

Revenue management in the era of AI

November 2023



Simon-Kucher is the leading global consulting firm specializing in unlocking better growth.

Our people

- Specialists in Commercial Strategy & Pricing Consulting, Transaction Services & Private Equity, Digital and Software
- Our partners and experienced leadership team are hands on, delivering results at pace

Our sector expertise

- Consumer
- Financial Services
- Healthcare & Life Sciences
- Industrials
- Technology Media and Telecoms

Our clients

- Our clients come from 120+ industries and range from Fortune and FTSE 100 firms to unicorns

Our reputation

**WORLD'S BEST
MANAGEMENT
CONSULTING FIRMS**

**Forbes
2023**

POWERED BY STATISTA

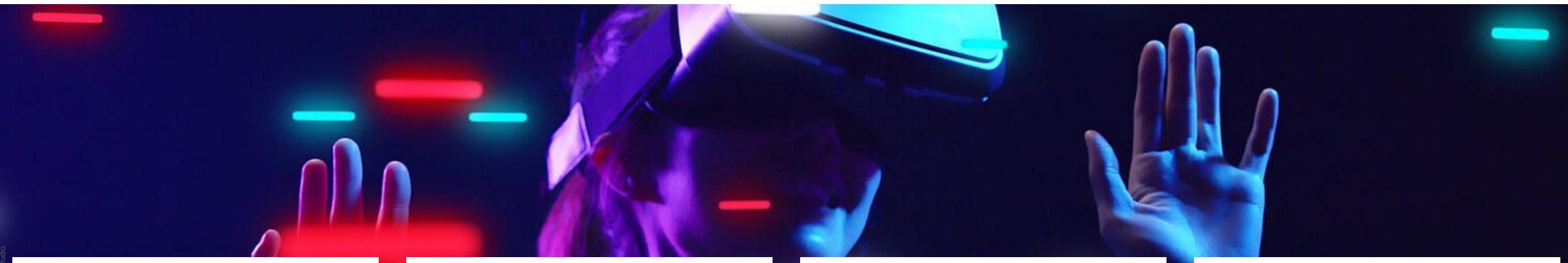
**1985
FOUNDED**

**45
OFFICES**

**30
COUNTRIES**

**2,000+
EMPLOYEES**

**180+
PARTNERS**



Customer, product, and market strategy

Build and embed commercial excellence across every part of your go-to-market strategy – based on deep understanding of value delivery and willingness to pay.

Sales excellence

Pricing and revenue management

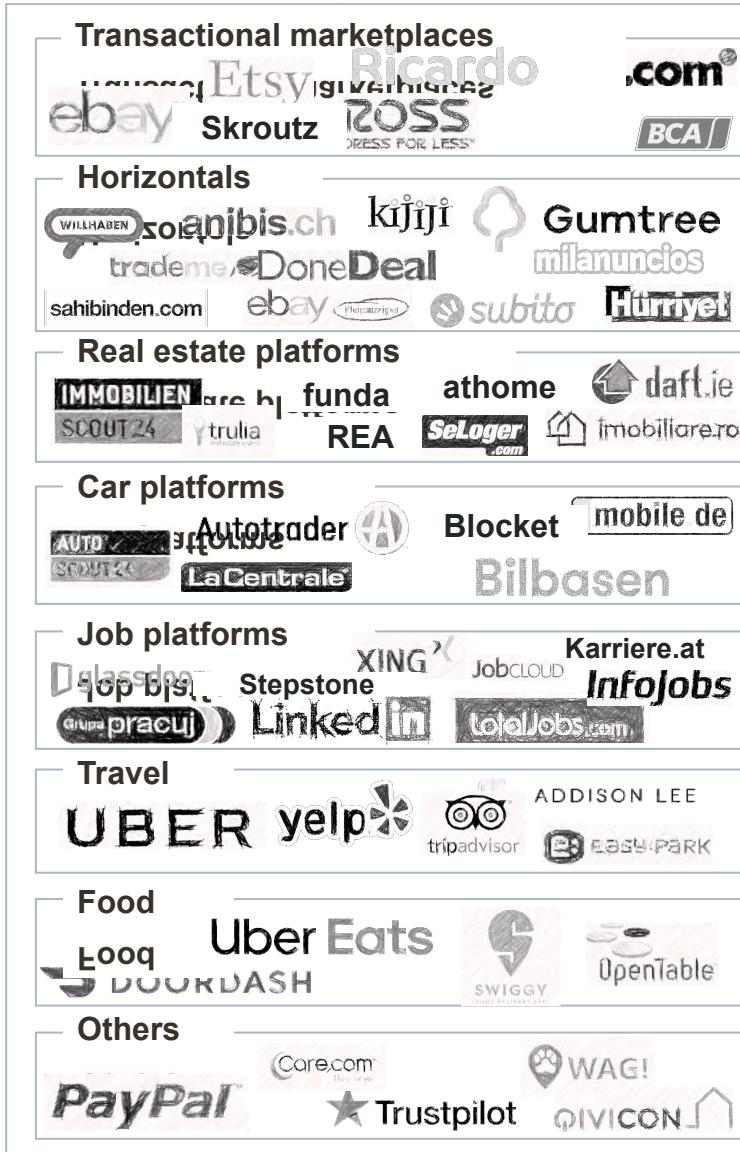
Set the price strategy that will **enable growth from net new and existing customers**, balancing client budget constraints and value extraction goals.

