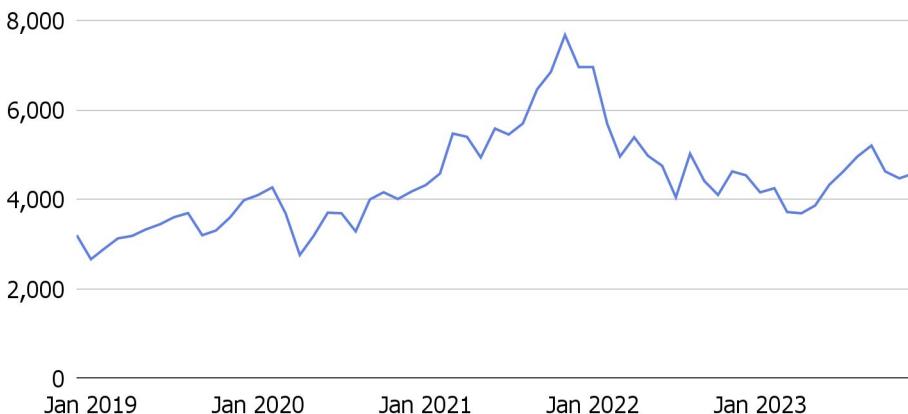
Carvana share price (\$)



Opendoor share price (\$)

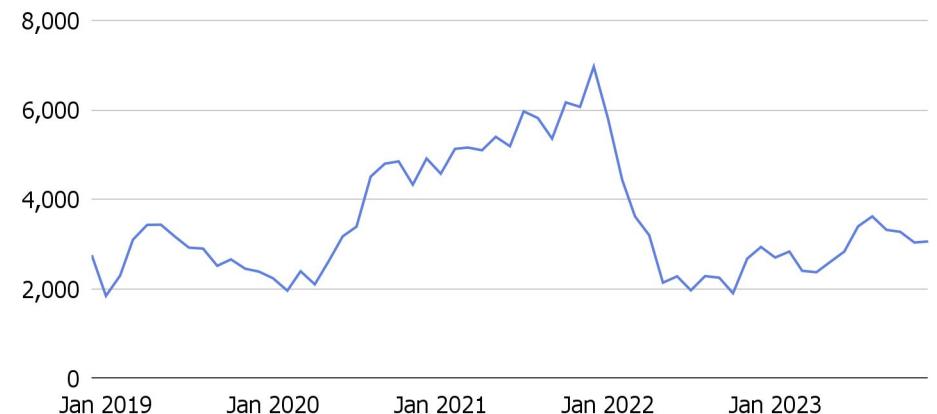


Recruit Holdings share price (¥)



Jan 2021

Mercari share price (¥)



