

TopLine Growth in Chaotic Times

How to adapt your revenue model to shifts in the market

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 **Financial Times**

Marketing, Brand,
Pricing

1

Financial Times, list of the UK's leading management Consultants, 2018

 **brand eins/Statista**

Marketing, Sales,
Pricing

1

brand eins /thema special edition Consultancies 2021, together with Statista: Best Consultancies in Germany 2021

 **Capital**

Marketing, Sales,
Pricing

1

Capital, survey of the best consultancies in France, 2018

 **Finanz und Wirtschaft**

Marketing,
Sales

1

Finanz und Wirtschaft, survey of the best management consultancies in Switzerland, 2021

 **MT Magazine**

Strategy
Consulting

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MT Magazine/Erasmus University: MT1000 2018, survey of the best strategy consultancies in the Netherlands, 2018

 **Forbes**

Marketing, Brand,
Pricing, Sales



Forbes, survey of the best management consulting firms in the US, 2018

We are the number one consulting company for two-sided markets

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Selected clients in two-sided markets



EXAMPLE PROJECTS

Growth strategy: Evaluate measures (new offer, use cases, loyalty measures, pricing) to get C2C platform back on a growth path after a significant decline

Offer/pricing evaluation: Evaluate new success-based price metrics, feature bundles, and price level for a large car classifieds platform

Post acquisition platform integration: Develop the joint value proposition, evaluate different brand positioning options and define a go-to-market strategy

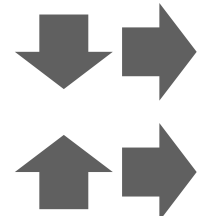
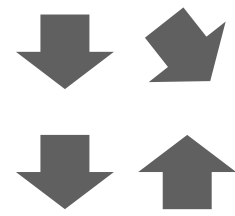
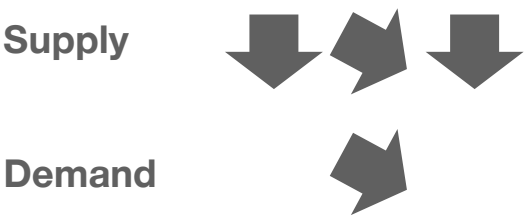
Market sizing: Size the market for new car online sales and deriving a new business model for large vehicle classifieds platform (new target segments & offers)

Cooperation design and go to market: Develop a cooperation model between horizontal and vertical platforms; design a new vertical platform to be integrated into horizontal platform and go-to-market strategy

Commercial due diligence: Conduct due diligence in real estate, dating, cars, boats, RVs, and bicycle classifieds markets with a focus on growth potential as standalone and integrated platforms in portfolios

Typically, 3-4 platform projects in parallel

The last 2.5 years have been chaotic

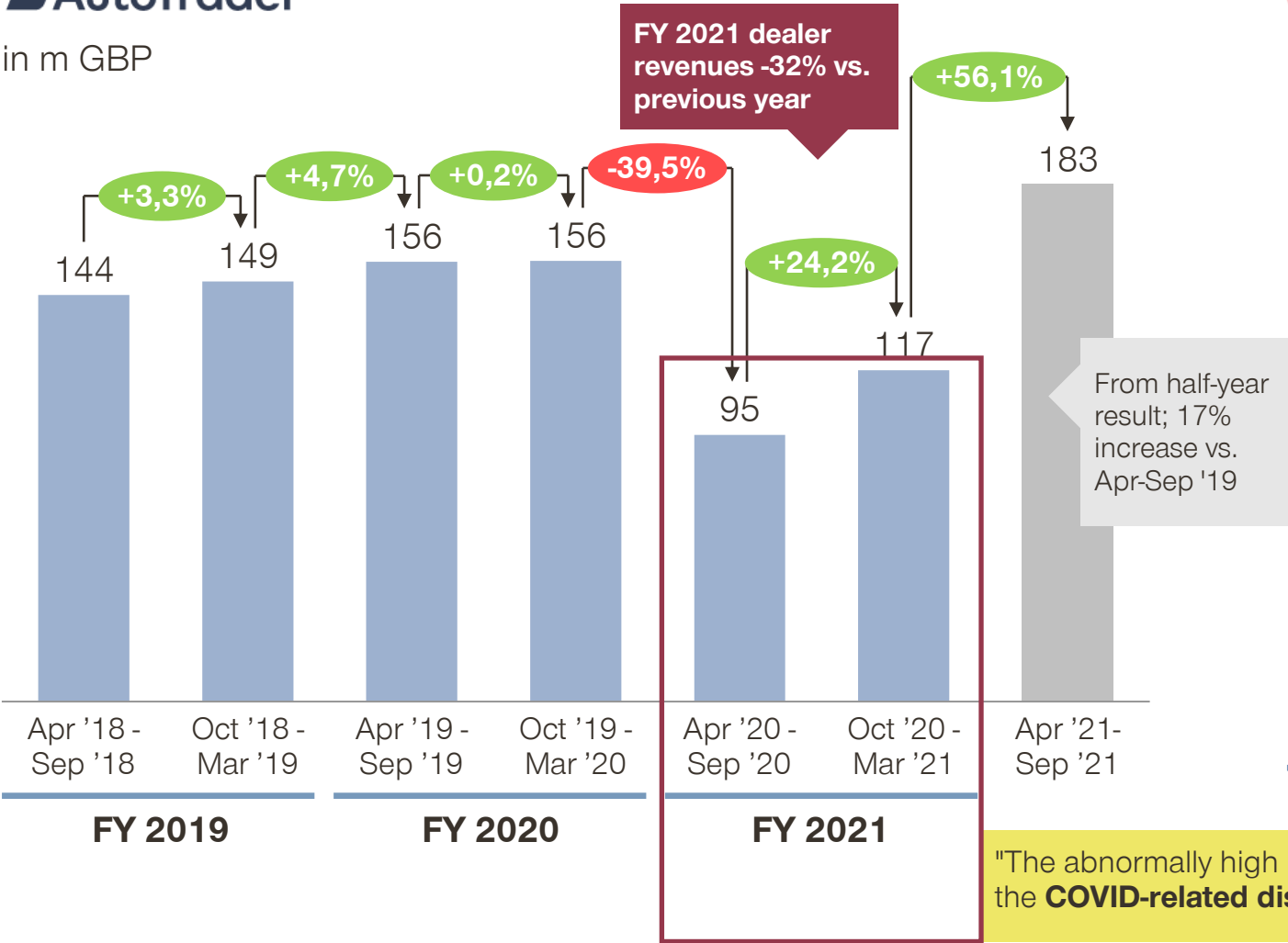


In 2020 car platforms reacted with discounts to demand shock:
e.g. AutoTrader UK, cargurus

