

10 November 2023

Is the world vertical? Or is it horizontal?

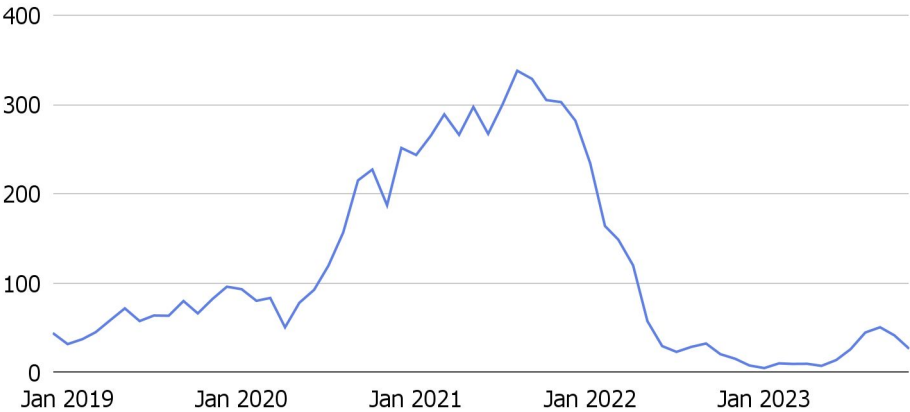


Jonathan Turpin, principal, AIM Group



External disruption has hit the bumpers, but ...

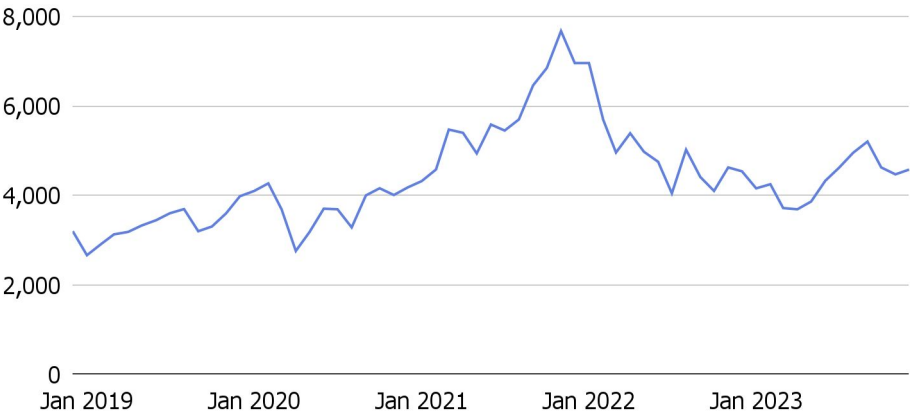
Carvana share price (\$)



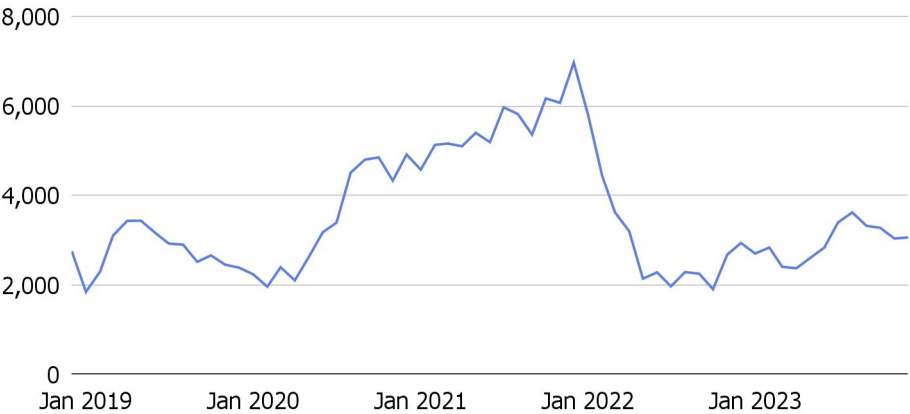
Opencore share price (\$)



Recruit Holdings share price (¥)



Mercari share price (¥)



