



Business Leaders Forum

The State of Classifieds – Threats and Opportunities

Introduction

With a market cap in excess of \$100B, and shares in flagship companies such as, Rightmove, Autotrader.co.uk, Carsales.com.au and Seek.com.au all at or near all time highs, the classifieds industry appears to be in a robust state of health.

Threats, which featured in conferences 2-3 years ago, such as the growing competition from classifieds generalists, seem to have abated with both formats continuing to thrive even in the same market.

And even the blithe “winner takes it all” mantra has given way to “winner makes the highest EBITDA margins”, which still leaves room for innovative number 2s in large markets such as Zoopla to build billion dollar businesses

Appearances can be however be deceptive.

1

**What do you see as the greatest
threats to your classifieds
business over the next 3 years?**

“Classifieds? – *that’s so 2014*”

(large Singapore VC, Series A pitch meeting, Sep 2017)

Classifieds sites deliver sellers **leads** in the form of calls and chats,
which *might* result in a test drive or viewing
which *might* result in an offer
which *might* result in an agreed transaction,
which *might* result in a payment,
which *might result in* a completed **sale**

The Answer for Sellers?



A screenshot of the CarPrice website. The header includes the logo 'CarPrice', a 'Как это работает?' link, 'Калининград' (Kaliningrad), and a phone number '8(800)555-07-41'. A banner features a smiling man pointing upwards with the text 'Тачку пригнал — деньги забрал'. Below the banner are dropdown menus for 'Марка', 'Год', 'Модель', and 'Email', and a yellow 'Оценить' (Evaluate) button. At the bottom, there are service icons and a checkbox for terms and conditions.

A screenshot of the InstaCarro website. It features the logo 'InstaCarro.com' with a car icon, a phone icon, and the text '(11) 3777 5023'. The main headline is 'VENDA O SEU CARRO EM 90 MIN'. Below it, the text 'Segurança, simplicidade e velocidade na venda' and 'Aqui 1.500 concessionárias disputam o seu carro em 90 min. Pagamento imediato. InstaFácil, InstaRápido, InstaSeguro.' are displayed.

A screenshot of the CARRO website. The header includes the logo 'CARRO' with a 'C' icon, and navigation links for 'BUY', 'SELL', 'WARRANTY', 'LOAN', 'BLOG', and 'ABOUT'. The main image shows a woman smiling from the outside of a car and a man smiling from inside. The text 'FASTEST WAY TO SELL YOUR CAR FOR MORE' is prominently displayed, along with a red 'SELL YOUR CAR' button.

The Answer for Buyers?



Strategic Weaknesses of the Classifieds Model

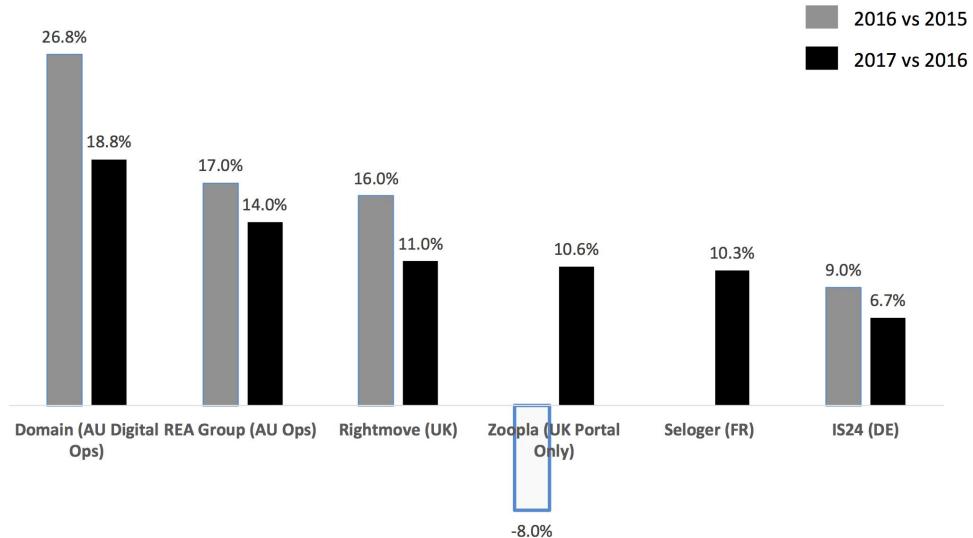
1. Dependence upon professional agencies/dealers/brokers for most revenues