... the journey to transaction continues



- “Classifieds plus” transactions model
- C-to-b



- Rentals transactions models



- Moves to cost-per-apply / other performance-based models



- Niche transaction sites
- Horizontals moving to transactions

The U.S. neatly illustrates models available to horizontals

Do nothing



Transactions only



Local specialist



Freemium transactional

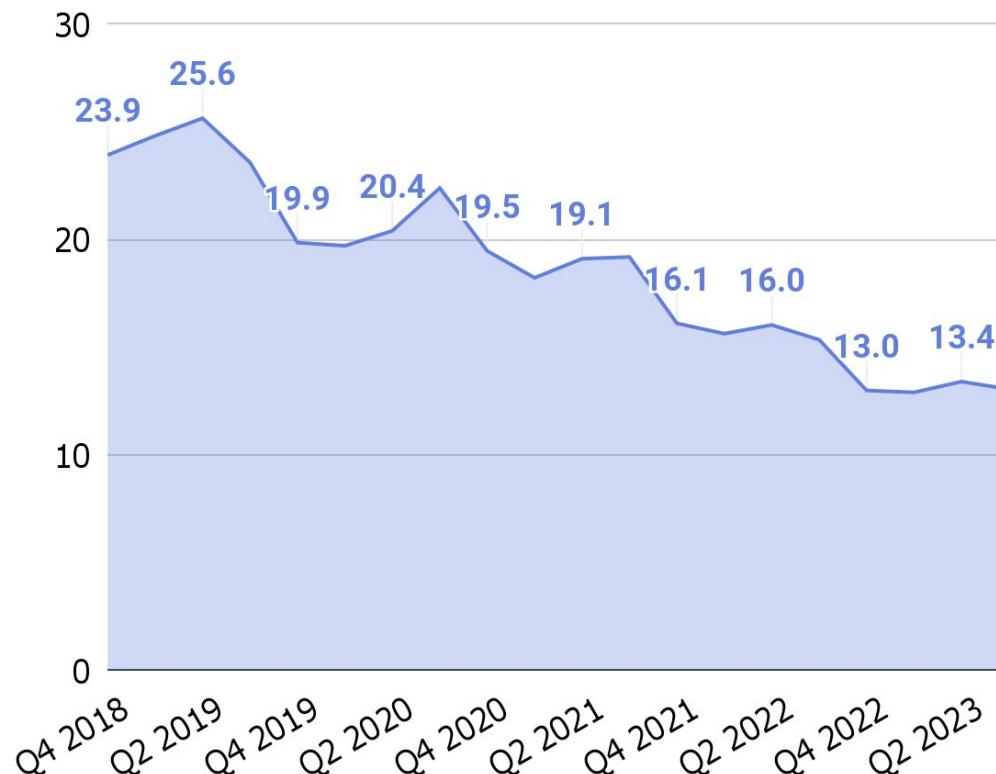


Vertical specialist

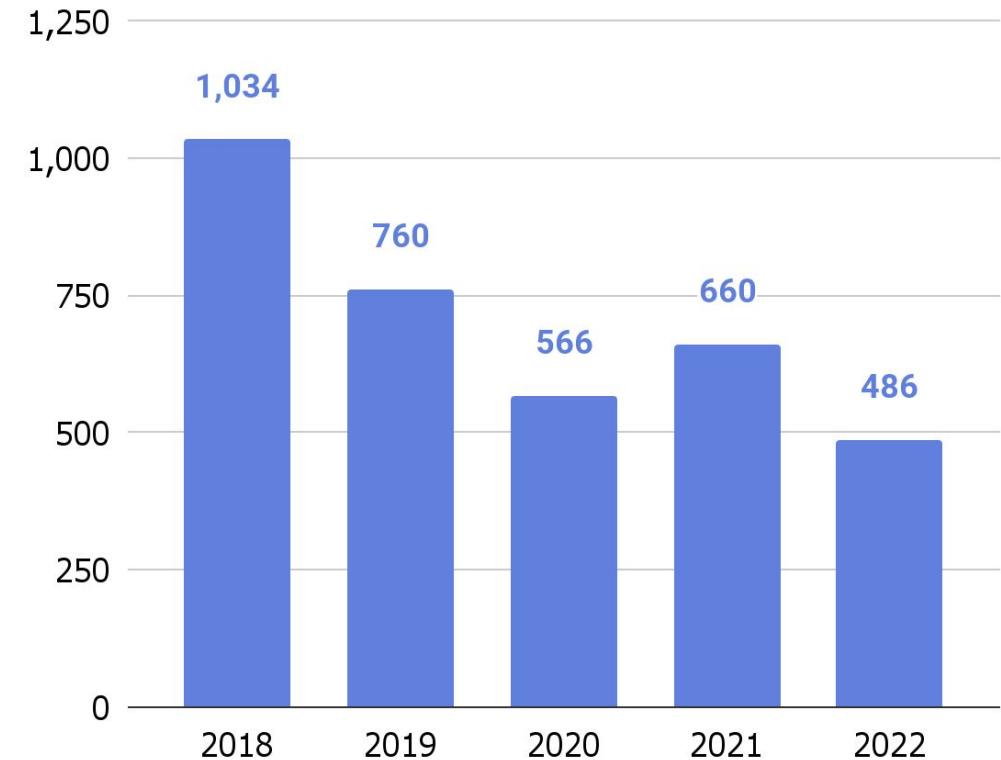


Craigslist: What happens when you don't evolve!

Craigslist unique visitors (desktop, m)