Jan 2021

... 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

craigslist 

Transactions only

MERCARI

Local specialist

OfferUp

Freemium transactional

facebook

Vertical specialist

 POSHMARK

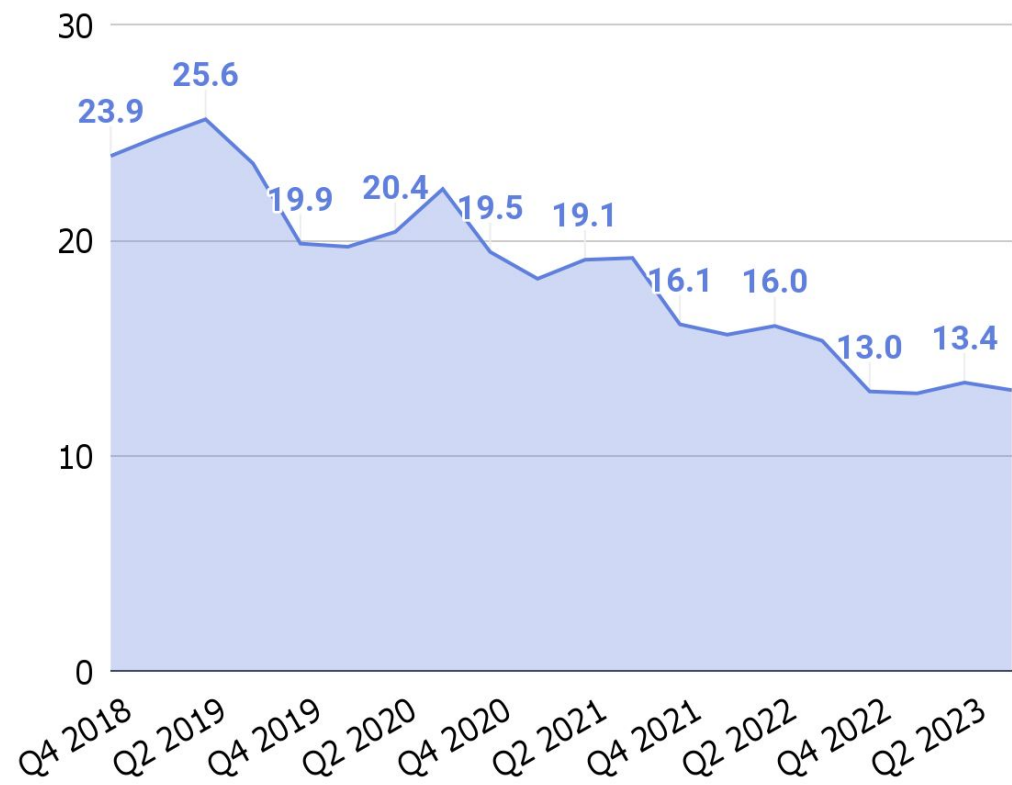
BackMarket

stockX 

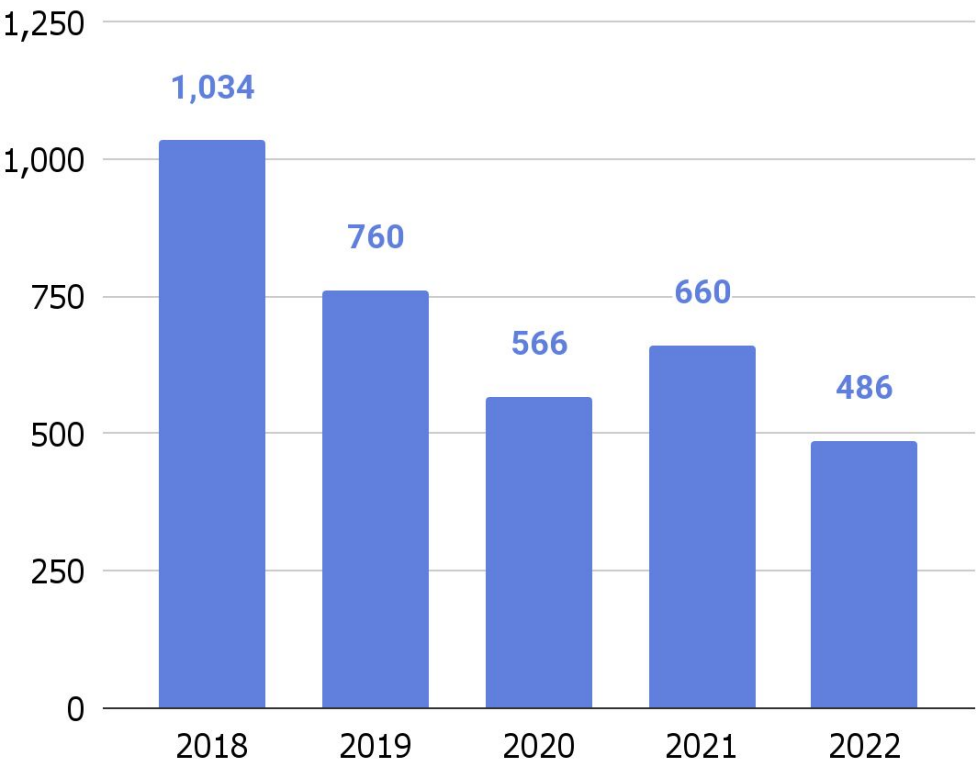
TheRealReal

Craigslist: What happens when you don't evolve!

Craigslist unique visitors (desktop, m)