Strategic Weaknesses of the Classifieds Model

1. Dependence upon professional agencies/dealers/brokers for most revenues
2. **Price increases get incrementally harder to justify**

Strategic Weaknesses_

Price Increases get Incrementally Harder to Justify

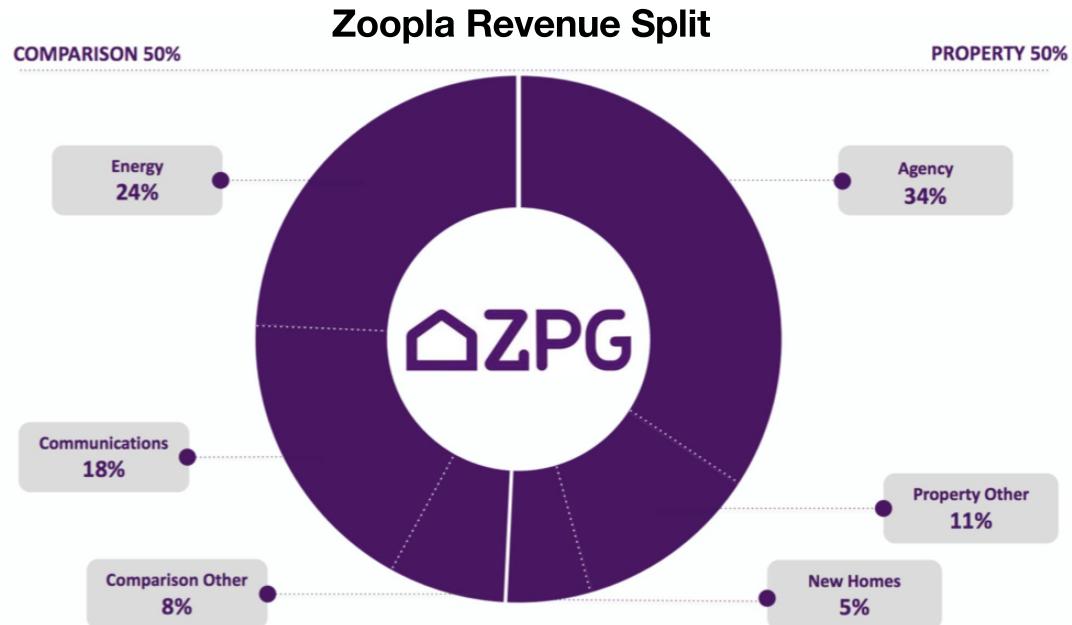


Strategic Weaknesses of the Classifieds Model

1. Dependence upon professional agencies/dealers/brokers for most revenues
2. Price increases get incrementally harder to justify
- 3. Incremental revenue growth requires expanding into more and more areas which reduce EBITDA margins and risk loss of focus**

Strategic Weaknesses_

Expanding into More and More Areas



Strategic Weaknesses of the Classifieds Model

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- 4. For consumer buyers, far inferior customer experience compared to a one click Amazonesque e-commerce experience**

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3. Incremental revenue growth requires expanding into more and more areas which reduce EBITDA margins and risk loss of focus
4. For consumer buyers, far inferior customer experience compared to a one click Amazonesque e-commerce experience
- 5. For consumer sellers, a painful process of many approaches from people whose trustworthiness is unknown, pitching their car/house, haggling over price, and eventually writing out a sales contract, which might result in a payment**

Where's the Venture Capital Going?

