



# 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.***

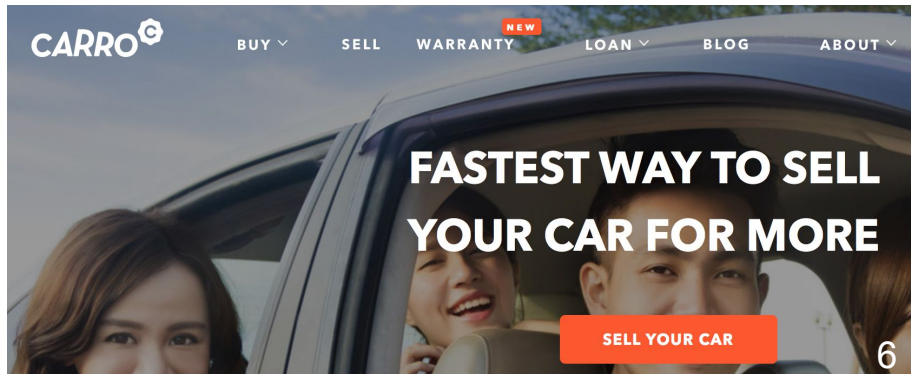
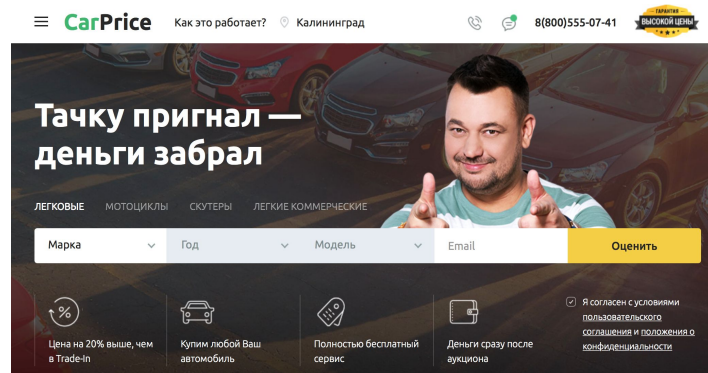
**1** What do you see as the greatest threats to your classifieds business over the next 3 years?