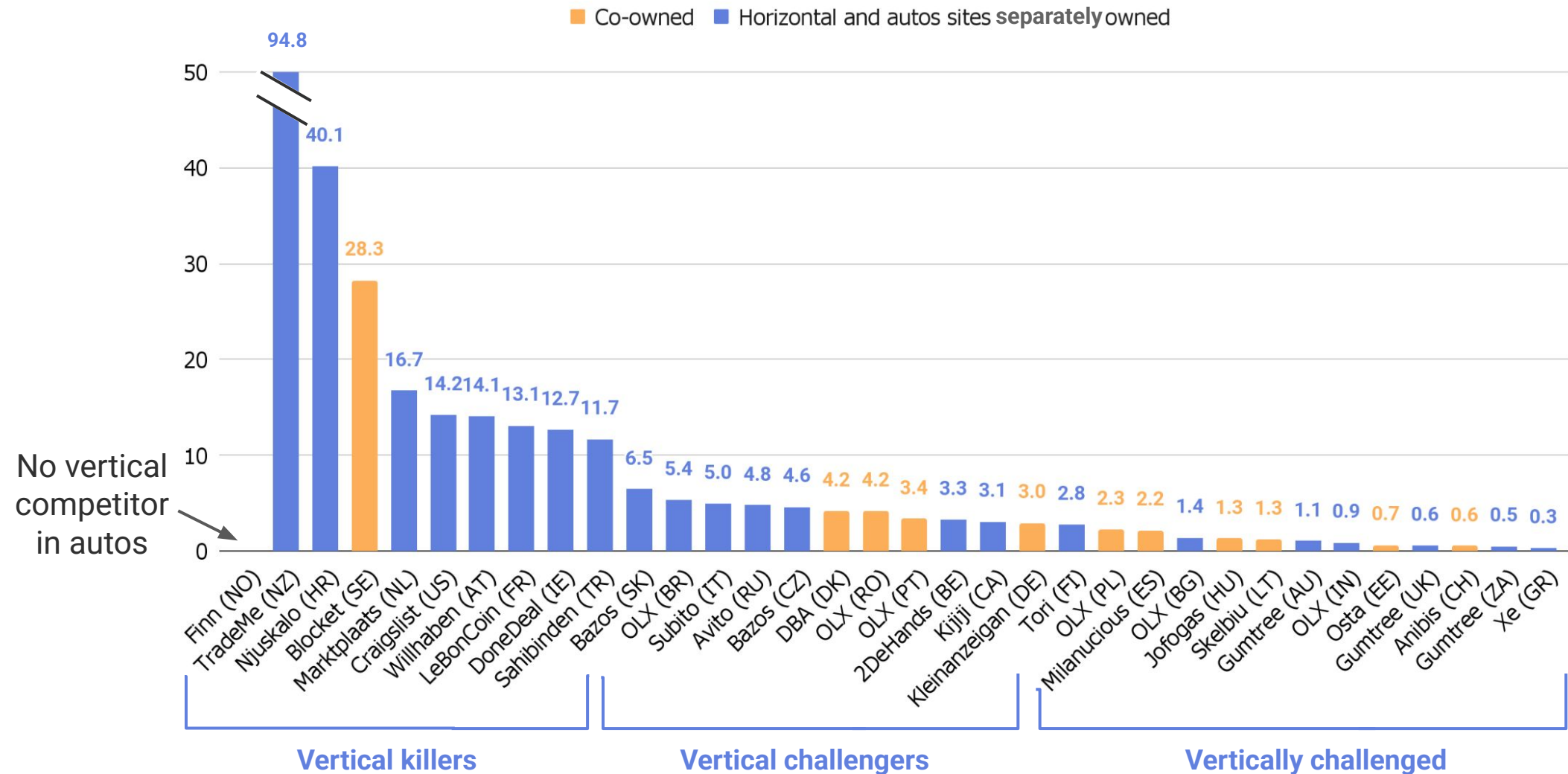


Craigslist estimated revenue (\$m) CAGR: -17%



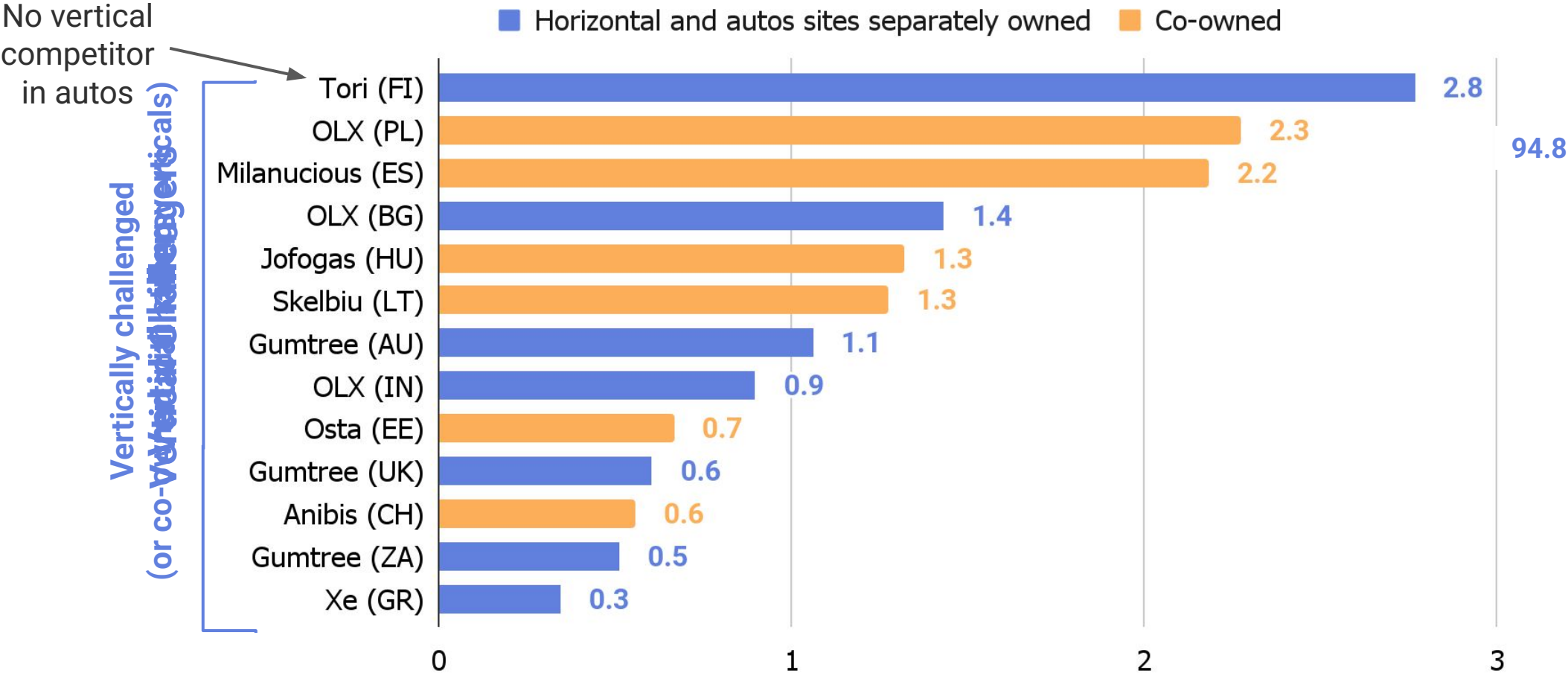
Strength / performance varies substantially across No. 1 horizontals