Dealer revenue AutoTrader UK - half year results



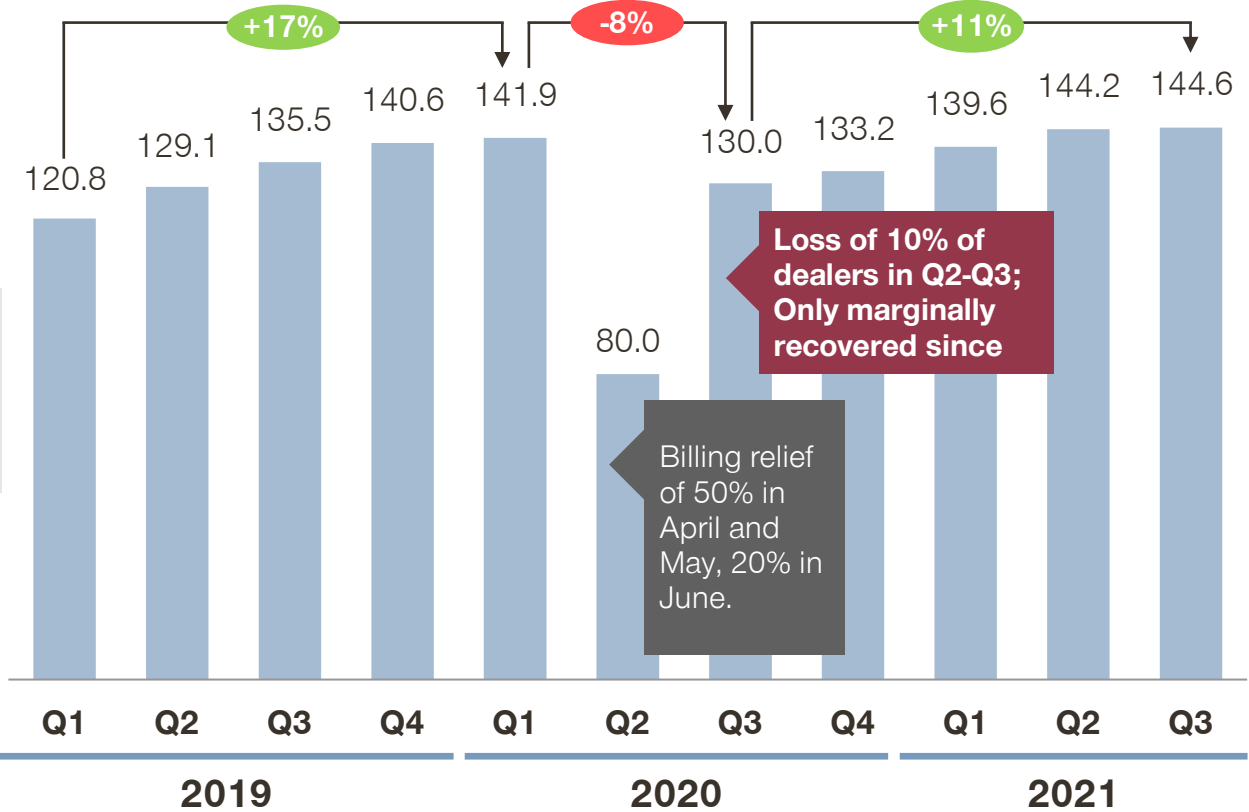
in m GBP



Dealer revenue CarGurus - quarterly year results

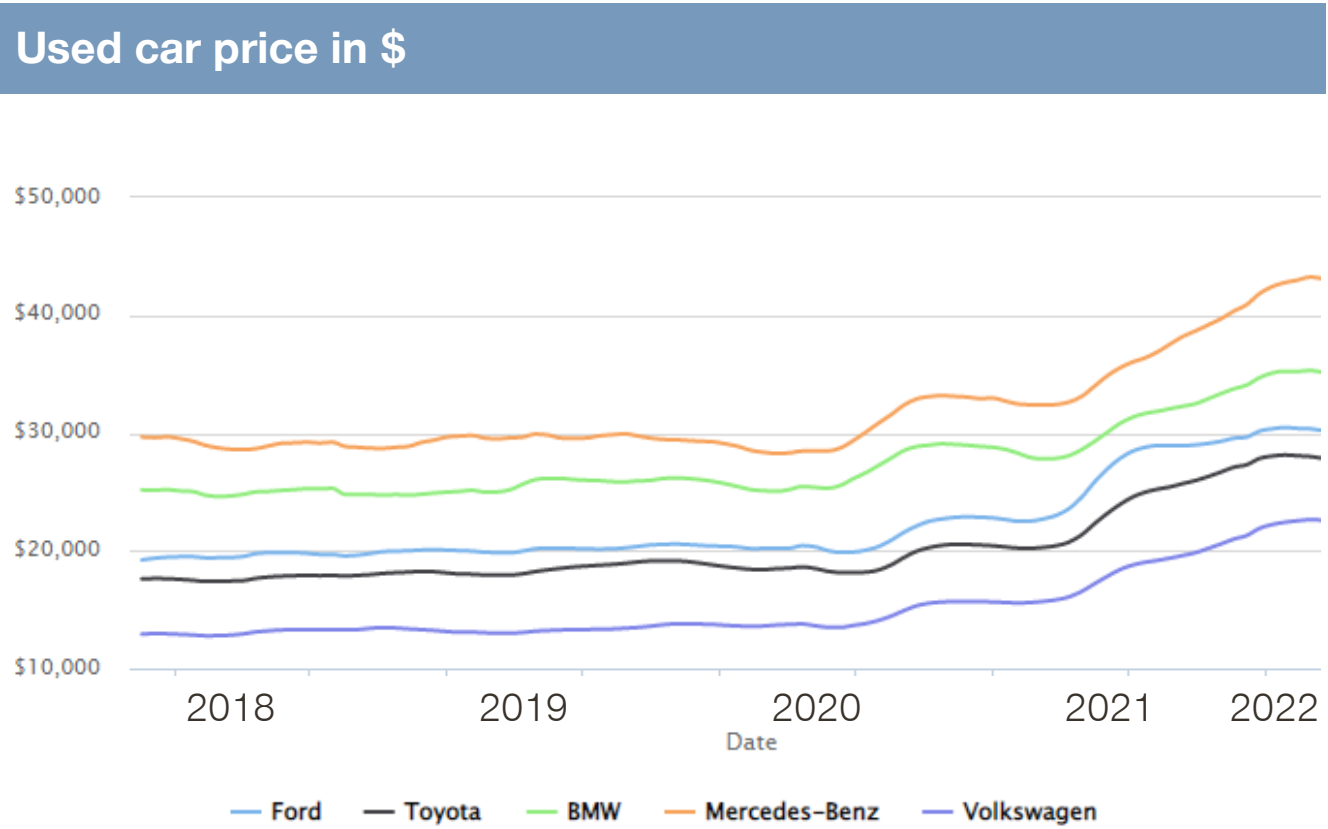
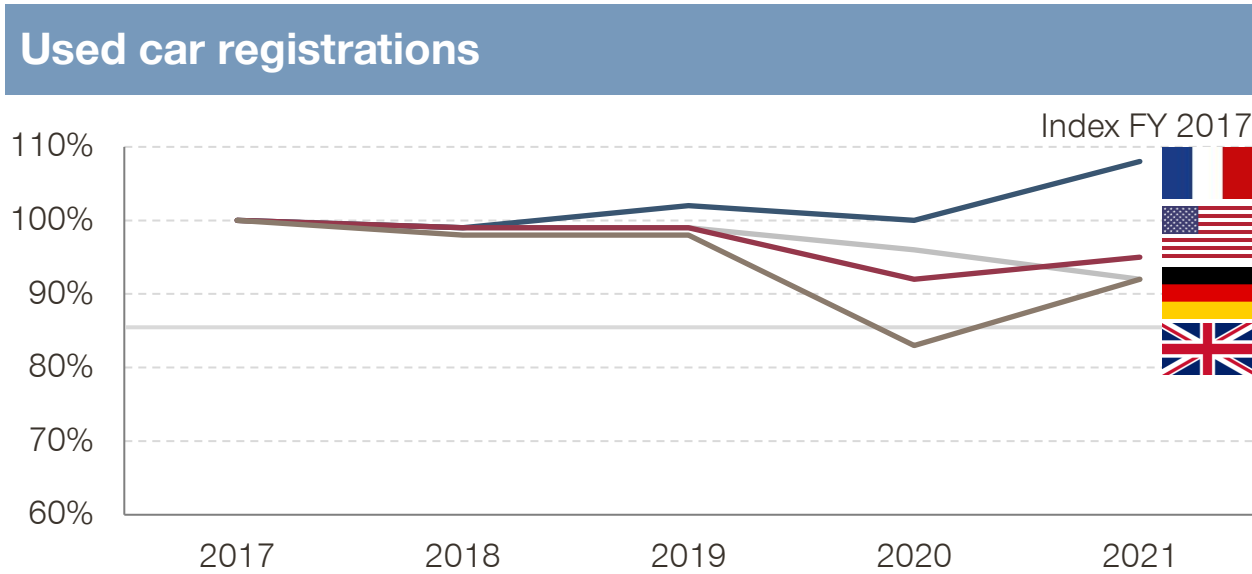
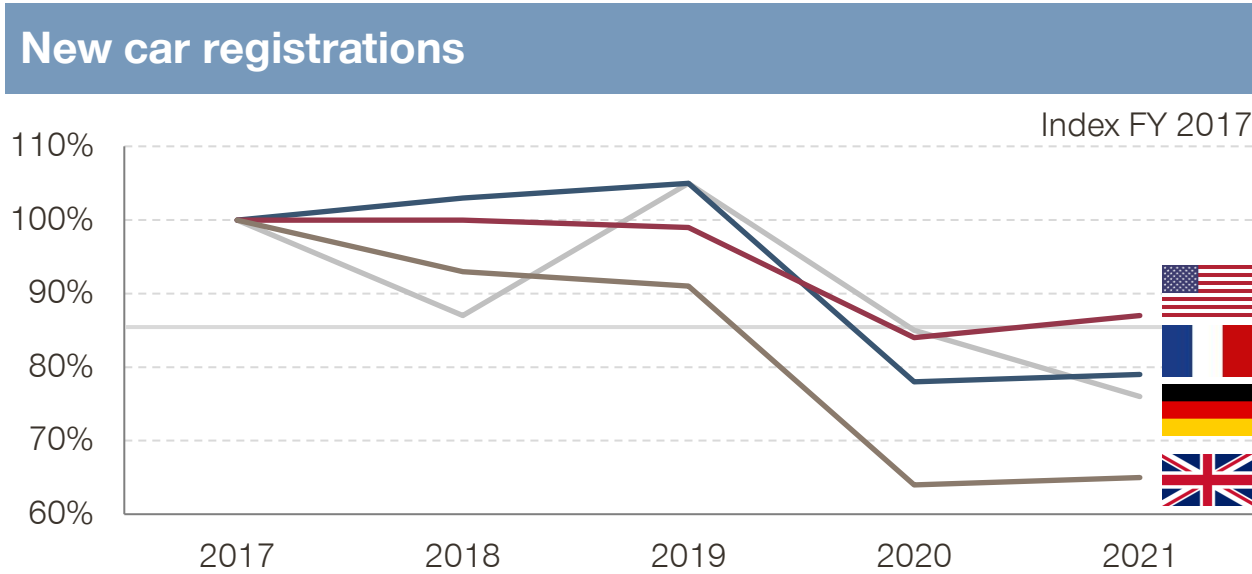


in m USD