Venture Capital Investments

> \$100M- Real Estate

MUSD

Company Name	HQ Location	Description	Funds Raised
Home Link (Lianjia)	China	Chinese O2O (online-to-offline) real estate agency service provider	1080
Opendoor	USA	Opendoor is an online home-selling service	319
FangDD.com	China	Fangdd - O2O platform for real estate powered by agents	313
Iwjw	China	Iwjw is a Shanghai-based online real estate agency	305
OfferPad	USA	OfferPad is real estate reinvented, making buying and selling a home convenient and hassle-free.	260
Compass	USA	Online real estate transactions platform.	208
Redfin	USA	OTO real estate brokerage	168
Housing.com	India	Real estate transactions	159
Xiaozhu.com	China	RE transactions platform short to mid rentals	152
Ten-X	USA	Online real estate marketplace	142
PurpleBricks	UK	Online real estate broker	101
			3207

Venture Capital Investments

> \$100M- Auto

MUSD

Company Name	HQ Location	Description	Funds Raised
UCAR	China, Asia	chauffeured car SP	2390
Yixin Capital	China, Asia	ATP	1129
Uxin	China, Asia	used electronic cars SP	960
Guazi.com	China, Asia	ATP	650
AUTO1 Group	Germany	ATP	522
eHi Car Rental	China, Asia	car rental platform	418
CAR Inc.	China, Asia	car rental platform	350
TrueCar	USA	ATP	333
Vroom	USA	ATP	330
Carvana	USA	ATP	300
CarsDirect.com	USA	ATP	297
CarTrade	India	ATP	240
Chezhibao	China, Asia	ATP	222
			8141

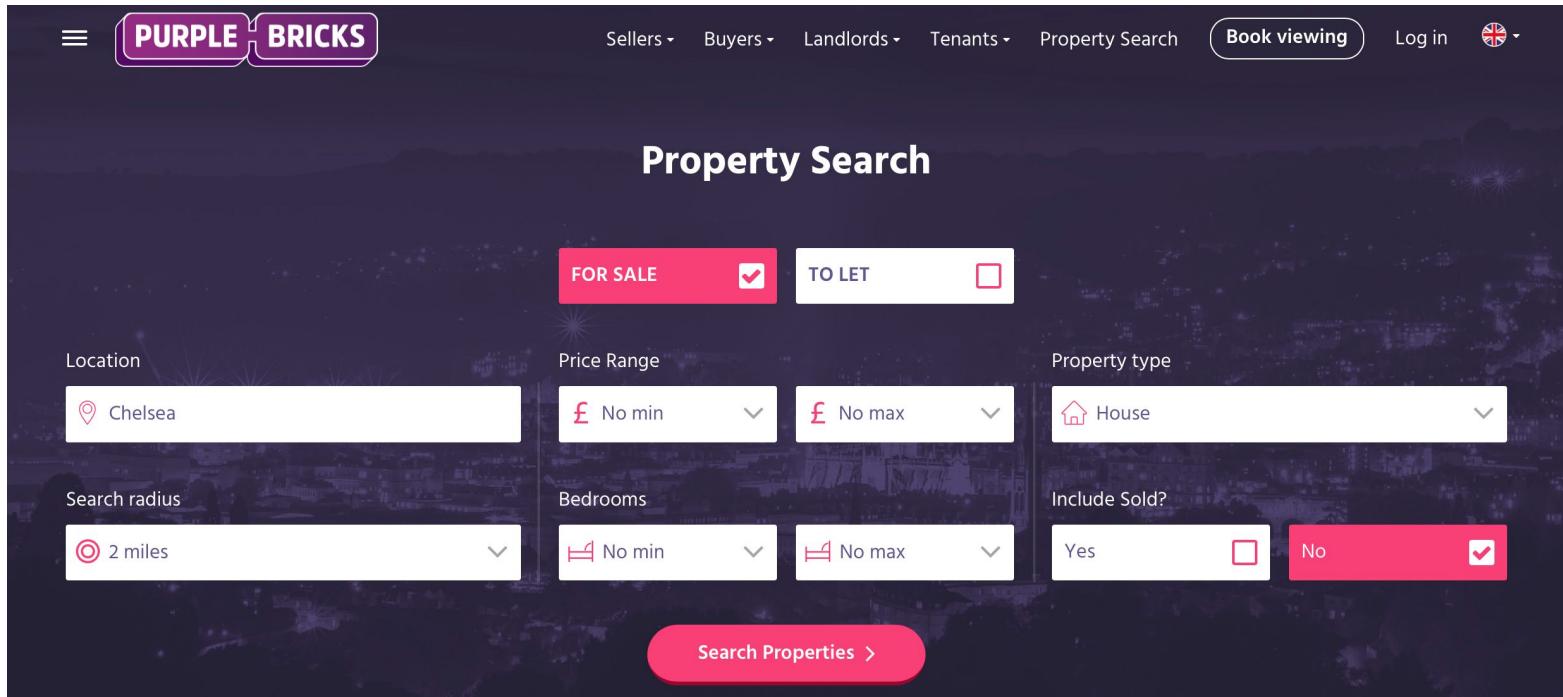
2

What does an agent/broker/dealer do that a classifieds platform, which has reached liquidity could not do?