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)

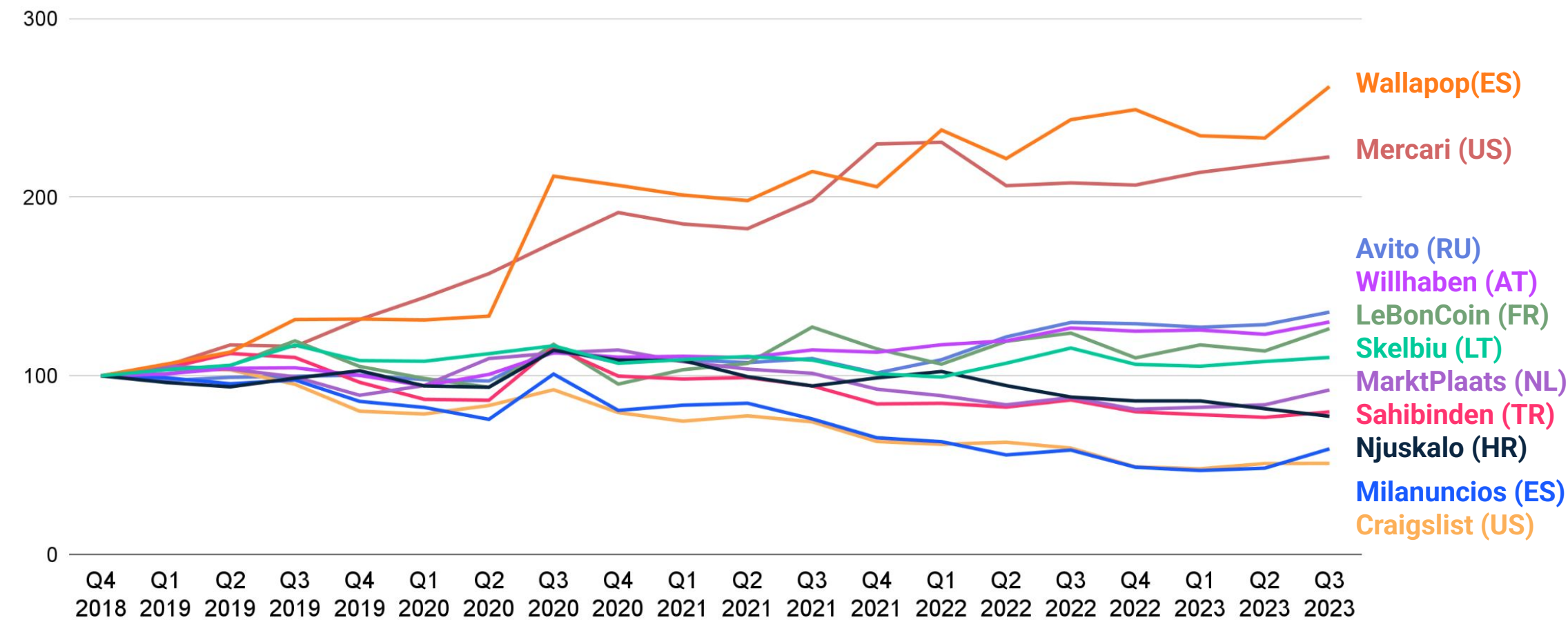


What's helped / is helping horizontals win?