Source: Annual and half year reporting of Autotrader UK, www.plc.autotrader.co.uk; Quarterly reports on investors.cargurus.com

Currently, most markets face a supply shortage – and car prices are rising significantly



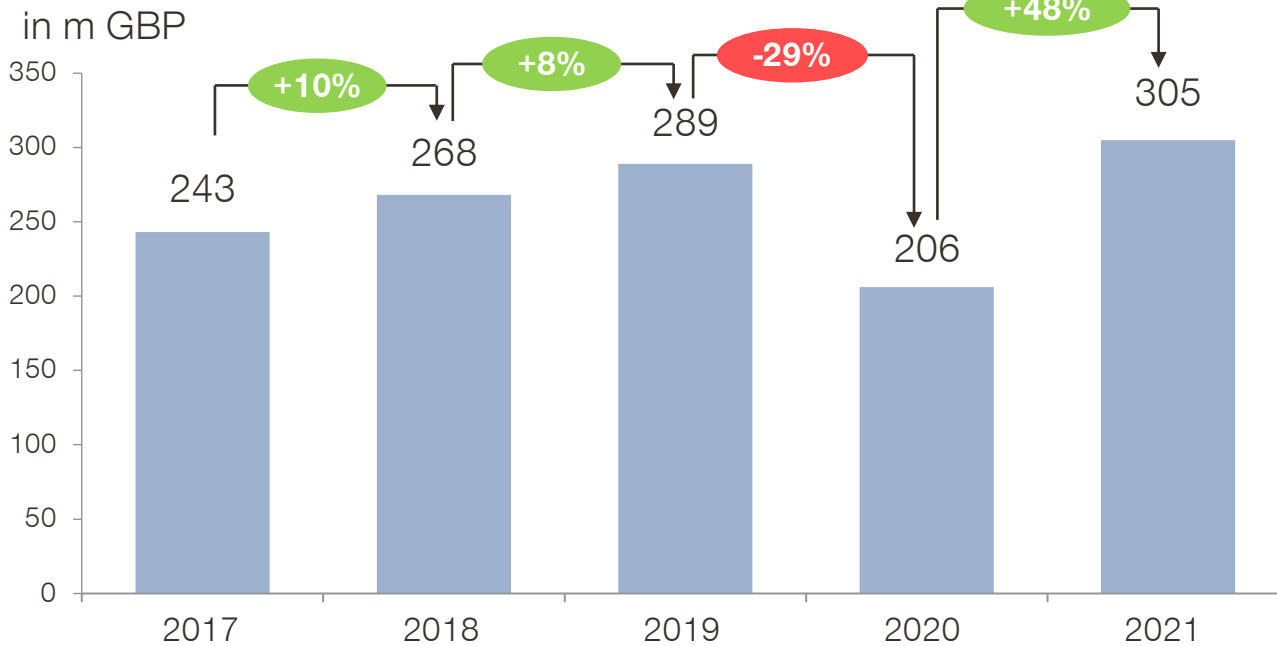
Dealers are actually fairing not too bad in this environment