Are Intermediaries Indispensable?

Activity	Traditional Agent/ Digital Agent	Online Transactions Platform
Compose listing	Agent	DIY; support from platform incl. image sequencing, price guide
Find potential buyers	Agent	Leads generated by portal by search and/or matching; seek out passive buyers
Conduct visits	Agent	DIY or outsource to a specialist; use data easily available to portal to send only qualified buyers
Negotiate price	Agent	Pricing tools from website; easy to compare asking prices of similar homes listed on website
Contract Preparation	Agent / solicitor	Standardization of contracts/ standardized service from online lawyer
Registration of ownership changes	Agent / solicitor	standardized service from online lawyer

Do Digital Agents Consider Portals Indispensable?



The screenshot shows the Purplebricks property search interface. At the top, there is a navigation bar with links for Sellers, Buyers, Landlords, Tenants, Property Search, Book viewing, Log in, and a language selector (UK flag). The main title is "Property Search". Below the title, there are two main search categories: "FOR SALE" (selected) and "TO LET". The "FOR SALE" category is highlighted with a pink background and a checked checkbox. The "TO LET" category has a white background and an empty checkbox. The search form includes fields for "Location" (set to "Chelsea"), "Price Range" (set to "No min" and "No max"), "Property type" (set to "House"), "Bedrooms" (set to "No min" and "No max"), and "Include Sold?" (set to "No" with a checked checkbox). At the bottom, there is a large pink "Search Properties >" button.

Ads versus Transactions_

Different Business Models

The largest and most engaged audience			
	Outperforming the competition	realestate.com.au	No. 2 property site
 Visits Average monthly traffic to realestate.com.au ¹	2.5x	49.9m	19.7m
 Time on Site Average monthly total time on site (minutes) ²	7.8x	262.9m Minutes	33.3m Minutes
 Page Views Average monthly ³	5.8x	931.8m	160.2m

Ads versus Transactions_

Different Business Models

	CLASSIFIEDS	TRANSACTIONS
Primary Revenue Source	“Publisher” Subscriptions	Sales Commissions
Market Dynamics	Publisher with greatest reach charges the highest “rates”	Commission income simply requires a successful sale
Revenue Maximization	Publisher model; most content, most visits, highest prices per advertiser	E-commerce model; commission level determines max. marketing spend
#Profitable Players per Market	1 - 2	Many

3

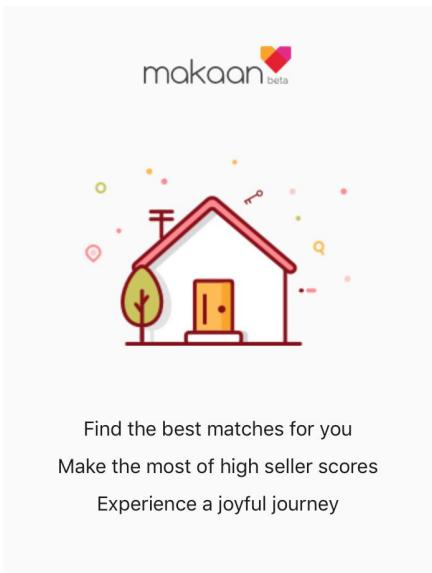
How can your business get closer
to the primary transaction?