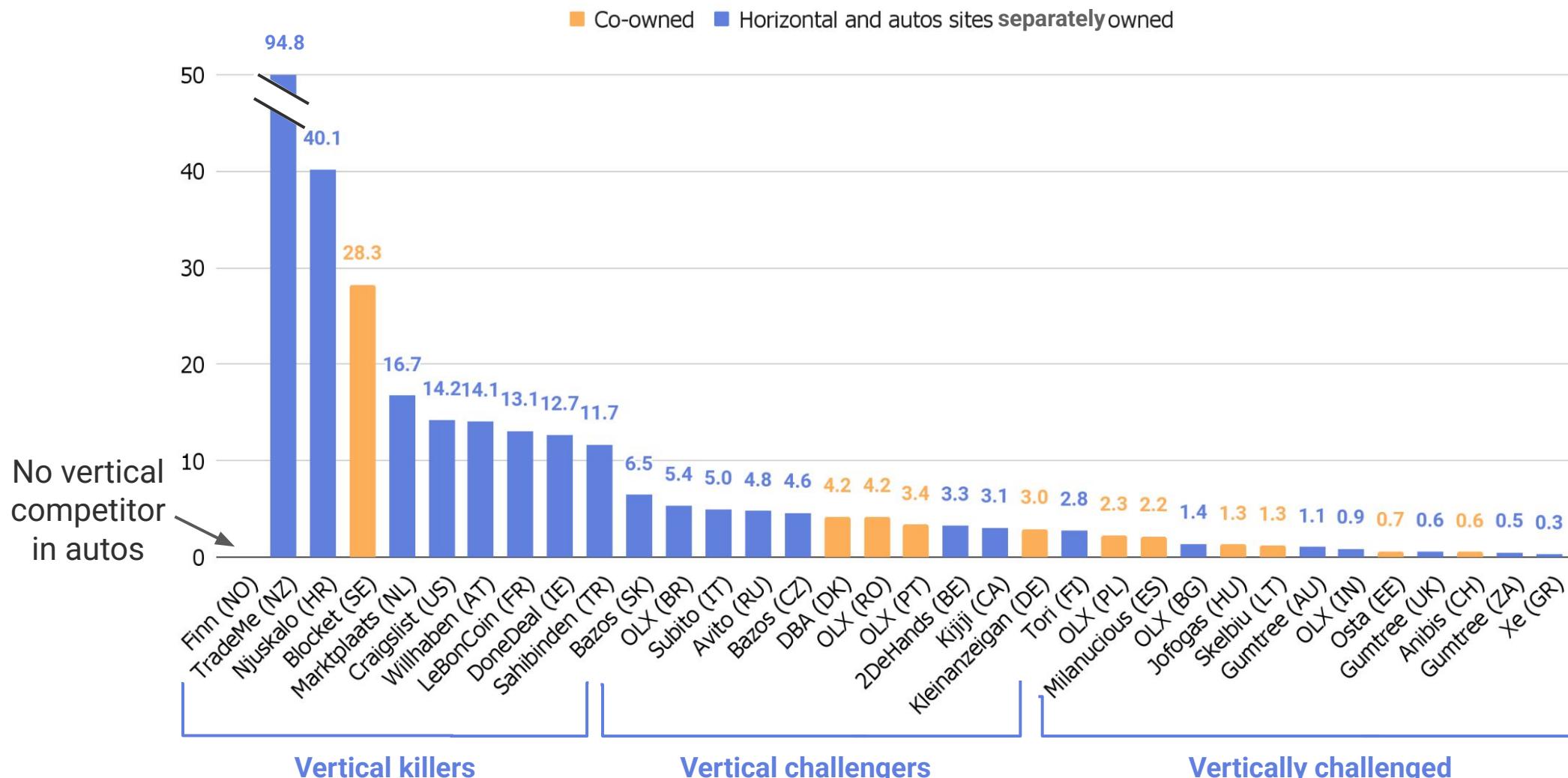


Craigslist estimated revenue (\$m) CAGR: -17%



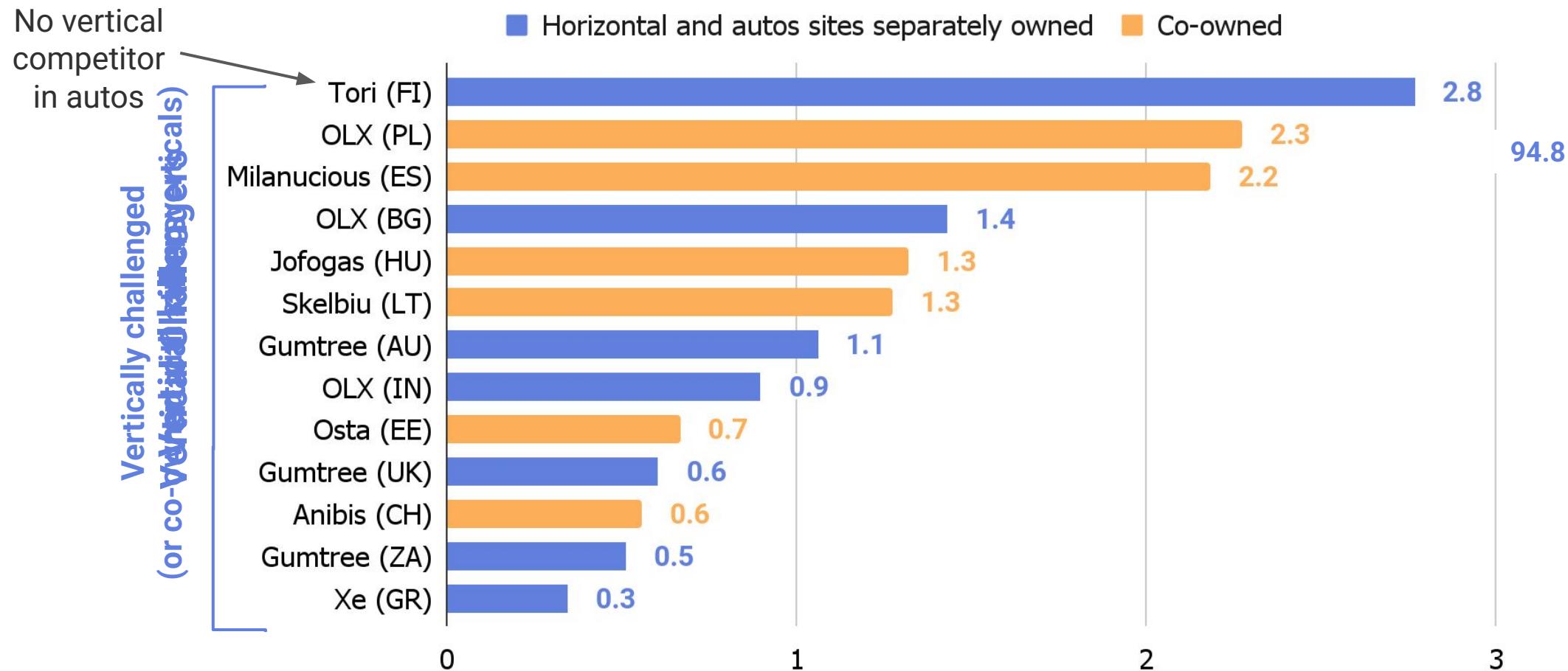
Strength / performance varies substantially across No. 1 horizontals

No. 1 horizontal traffic as a multiple of No. 1 autos vertical (visits, Sep '23)



Strength / performance varies ... (continued)

No. 1 horizontal traffic as a multiple of No. 1 autos vertical (visits m, Sep '23)



What's helped / is helping horizontals win?