Source: Kraftfahrtbundesamt (KBA); statistiques.developpement-durable.gouv.fr; UK: Q4 2021 estimated (no data available at time of research), www.smmmt.co.uk, US: Cox Automotive., <https://www.cargurus.com/Cars/price-trends/>

Property verticals showed more diverse reactions

Revenue rightmove - yearly results

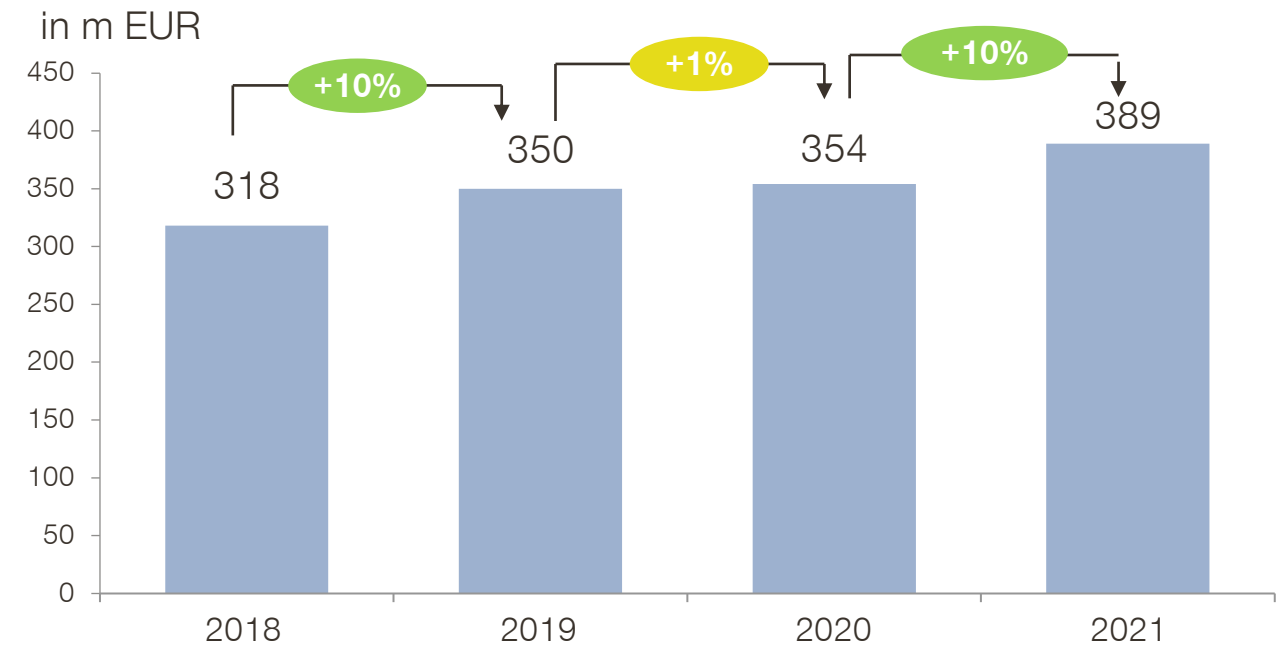
rightmove 



Covid discount: 75% in Apr – Jul 2020, 60% in Aug, 40-75% in Sep

Revenue ImmoScout24.de - yearly results

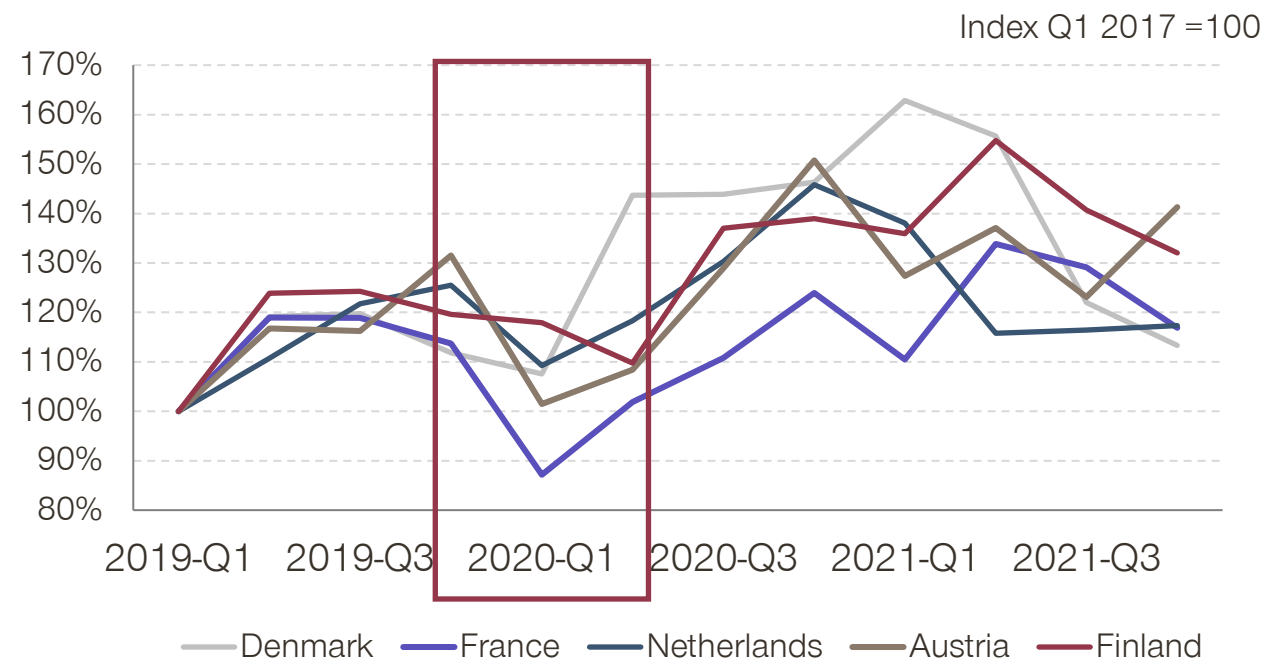
Immo Scout24



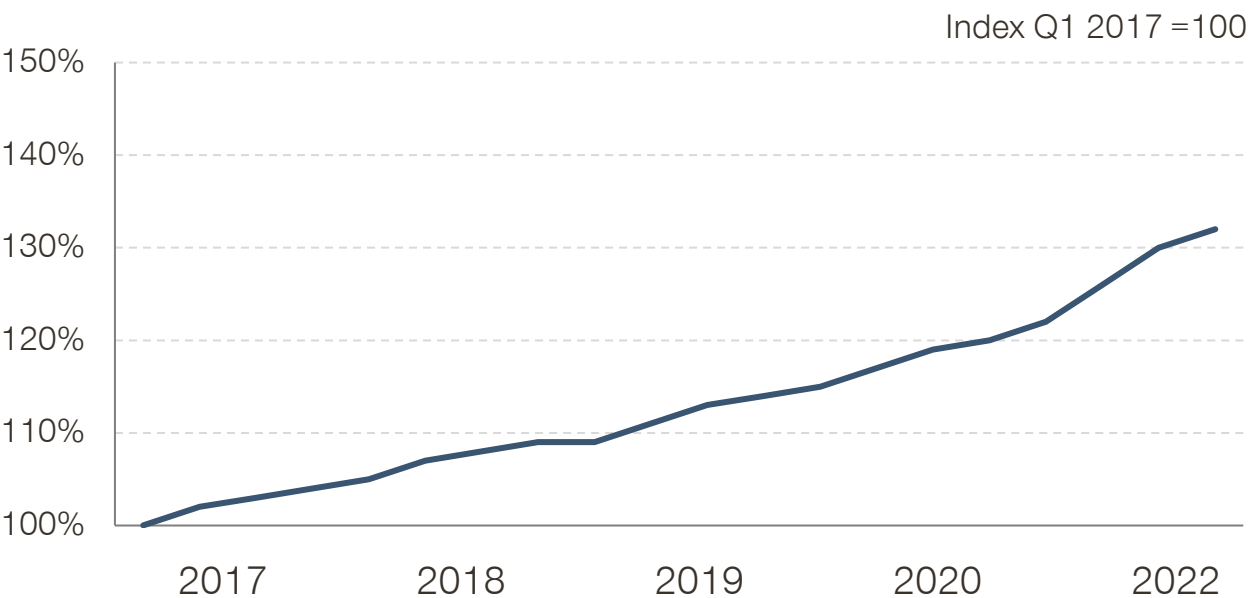
Covid discount: Free offer for privates

Quick recovery from drop in real estate transactions in H1 2020 – prices are continuously increasing

No. of house sale transactions in selected EU countries



House price development in the EU



In Q2 2020, when lockdown measures due to COVID-19 were particularly strict in many EU countries, most countries recorded a decline of more than 10 % vs. the same quarter in 2019