Getting into the Transaction

1. Own the conversation between the buyer

Getting into the Transaction_ Own the Conversation

example 1_Makaan, India



Listings ranked on the basis of seller quality, content quality, and transaction disclosure

Getting into the Transaction_

Own the Conversation

example 2_Auto.ru, Russia



All calls and messages recorded and
analysed

Listings for which owner has failed to
follow up lead within x hours and pushed
down in search results

Getting into the Transaction_

Own the Conversation

example 3_Tapu, Turkey

Own the Process	
<ul style="list-style-type: none">· Own the listing: Exclusive contract, hidden seller, agreed minimum· Own the information: Show & tell before asked. Legal appraisal report	
<ul style="list-style-type: none">· Own the audience: Off-site marketing per title ~7M monthly reach· Own the conversation: Answer the call. 25k min./month, live chat, etc.· Own the auction: Free to get in. Pre-auth to bid. Only charge winner.· Own the transaction: Paper pushing and follow-up until registration	

Getting into the Transaction_

Own the Conversation

example 4_CornerJob, Spain



Response times of employers on platform followed; failure to respond to candidate in 24 hours results in the candidate lead being pushed to another employer

Getting into the Transaction

1. Own the conversation between the buyer
2. **Minimize information asymmetries e.g. on pricing and condition**

Getting into the Transaction_

Minimise Information Asymmetries

example 1_Auto.ru, Russia

 Verified by Auto.ru •
This car is checked by the center of Avto.ru on May 1, 2017

Body and Exterior ★★★★★	Interior and interior ★★★★★	Technical condition ★★★★★	Documents and other ★★★★★
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[View Diagnostic Report](#)

Seller **Andrey (private person)**  Write  +7 XXX XXX-XX-XX

Inspection address **Moscow**

Year of issue	2013
Mileage	120,000 km
Body	Sedan
Colour	Brown
Engine	1.6 l / 136 hp / petrol
Box	Automatic
Drive unit	Rear
Steering wheel	Left
condition	Does not require repair
Owners	2 owners

To make it easier for you to make a purchasing decision, our specialist have prepared a detailed report on the condition of all systems, body and interior, and also checked the car for legal purity and availability of necessary documents.

Getting into the Transaction_

Minimise Information Asymmetries

example 2_PakWheels, Pakistan

Never buy a Used Car without
CARSURE

Our CarSure experts inspect the car on over 200 checkpoints so you get complete satisfaction and peace of mind before buying.



[GET THIS CAR INSPECTED](#)

Toyota Corolla Altis Automatic 1.6 2015 in Lahore - Estimated Price

PKR 2,030,209

(PKR 20.3 lacs)

Recommended Price Range

Min
PKR 19.29 lacs

Max
PKR 21.32 lacs

Disclaimer: Used car valuations are based on sophisticated algorithms, extensive research and market data collection. Actual prices may vary based on overall condition of car, extra modifications and market conditions or other circumstances pertinent to a particular car. PakWheels assumes no responsibility for errors and omissions.

example 3_Car Gurus, X



2015 Toyota Camry SE

Great Deal
\$2,860 BELOW
CarGurus IMV of
\$15,050

Price: \$12,190 \$227/mo est.
Mileage: 25,790 mi
Location: Miami, FL 61 mi
Dealer rating: 

Featured Listing



2009 Toyota Camry XLE

Fair Deal
\$126 ABOVE
CarGurus IMV of
\$6,569

Price: \$6,695 \$125/mo est.
Mileage: 141,002 mi
Location: Miami, FL 58 mi
Dealer rating: 

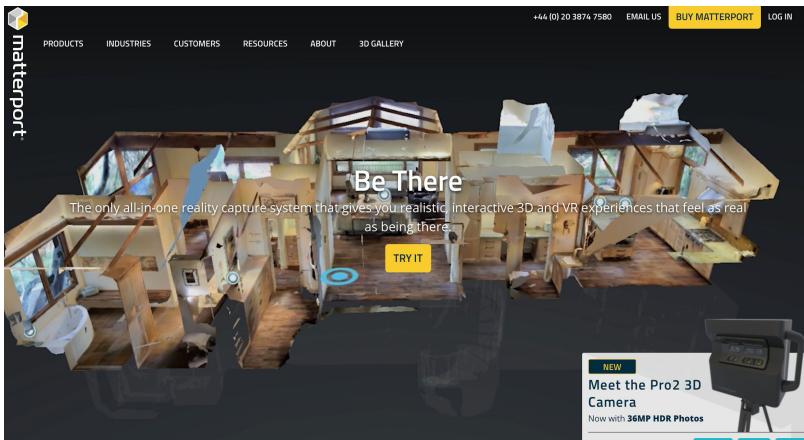
PakWheels has a 200 point inspection service, and also offers certification of ownership; price calculator