Market

Small markets

Competition

Early mover

Sleepy vertical competitors

Strong EBay / equivalents

Verticalization

Early verticalization

Increasing specialization

Co-ownership with verticals

Ownership

Owned by Schibsted

Or Styria

Owned by EBay

Commitment

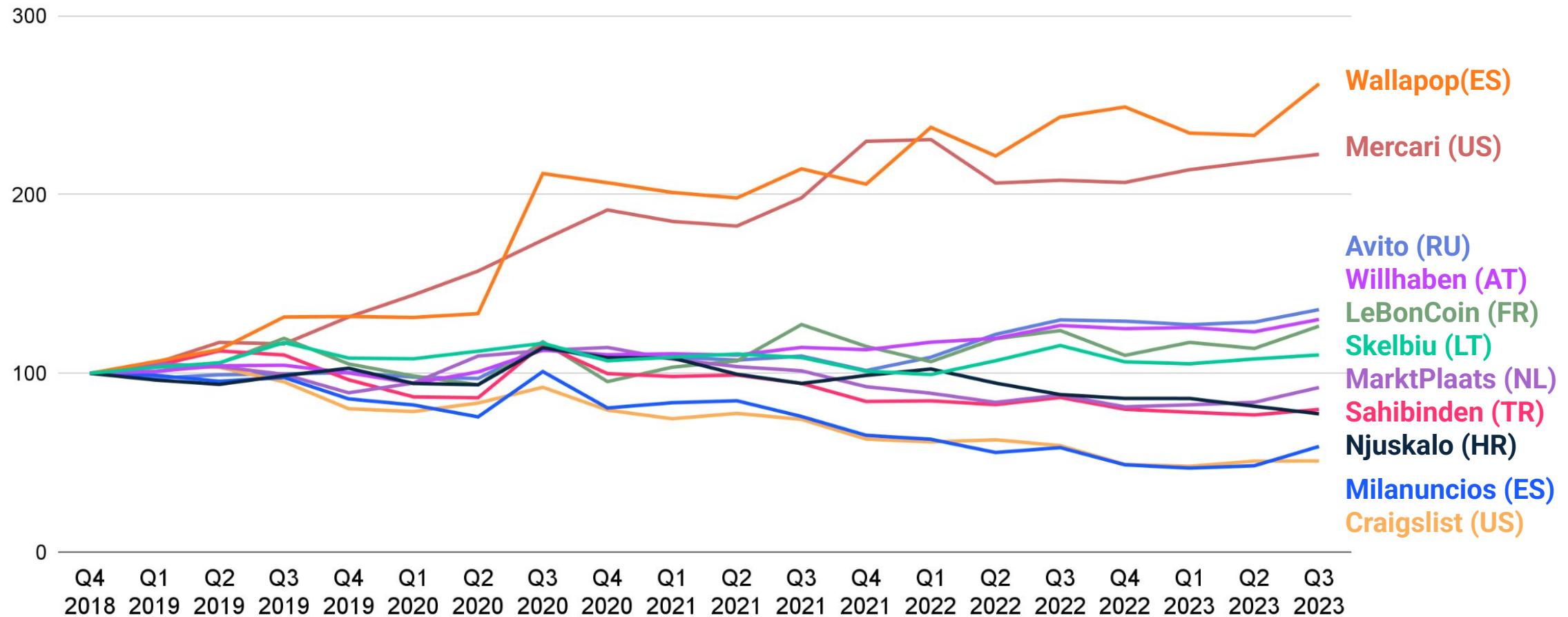
Investment

TV advertising

Profit maximization

Horizontals: Traffic performance mixed since '18

Traffic at horizontals (Index: 100 = Q3, 2018 visits, desktop and mobile)