Will Higher Interest Rates Cool The Hot Housing Market?
Will the rental demand increase and rents continue to rise? *Forbes*

Independent of the revenue model platforms need to monitor:

1. customer economics
2. supply / demand situation and react to it

Gross profit share: Avg. estimated total seller profit through platform / Invoice amount to seller

		Low slot quant.			Medium slot quant.			High slot quant.		
		Used	Mixed	New	Used	Mixed	New	Used	Mixed	New
Listing value	Low	12.3%	Limited price potential						n/a	n/a
	Mid	7.9%	6.9%	7.1%	4.3%	4.7%	4.1%	2.2%	2.7%	2.4%
	High	4.7%	5.1%	6.2%	2.4%	3.1%	2.9%	1.3%	1.5%	1.4%

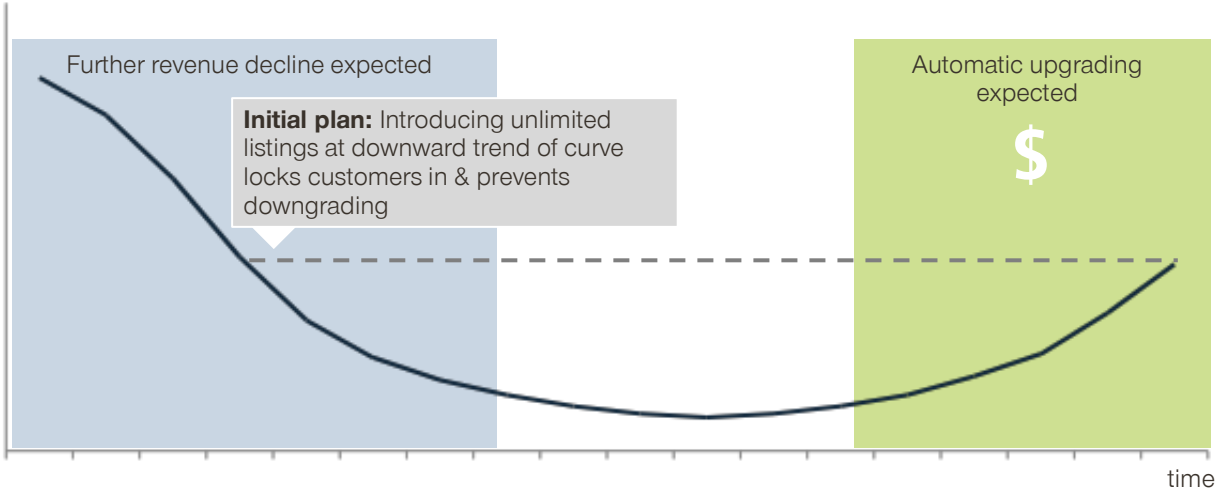
High price potential

?

How much profit are we taking out of dealer’s profit pool?

- Understand overall & segment-specific monetization potential
- Inform differentiated price adjustments
- Base for value-driven conversations

Supply / demand development







?

Where at the curve are we?