Car Gurus was one of the first sites to show how attractively priced listed cars are

Getting into the Transaction_

Minimise Information Asymmetries

example 4_3D Property Imaging



example 5_Zestimates

**107 E 31st St APT 1A,
New York, NY 10016**

1 bed · 3 baths · 2,022 sqft

● FOR SALE

\$2,475,000

Zestimate®: \$2,456,009

EST. MORTGAGE

\$9,655/mo

Getting into the Transaction

1. Own the conversation between the buyer
2. Minimize information asymmetries e.g. on pricing and condition
- 3. Move charging basis from advertising slots to pay per lead or pay per sale**

Commission-based Models:

Zameen new developments (Pakistan)

Makaan (India)

Tapu (Turkey)

Sodichan (China)

PakWheels (Pakistan)

Africar

Getting into the Transaction

1. Own the conversation between the buyer
2. Minimize information asymmetries e.g. on pricing and condition
3. Move charging basis from advertising slots to pay per lead or pay per sale
- 4. Provide end-to-end solutions for less threatening segments**
e.g New Developments, FSBO

Getting into the Transaction_ **Providing End to End Solutions**

example 1_

Getting into the Transaction

1. Own the conversation between the buyer
2. Minimize information asymmetries e.g. on pricing and condition
3. Move charging basis from advertising slots to pay per lead or pay per sale
4. Provide end-to-end solutions for less threatening segments
e.g New Developments, FSBO
- 5. Become a fully-fledged transactions platform**

Getting into the Transaction_

Transaction Platforms

showcase Sodichan

 搜地产
Sodichan.com

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[Projects](#)

[Favorites 0](#)

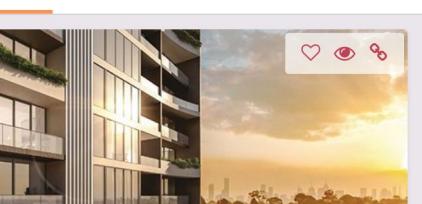
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[墨尔本华人热区: Box Hill...](#)

 Apartment

 2019-12-31

 0 to 777.7k CNY

 51 / 52



[墨尔本丽兹卡尔顿酒店奢华铂金楼...](#)

 Apartment

 2022-11-30

 70.0k to 1.1m CNY

 62 / 66



[墨尔本西南大学城UPC别墅社区...](#)

 House

 Upper Point Cook Estate, Point...

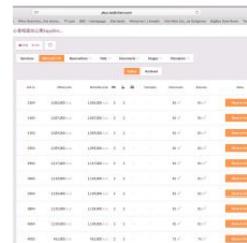
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Getting into the Transaction Transaction Platforms

showcase_Sodichan

CUSTOMIZE & CURATE DEVELOPER LISTINGS → PUSH LISTINGS TO SPECIALISED CN SALES CHANNELS → PROVIDE DATA TO SUPPORT PURCHASE DECISION → MANAGE TRANSACTION



Integrating



to the entire platform

Phase 1: B2C2B

Phase 2: B2C2B+ B2C

Phase 3: ?

Getting into the Transaction

5. Become a fully-fledged transactions platform!



In order for the leader to survive the onslaught of disruption...

“The leader ...had to set up a completely different business unit and manage it independently with different process, architecture and economic structure.”

(Clay Christensen, author of The Innovator's Dilemma, 1997)

what we do

growth capital

EIV raises growth capital for fast-growing classifieds and marketplace businesses.

We work on Series A and all later rounds.

Our typical funding mandate is to bring in between \$5 million and \$20 million, but we have exceeded \$100 million on occasions.

full or partial exits

We arrange exits to financial buyers, such as VCs or PEs with strong classifieds credentials and we find strategic buyers and structure cash and earn-out deals.

m&a

We support strategic and financial buyers by finding targets, performing due diligence and running the transaction process

contact

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