# ***“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?



# The Answer for Buyers?



# **Strategic Weaknesses of the Classifieds Model**

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

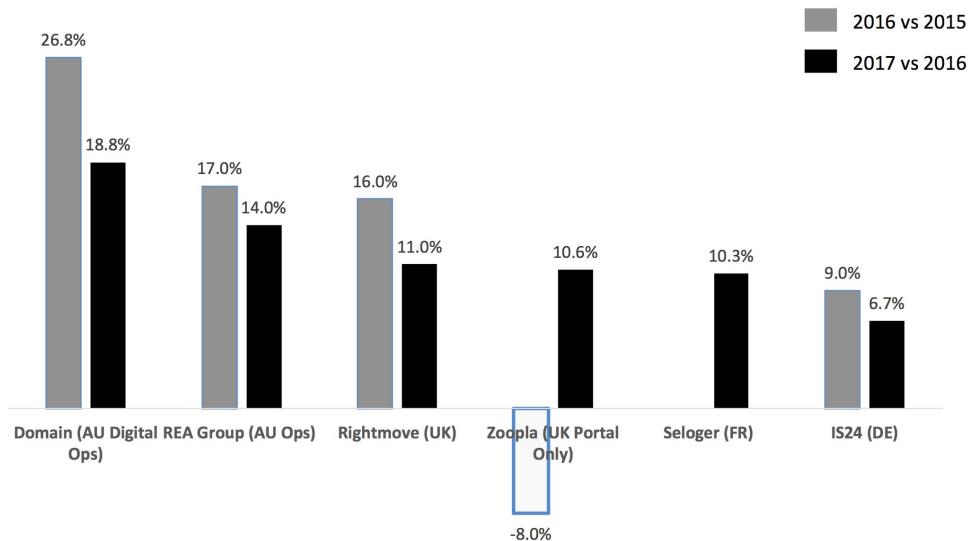


# Strategic Weaknesses of the Classifieds Model

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

# Strategic Weaknesses\_

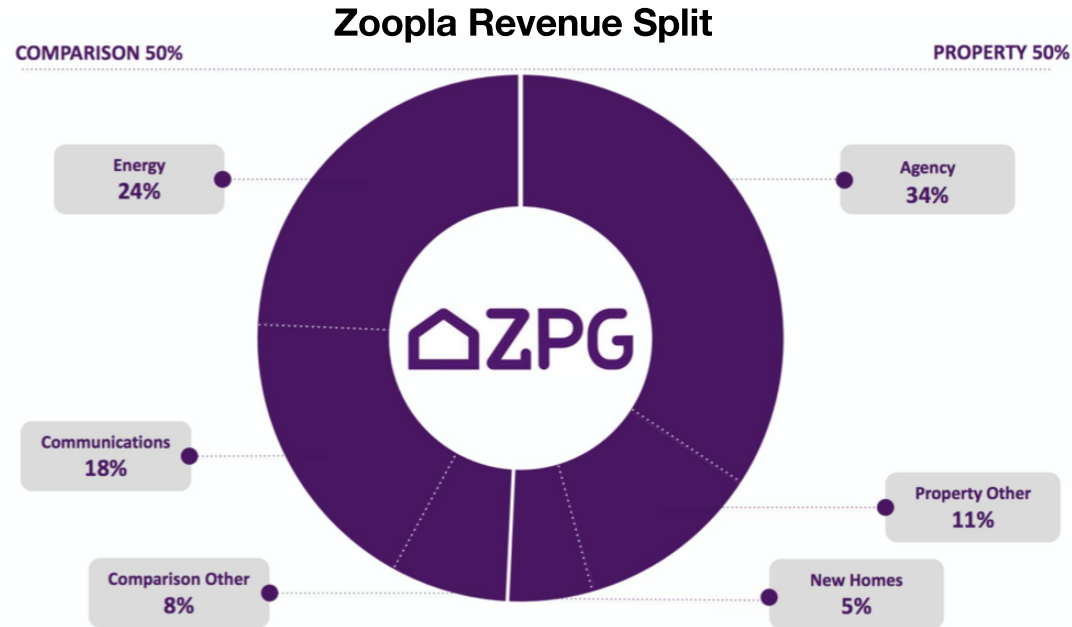
## Price Increases get Incrementally Harder to Justify



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

# 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
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
lww	China	lww 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
			<b>3207</b>



# 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
			<b>8141</b>

**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?

**PURPLE BRICKS**

Sellers ▾ Buyers ▾ Landlords ▾ Tenants ▾ Property Search **Book viewing** Log in

## Property Search

**FOR SALE** ☒ **TO LET** ☐

**Location**

**Price Range**  
 £ No min ▾ £ No max ▾

**Property type**

**Search radius**




**Bedrooms**

**Include Sold?**  
 Yes ☐ No ☒

**Search Properties >**

# Ads versus Transactions\_

## Different Business Models

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

# Ads versus Transactions\_

## Different Business Models

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

# **3** How can your business get closer to the primary transaction?

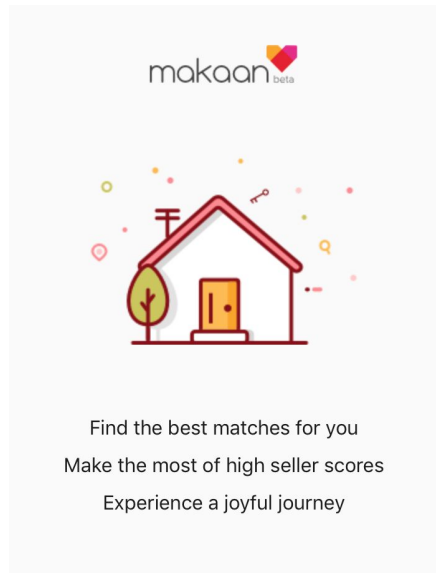
# Getting into the Transaction

**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

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

# 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**  






[View Diagnostic Report](#)

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**Seller**  
 Inspection address

**Andrey (private person)**  
 Moscow

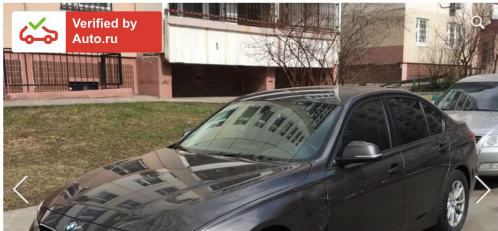




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**Year of issue**  
**Mileage**  
**Body**  
**Colour**  
**Engine**  
**Box**  
**Drive unit**  
**Steering wheel**  
**condition**  
**Owners**