- Identify critical market developments in time and initiate counter-actions if needed

Some revenue models are more sensitive to changes in the market than others

	1 Slot/listing tier postpaid	2 Slot/listing tier pre-paid subscription	3 Customized flat fee	4 Pay per lead
Description	<ul style="list-style-type: none"> Platform observes number of listings/slots used monthly charging for the tier a seller falls in every month 	<ul style="list-style-type: none"> Each package available in various quantity tiers Prepayment typically on a monthly base 12 months contracts 	<ul style="list-style-type: none"> All packages include unlimited listings Customized price per customer based on a number of factors 	<ul style="list-style-type: none"> Cost per lead as main price metric Typically combined with subscription and / or listing fee
Benchmark examples				

Sensitivity of revenue to supply

Sensitivity of revenue to demand

In postpaid model, revenue is directly linked to supply

mobile.de Preislite, gültig ab 01.04.2022

Volume tier	Number of slots used in given month	KOMPAKT	KOMFORT	PREMIUM
1	0-1	45.000 €	51.000 €	100.000 €
3	2-3	111.000 €	140.000 €	174.000 €
5	4-5	140.000 €	202.000 €	254.000 €
10	6-10	204.000 €	402.000 €	498.000 €
15	11-15	254.000 €	520.000 €	648.000 €
20	16-20	407.000 €	698.000 €	774.000 €
30	21-30	574.000 €	848.000 €	774.000 €
40	31-40	698.000 €	774.000 €	898.000 €
50	41-50	898.000 €	974.000 €	1.024.000 €
70	51-70	974.000 €	998.000 €	1.224.000 €
Jedes zusätzliche Fahrzeug		10.000 €	11.000 €	10.100 €

Slight change in listings translates into revenue effects

In slot/listing tier pre-paid subscriptions, customers must downgrade, many of them do

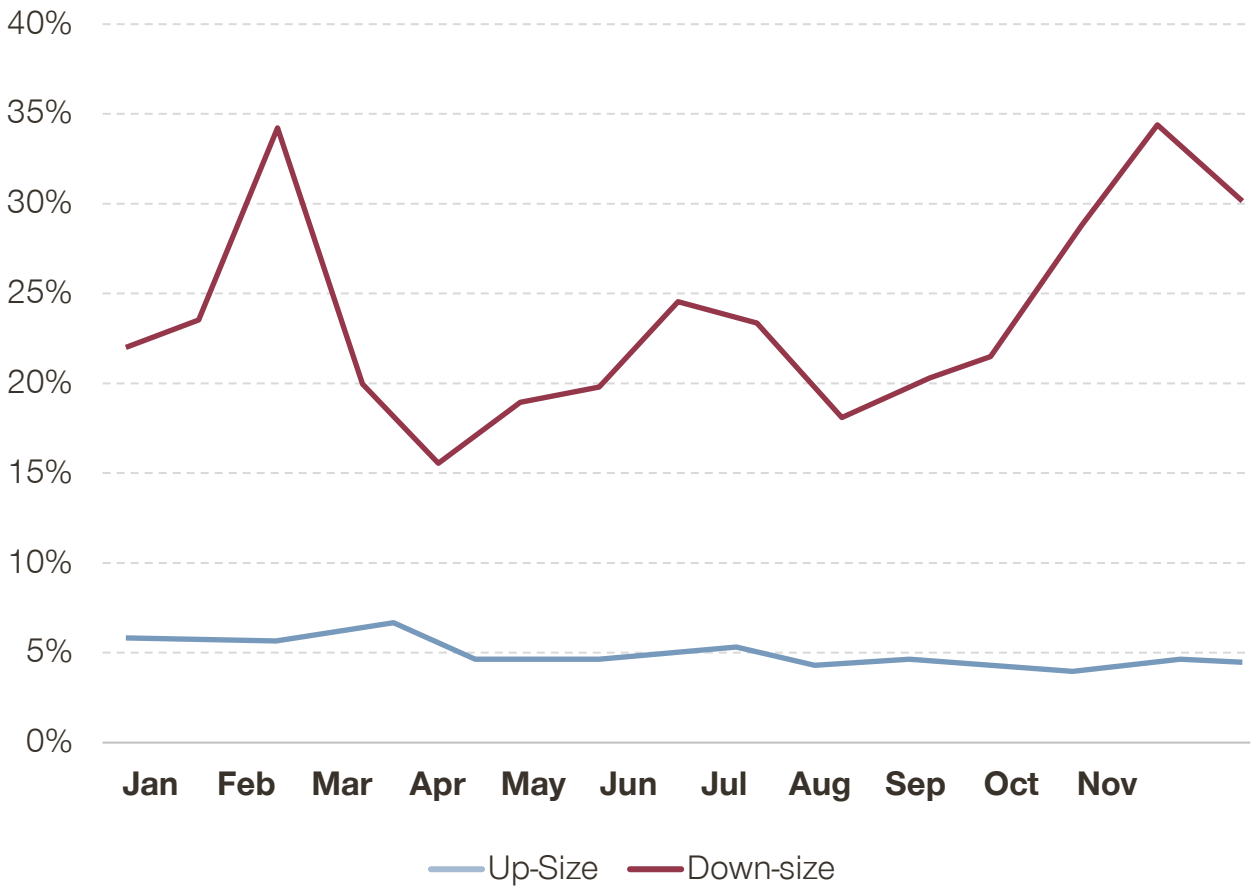
Typical pre-paid subscription:
sellers can only change tiers once a year

No.	Max. # slots	Starter	Basic	Prof	Prof +
1	5				
2	15				
3	25				
4	35				
5	50				
6	75				
7	100				
8	150				
9	200				
10	250				
11	300				
12	350				
13	400				
14	450				
15	500				
16	550				
17	600				
18	650				
19	700				
20	750				
21	800				