Sustainability

Build strategies with **sustainability at the core**, ensuring alignment with the **sustainability demands** of today's customers.

Our projects have considerable impact on marketplaces' growth worldwide

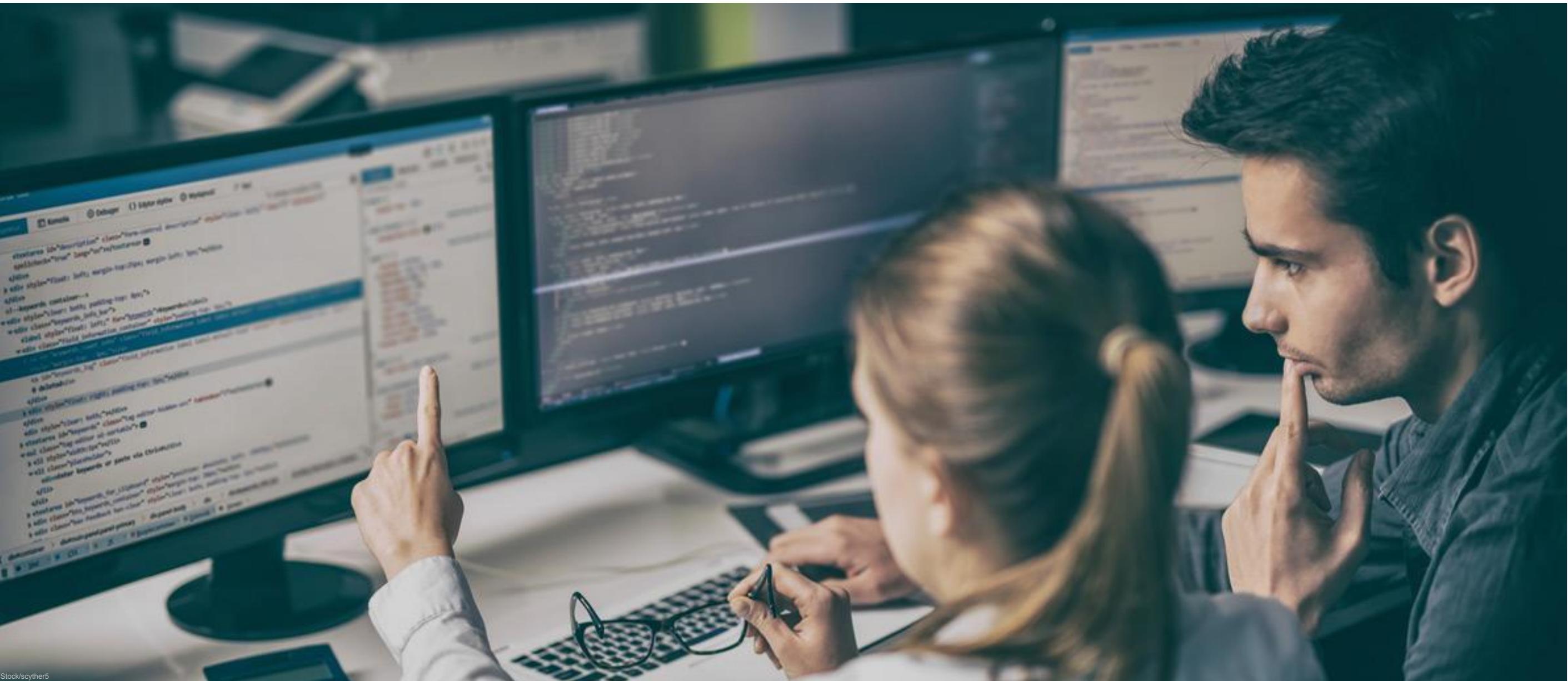
Selected marketplace customers



Project examples



Innovation is now



New products "flop rate"