2013  
 120,000 km  
 Sedan  
 Brown  
 1.6 l / 136 hp / petrol  
 Automatic  
 Rear  
 Left  
 Does not require repair  
 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

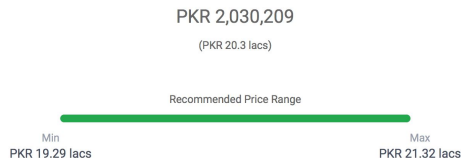
Never buy a Used Car without  
**CARSURE**

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



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

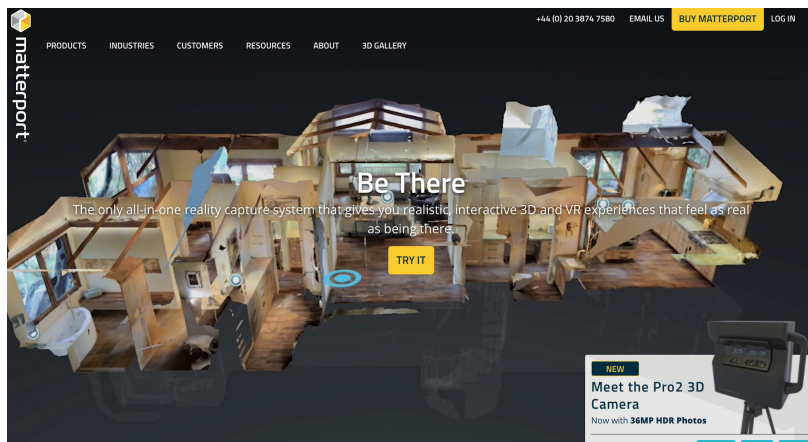
Price: \$6,695 \$125/mo est.  
Mileage: 141,002 mi  
Location: Miami, FL 58 mi  
Dealer rating: ★★★★★

**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



Sodichan.com

Homepage

Australia United States United Kingdom Thailand International

Homepage

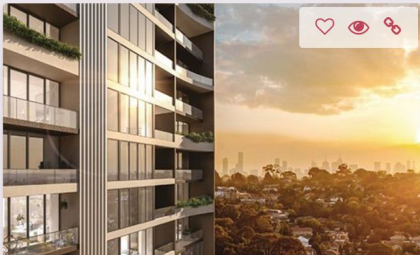
Projects

Favorites

FAQ


Reservations

Buyers




墨尔本华人热区: Box Hill...  
17 Arnold Street, Box Hill, Vi...  
0 to 777.7k CNY

Apartment  
2019-12-31  
51 / 52



墨尔本丽兹卡尔顿酒店奢华铂金楼...  
250 Spencer Street, Melbourne,...  
70.0k to 1.1m CNY

Apartment  
2022-11-30  
62 / 66



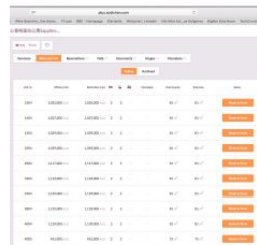
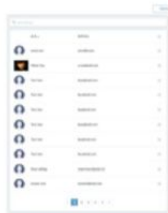
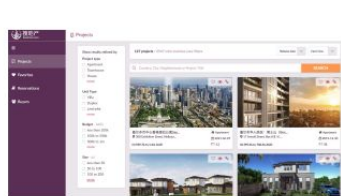
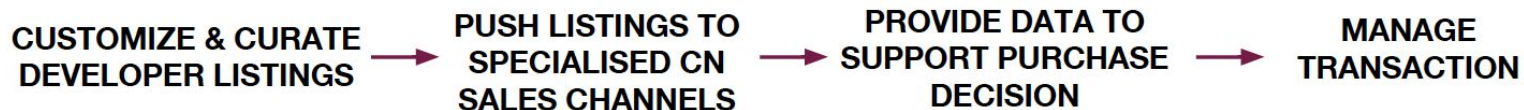
墨尔本西南大学城UPC别墅社区...  
Upper Point Cook Estate, Point...  
0 CNY

House  
0 / 1

# Getting into the Transaction\_

# Transaction Platforms

showcase\_Sodichan



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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