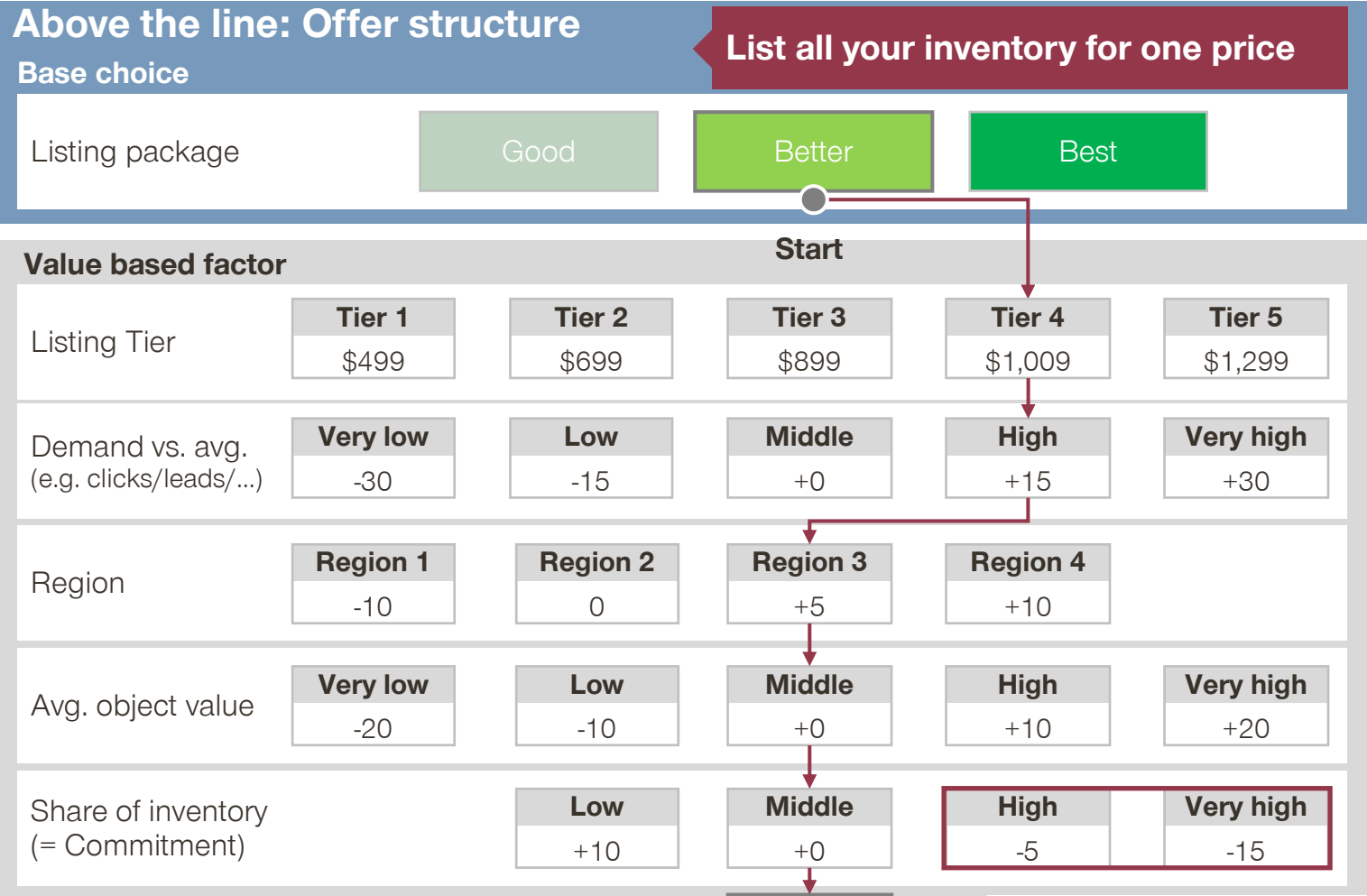
- Annual subscription with automatic renewal
- Monthly payments

High percentage of customers downgrade when they get the chance

Anonymized project example:
Up-sizing & Down-sizing of volume tiers at contract renewal in % dealer % of dealers



In a customized flat model, the platform is flexible on how to change the pricing function



Below the line: Customized pricing

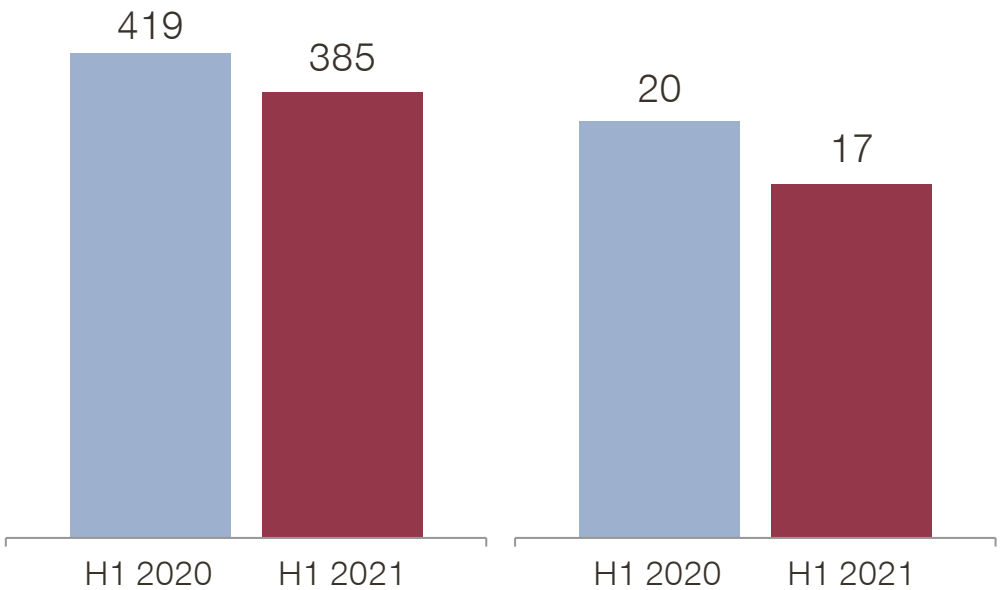
Several factors determine the customized price; These may be adjusted in a flexible manor as they are not transparent to the customer

Supply and demand development has comparably low impact on revenue

Immo Scout24

of listings
in k

of monthly visitors
in m



“The general market situation in which a low supply with declining transaction figures meets very high demand leads to shorter listing durations and less objects on the market. **This effect, however, does not have a noticeable impact on our financial figures, especially due to the contract model with fixed memberships.** Scout24

Strong direct link between demand changes and revenue in pay-per-lead model

Essentials	Amplify	Assured
Pay per email or phone enquiry	Pay per email or phone enquiry	All New Car enquiries included
\$54* (New Cars) \$60* (Demonstrators)	\$54* (New Cars) \$60* (Demonstrators)	\$60* per email or phone enquiry (Demonstrators)
Package Inclusions: Autogate Pro License Test Drive App 3rd Party Website Data Distribution 3rd Party Website Lead Delivery Access to carsales New Car Image Library Dealership branding on Listings	Package Inclusions: Autogate Pro License Test Drive App 3rd Party Website Data Distribution 3rd Party Website Lead Delivery Access to carsales New Car Image Library Dealership branding on Listings Promote Automation User generated Video on Listings	Package Inclusions: Autogate Pro License Test Drive App 3rd Party Website Data Distribution 3rd Party Website Lead Delivery Access to carsales New Car Image Library Dealership branding on Listings Promote Automation User generated Video on Listings Display Banners on Listings Links to Dealership Website on Listings SMS Auto Response
Pricing based on Inventory Level 0-20 Items +Monthly fee of \$600* 21-61 Items +Monthly fee of \$800* 61-150 Items +Monthly fee of \$1,000* 150+ Items +Monthly fee of \$1,240*	Pricing based on Inventory Level 0-20 Items +Monthly fee of \$1,230* 21-61 Items +Monthly fee of \$1,450* 61-150 Items +Monthly fee of \$1,710* 150+ Items +Monthly fee of \$2,030*	Pricing based on Inventory Level 0-20 Items +Monthly fee of \$2,020* 21-61 Items +Monthly fee of \$2,390* 61-150 Items +Monthly fee of \$2,830* 150+ Items +Monthly fee of \$3,280*