792%

COLOURBOX/Alexander Karasev

Source: Simon-Kucher global pricing study

Simon-Kucher | Revenue management in the era of AI | ICMA | November 2023

How can AI help to grow your revenue?



Most platforms that work with us have ambitious growth targets



Three key topics for revenue management in the era of AI



Three key topics for revenue management in the era of AI



Selected AI use cases for better monetization



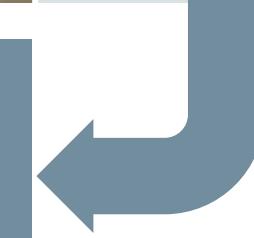
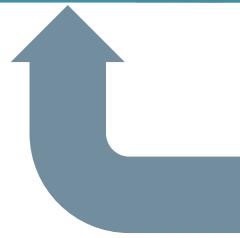
Monetize buyers / users

1 Dynamic pricing



Monetize sellers

- 2 Define right price level
- 3 Detect leakage



Make sellers more successful and increase conversion

4 Pricing and promotion support

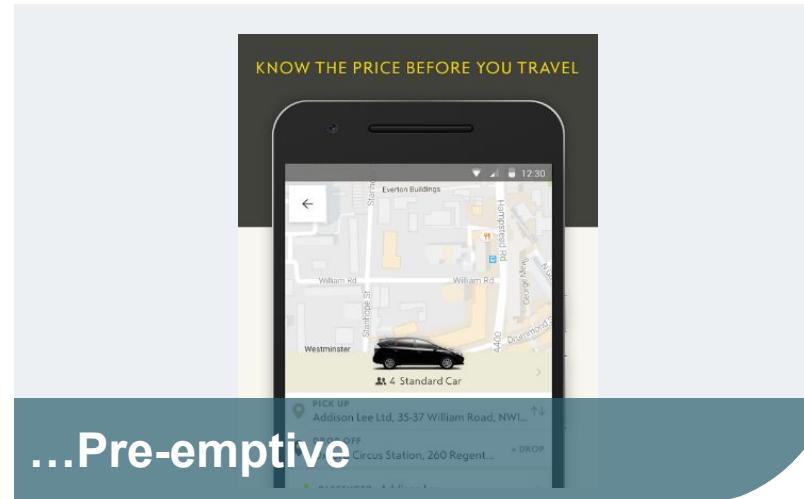


Dynamic pricing:

Using seasonal, pre-emptive, and intra-day factors to differentiate prices in real-time

Supply and demand is impacted by three types of factors...

Project example: Passenger transportation platform



...Pre-emptive



...Intra-day

Regular or irregular known factors:

- Peak and off-peak hours
- Seasonality: Weekly demand profiles
- Religious & school holidays
- Sports events

Factors where visibility only occurs nearer the date:

- Advanced pre-book volumes
- Transport related strikes
- Heavy weather forecasts
- Road-blocks

Factors which manifest during a day:

- Unexpected weather changes
- Build-up of delay time within certain postcodes
- Significant flight delays

Example transactional marketplaces:

A fair gross profit take-rate is a prerequisite for getting all inventory



AI can help to fine-tune fees

Example: Amazon (UK) rate card

Fee categories	Referral fee (including the digital services tax)
—	
Amazon Device Accessories	45.9%
Automotive and Powersports	<ul style="list-style-type: none"> 15.3% for the portion of the total sales price up to £45.00 9.18% for any portion of the total sales price greater than £45.00
Baby Products	<ul style="list-style-type: none"> 8.16% for products with a total sales price up to £10.00 15.3% for products with a total sales price greater than £10.00
Backpacks and Handbags	15.3%
Beauty, Health, and Personal Care*	<ul style="list-style-type: none"> 8.16% for products with a total sales price up to £10.00 15.3% for products with a total sales price greater than £10.00
Beer, Wine, and Spirits	10.2%