Stating the obvious:
Verticalization drives
success at horizontals

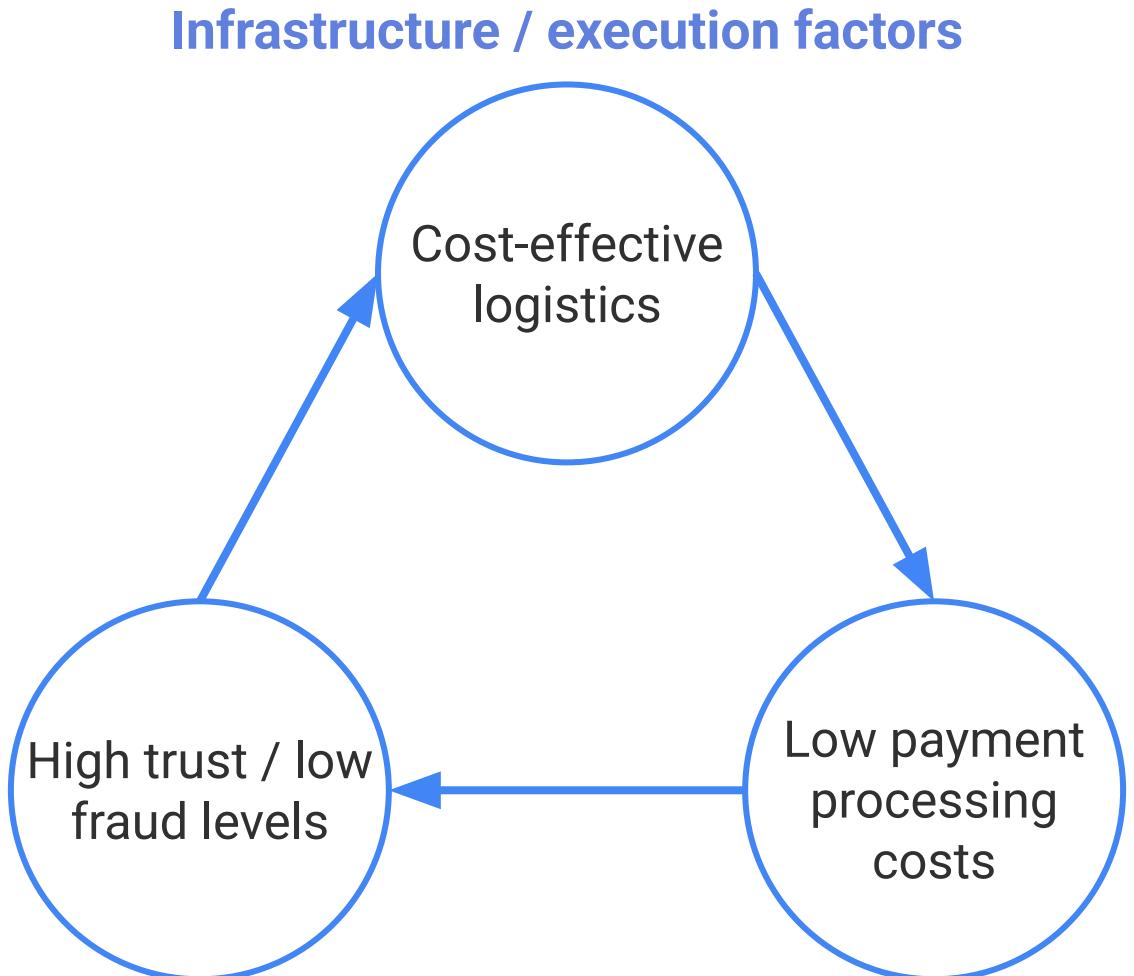
More of the obvious:
Unless vertical dominance
is achieved, general goods
underpin horizontal
performance

Hypothesis:

In general goods:

**Verticalization and moving
to transaction will be critical
to future success**

Progress to general goods transactions dependent on many factors



Softer cultural / market factors

Higher income levels

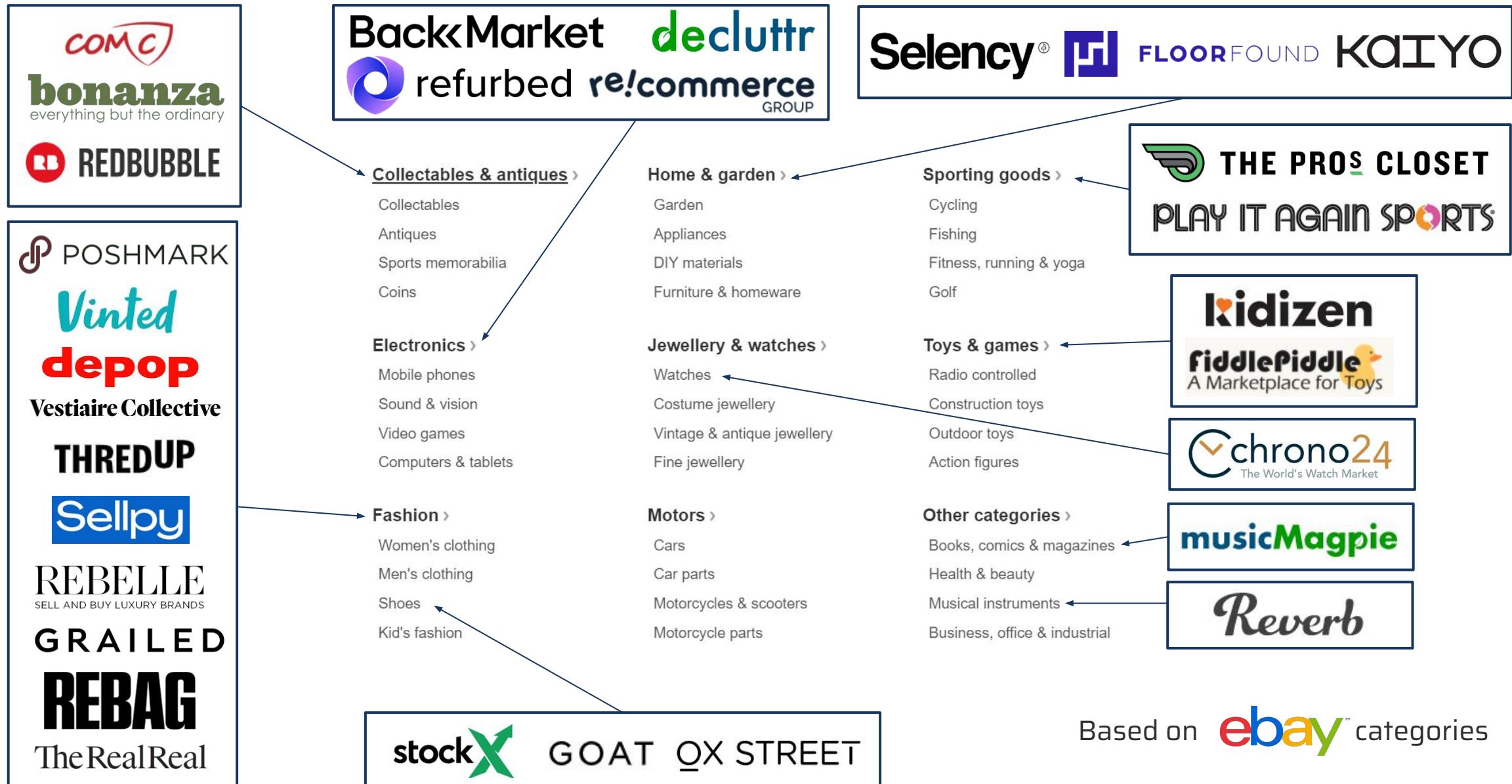
Weaker local / community culture

Stronger convenience culture

Greener

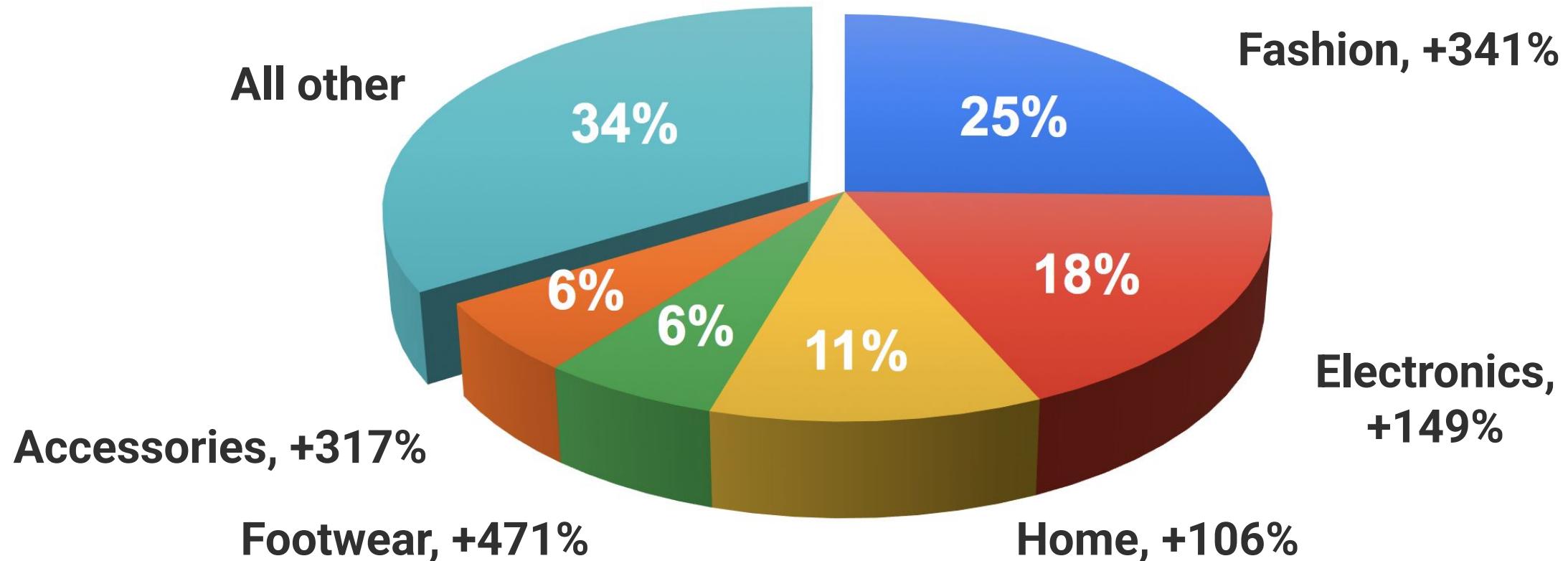
No, or weaker, EBay (/ equivalents)

While a specialist may come to each category ...