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**

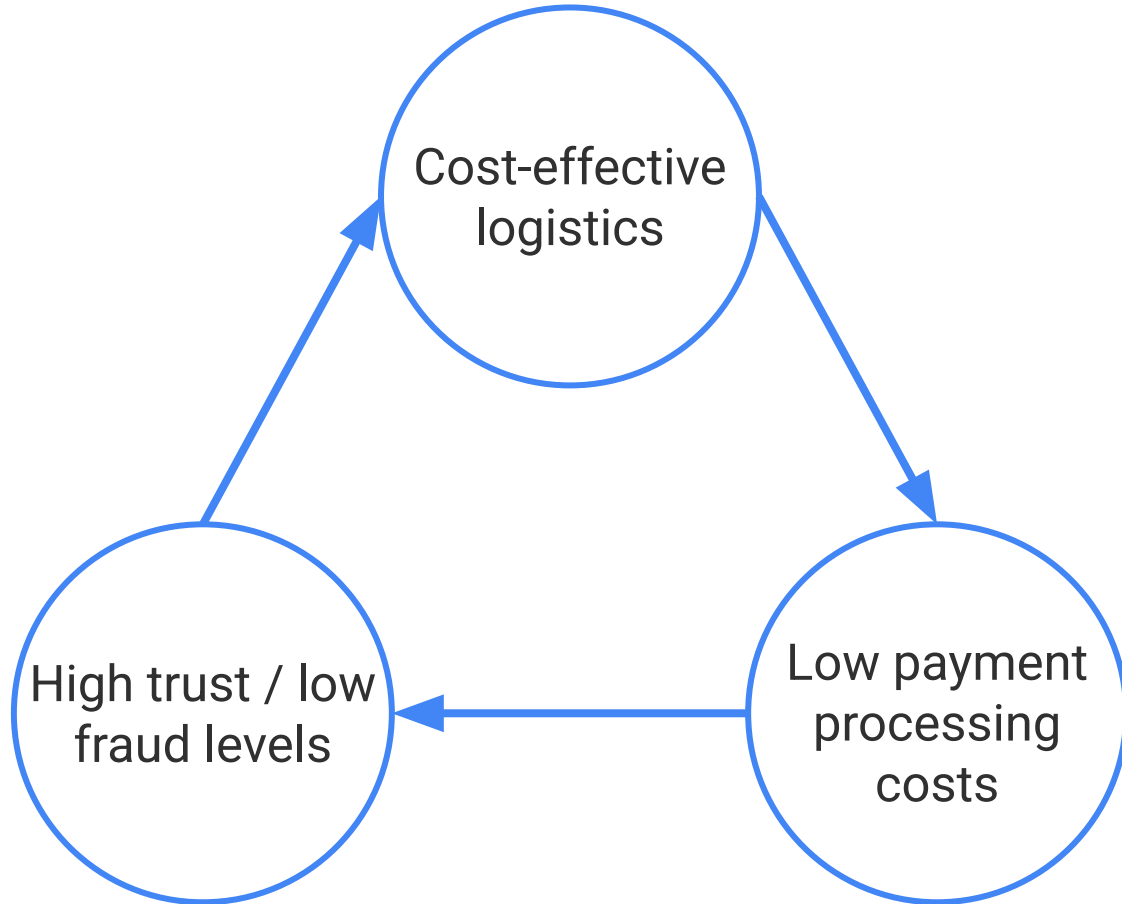
Hypothesis:

In general goods:

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

Progress to general goods transactions dependent on many factors

Infrastructure / execution factors



Softer cultural / market factors

Higher income levels

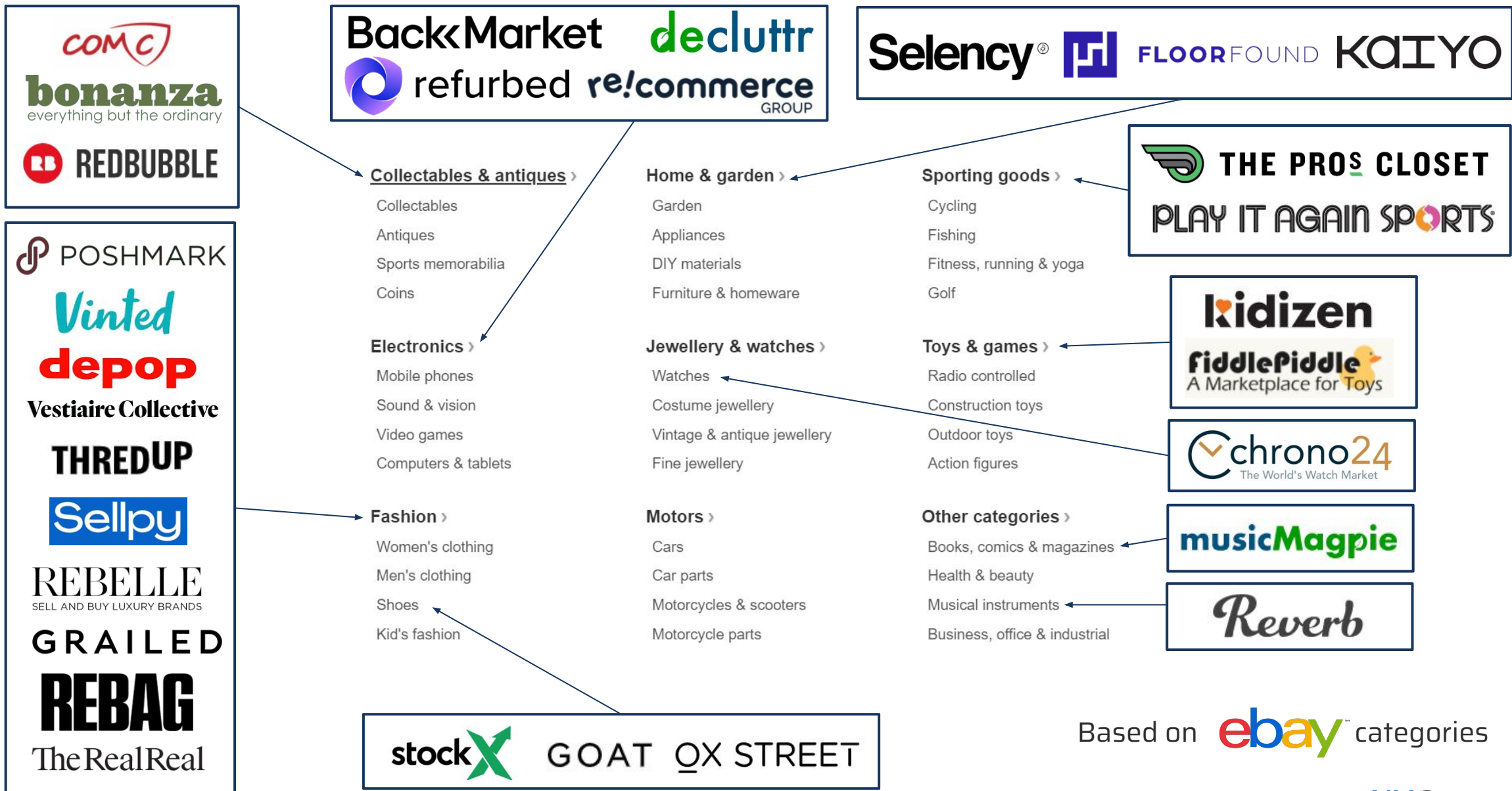
Weaker local / community culture

Stronger convenience culture

Greener

No, or weaker, EBay (/ equivalents)

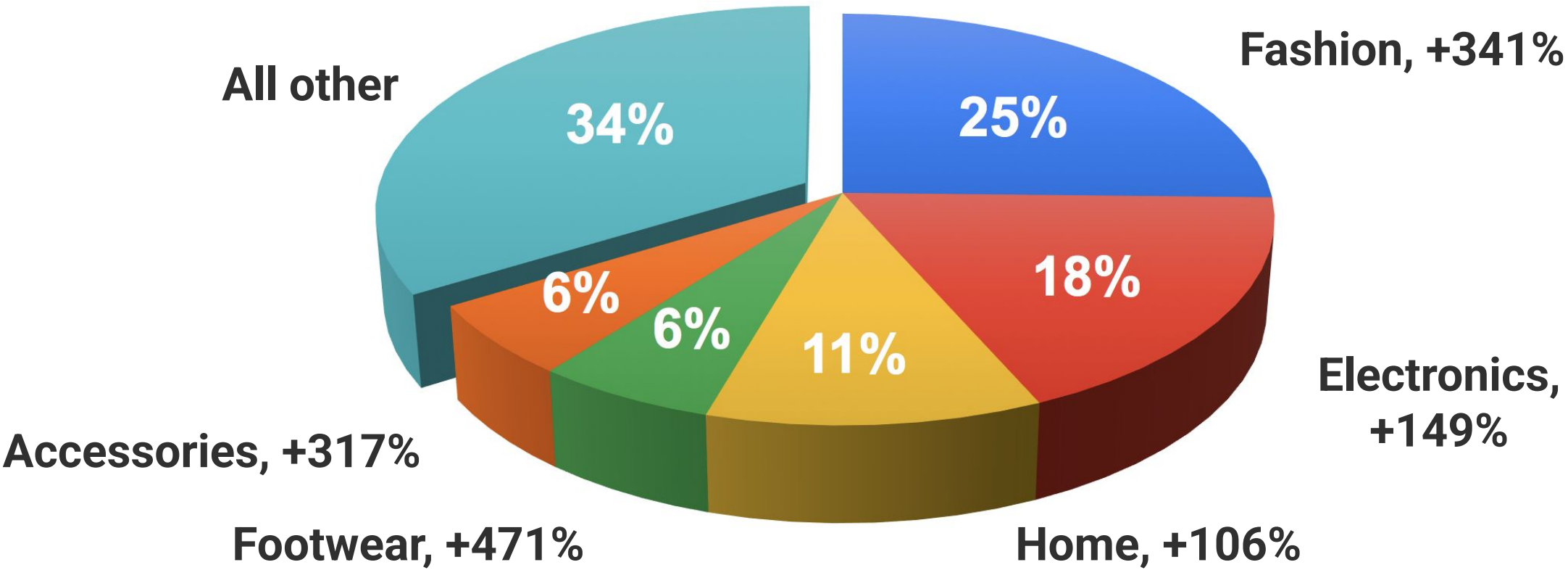
While a specialist may come to each category ...