Use A/B testing to test the reaction to different fee levels and determine the optimal price level per category

Considerations

- Determine sensible starting point for optimization based on expected seller economics
- Don't overengineer the rate card: too many categories are deterring – find a good compromise between optimal price per sub-category and number of categories

Project example: Platform for luxury consumer goods



AI helps to detect transaction "leakage"

- AI is used to detect suspicious messaging behavior
- In cases of clear leakage (offline transaction), transaction fee is charged
- Suspicious cases are further qualified via calling the potential buyer

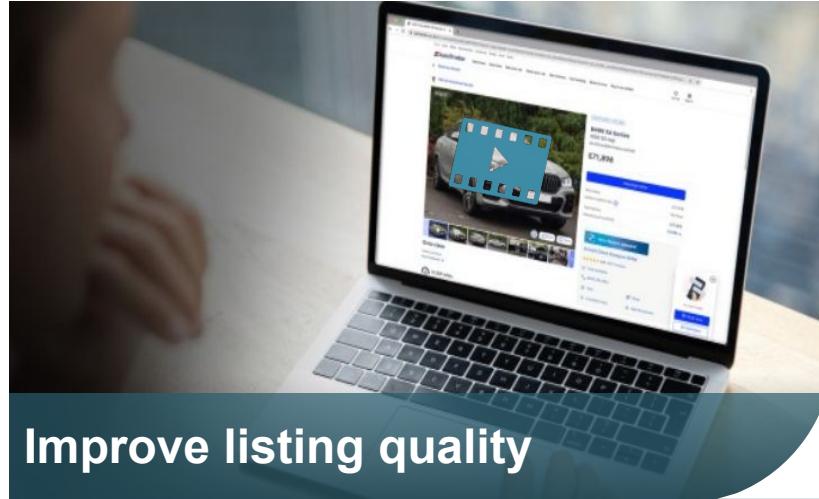
- Revenue significantly increased by reducing abusive behavior by sellers



Can AI also help with seller pricing in classifieds subscription business?

- Lack of data quantity
- Black-box pricing typically perceived as unfair and leads to strong push-back from customers
- Sales team needs transparency on price drivers to support price negotiations

Marketplaces can support sellers become better and increase the conversion



Autotrader.co.uk & Phron: AI videos

- Automated video production based on standard listing
- AI identifies key properties in the images, and removes the background
- Result: 3-5 days faster sales