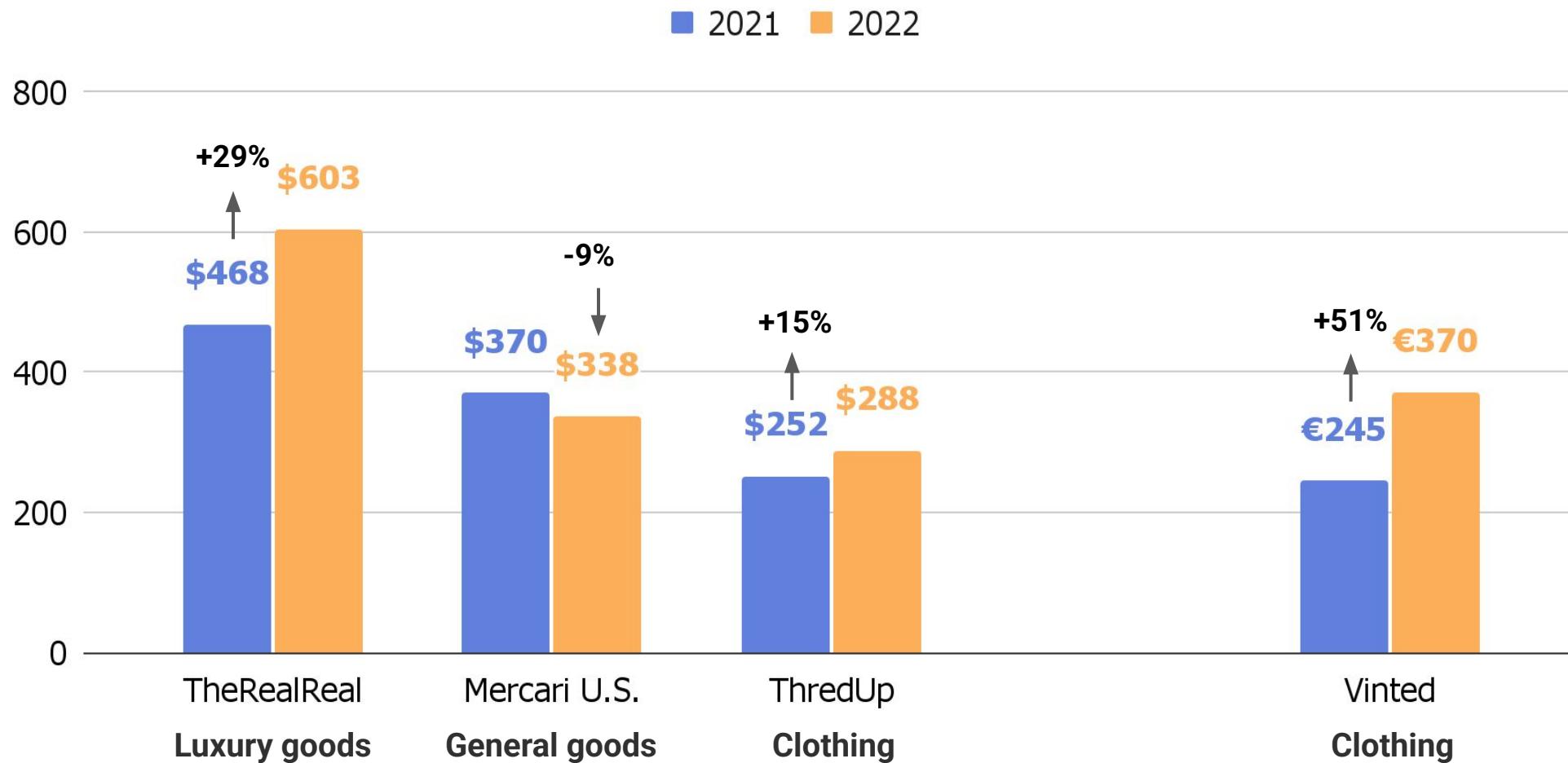
... a few mega-categories are most vulnerable

Value of secondhand sales in the USA, 2030



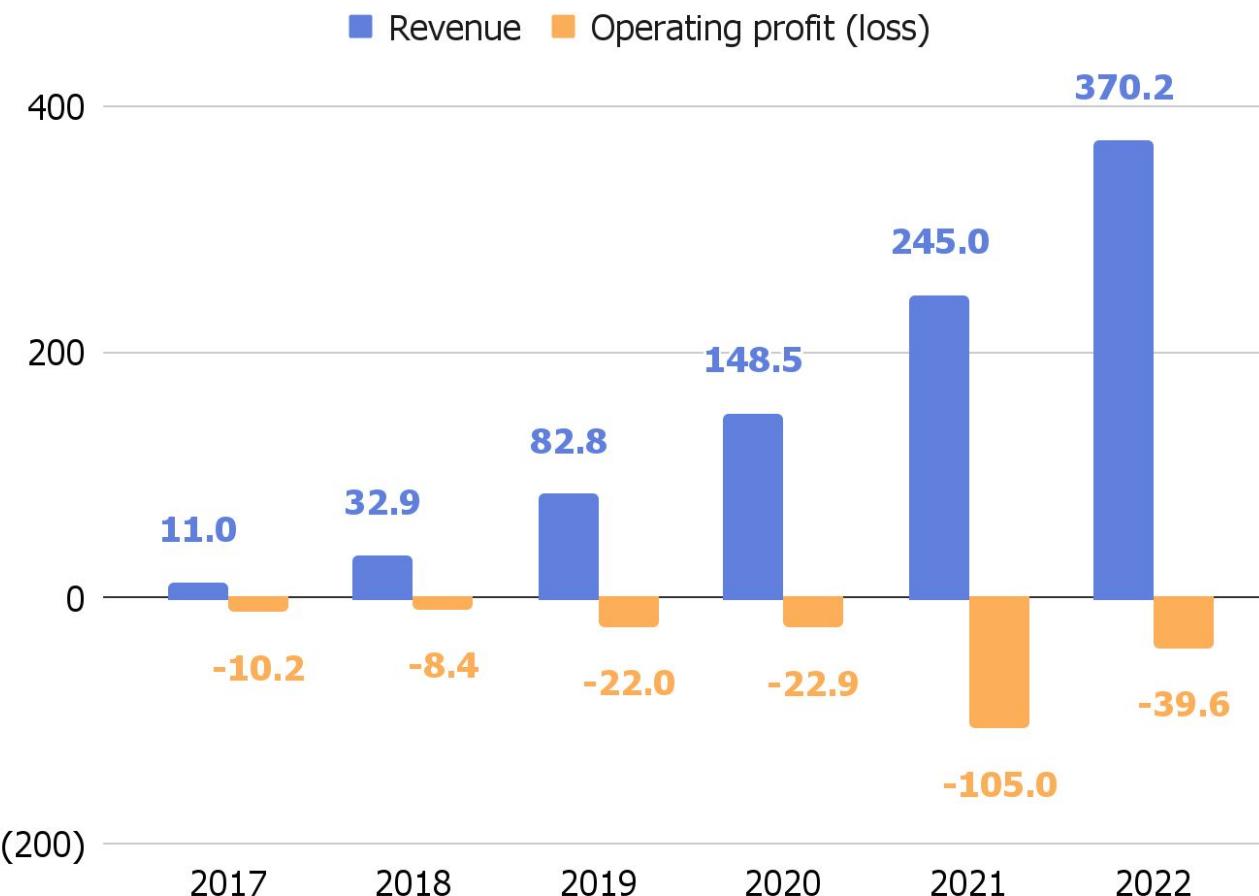
Revenue growth at transactional sites mixed last year ...