Based on categories

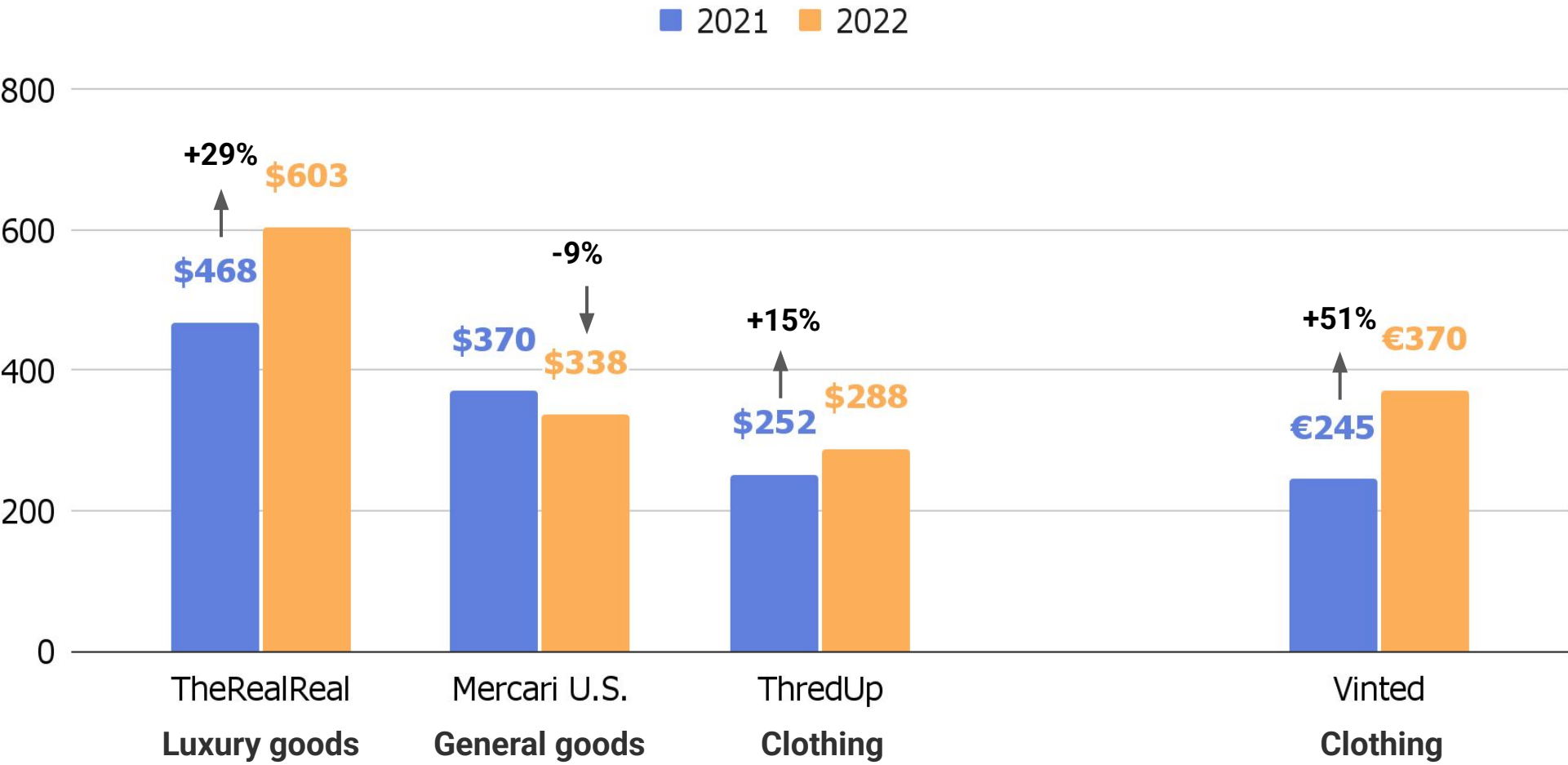
... a few mega-categories are most vulnerable