Faster sales, better prices □ higher revenue for transactional marketplaces

Three key topics for revenue management in the era of AI

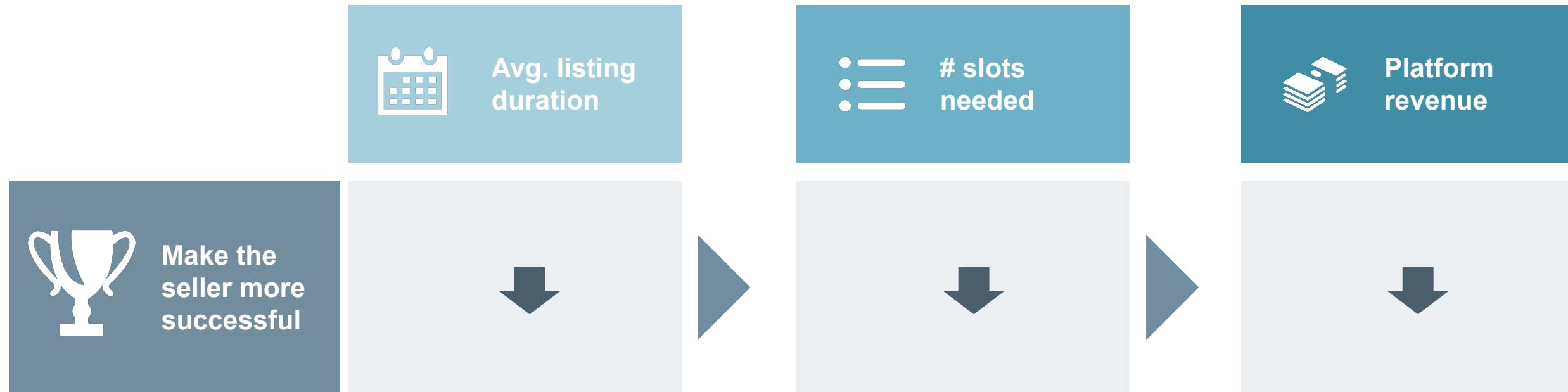
Monetize AI innovations

Use AI for better monetization



Protect current revenue from AI threat

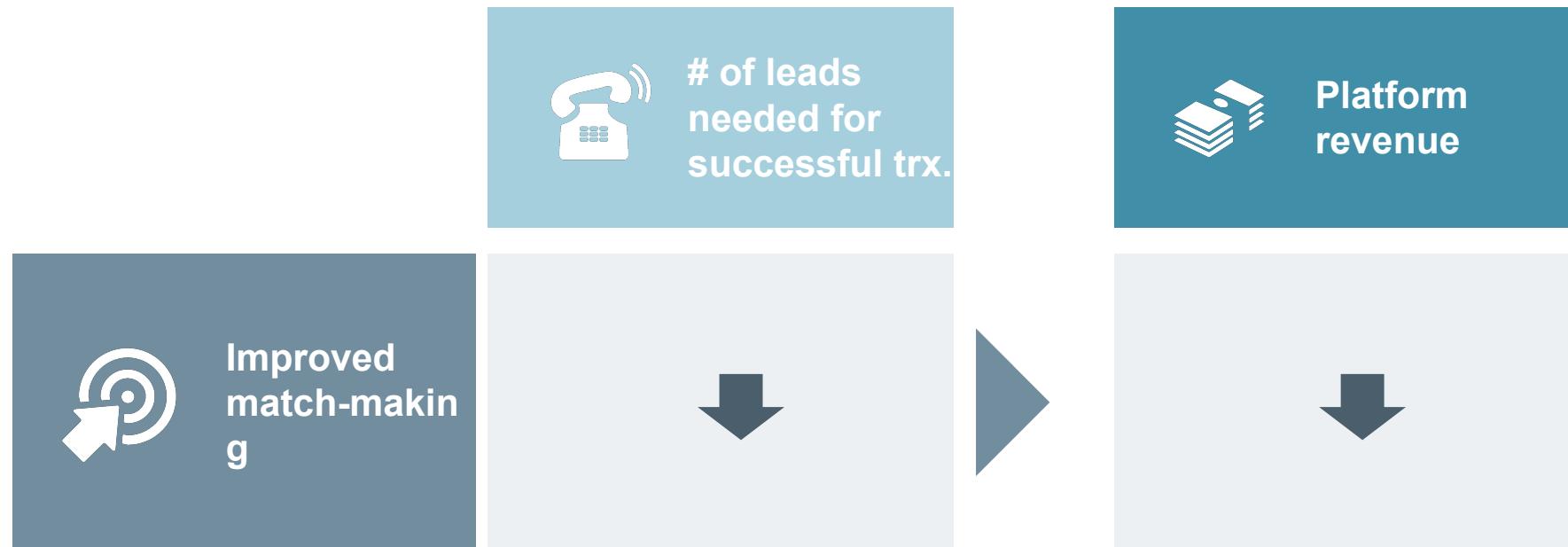
Risk for classifieds with slot models: More successful sellers need a lower number of slots



Potential solutions:

- Listing-based model
- Base-fee (e.g. for software usage)
- Demand component (e.g. pay per lead) for risk diversification

Risk for classifieds with lead-based model: Improved match-making reduces the required number of leads



Potential solutions:

- **Base-fee** (e.g. for software usage)
- **Supply component** (e.g. pay per listing) **for risk diversification**



Key take-away

- AI can directly be used to increase revenue by
 - Improving buyer monetization
 - Optimizing seller monetization
 - Making sellers more successful and monetize it indirectly
- The impact on the core revenue needs to be monitored closely to mitigate potential risks



Self assessment survey for online marketplaces



study.qualtrics.com/jfe/form/SV_0HtmVru6m5n0SWy

- Fill in the survey
- Benchmark yourself against comparable companies
- Discuss the results & potential growth levers with us



iStock/Just_Super

Thank you!

www.simon-kucher.com

Melanie Unsleber
Senior Director

Munich office
Luise-Ullrich-Str. 14
80636 Munich,
Germany

Tel: +49 173 53 81 885

melanie.unsleber@simon-kucher.com
www.simon-kucher.com