Transactional specialists revenue growth (\$m, €m)

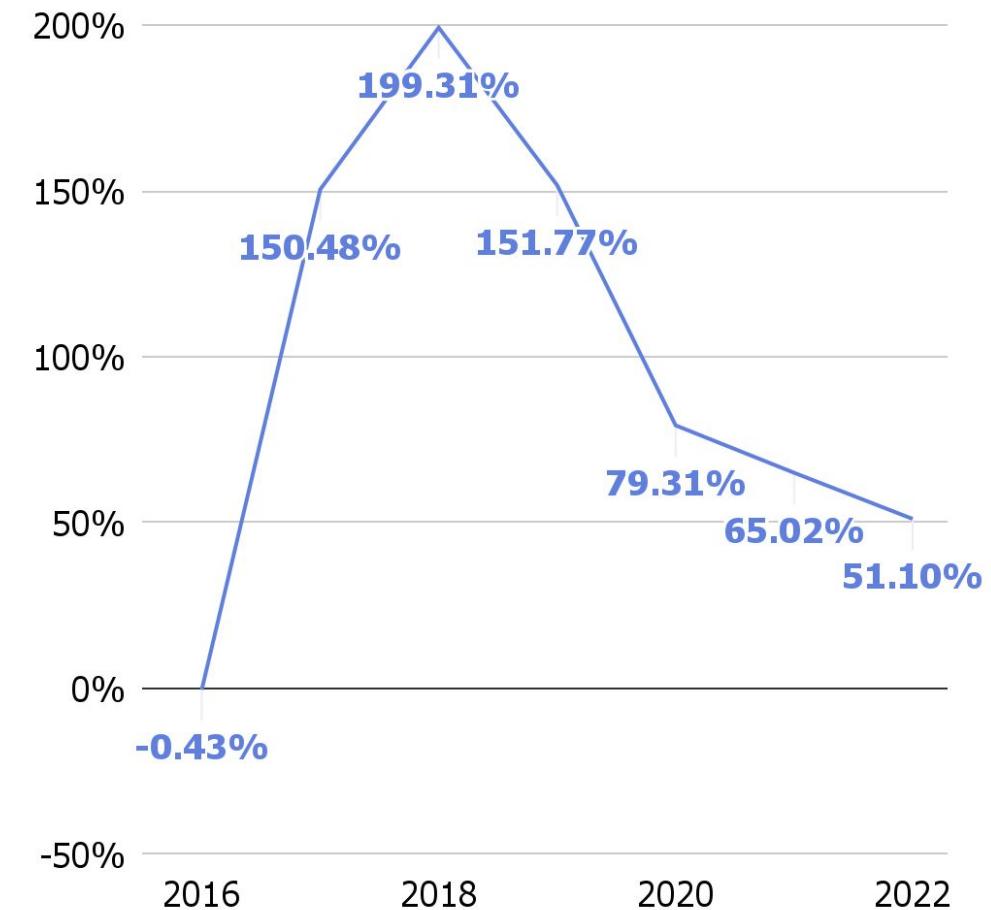


... but the top performers keep growing

Vinted revenue and operating profit (€, m)



Vinted annual revenue growth (%)



Summary: Key strategies for horizontals

Transactions in general goods

Verticalize within general goods

Match vertical developments

... and challenge ...

Be open to new business models

Challenge in sub-segments

C-to-b in autos

Transactions in rentals

Blue collar in recruitment

Your turn

The AIM Group

Global business intelligence service

- News and analysis
- Conferences
- Consulting

... providing information and advice on strategic and operational challenges and opportunities

Focus: Marketplaces and models that challenge them

- Automotive
- Real estate
- Recruitment
- Horizontals / general goods / recommerce
- Niche marketplaces
- Challengers: Tech, FinTech, e-commerce and transactions

Working at senior levels with:

- Marketplaces
- Classified companies
- Digital retailers
- Investors
- Vendors

More than 40 analysts, based across the globe:

- Africa
- Asia / India
- Australasia
- Europe
- Latin America
- Middle East
- North America

Get in touch!



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