Value of secondhand sales in the USA, 2030



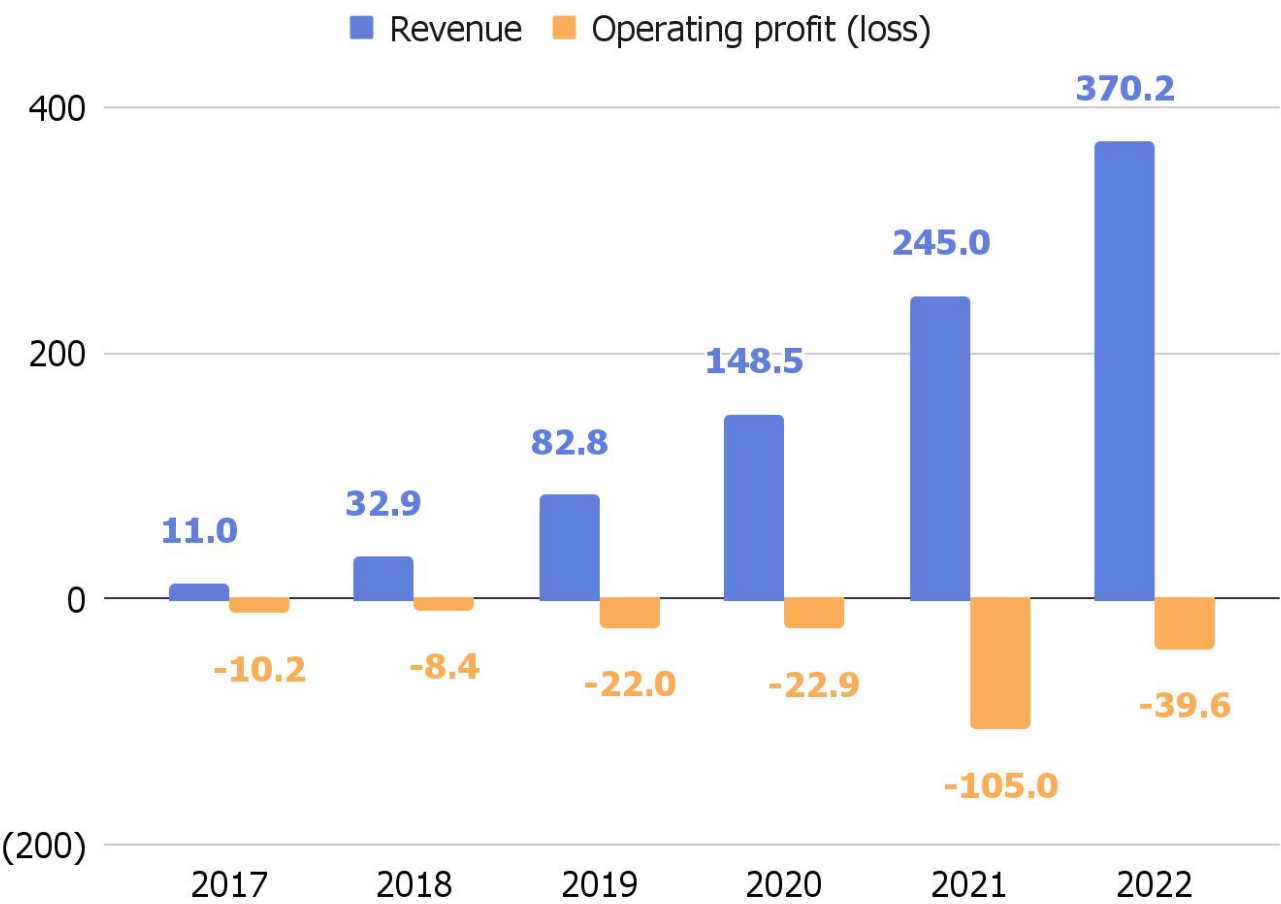
Revenue growth at transactional sites mixed last year ...

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

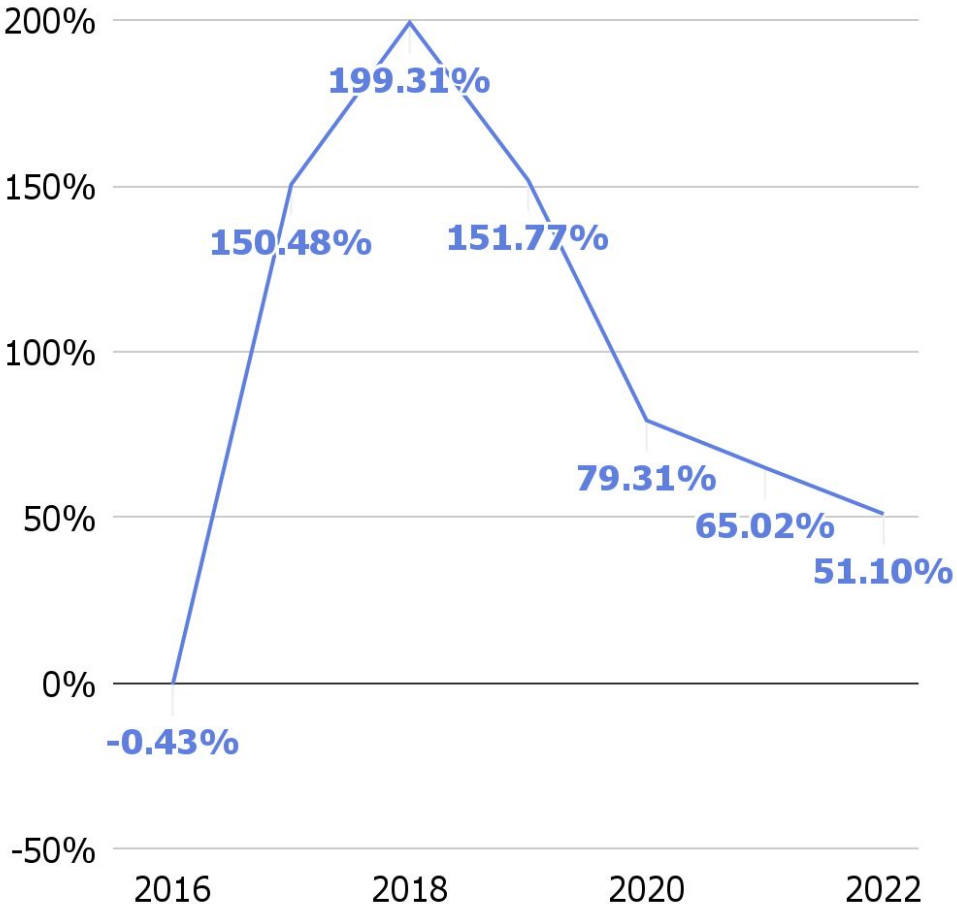


... but the top performers keep growing

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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