Three packages for franchise and other bigger dealers

Fee for each sales lead (email or phone)

Some volume discount through additional base fee

Alternative #1:

\$ 11 for cars < \$ 3k
 \$ 38 for cars \$ 3k-8.5k
 \$ 60 for cars > \$8.5k

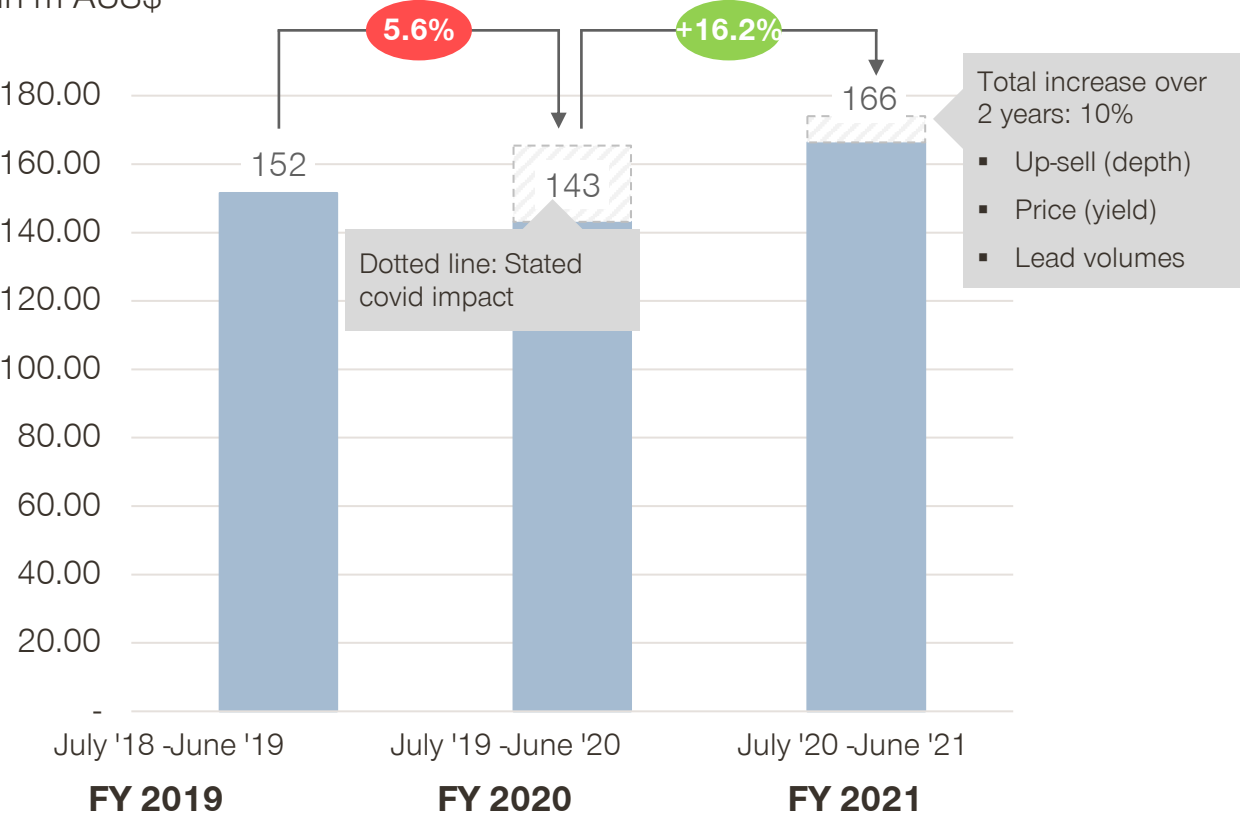
Alternative #2:

Pay per listing
 Pay per listing plans are suited to dealers who prefer to be charged per listing
* all listing charged per 28 day rolling period or up to 5 leads, whichever occurs first

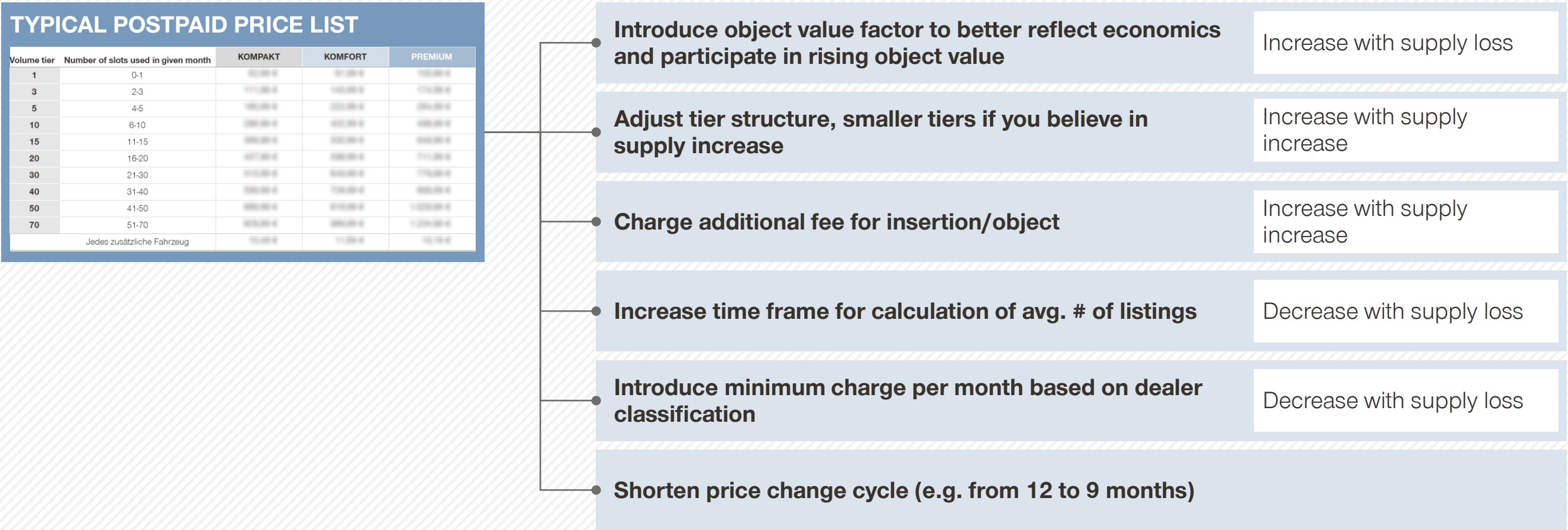
Alternative price models monetise individual leads in the same way

Carsales suffered some revenue loss in 2020 due to reduced no. leads

Dealer revenue Carsales.com.au
in m AUS\$



Exemplary measures to manage link between supply/demand and revenue in postpaid volume tier model

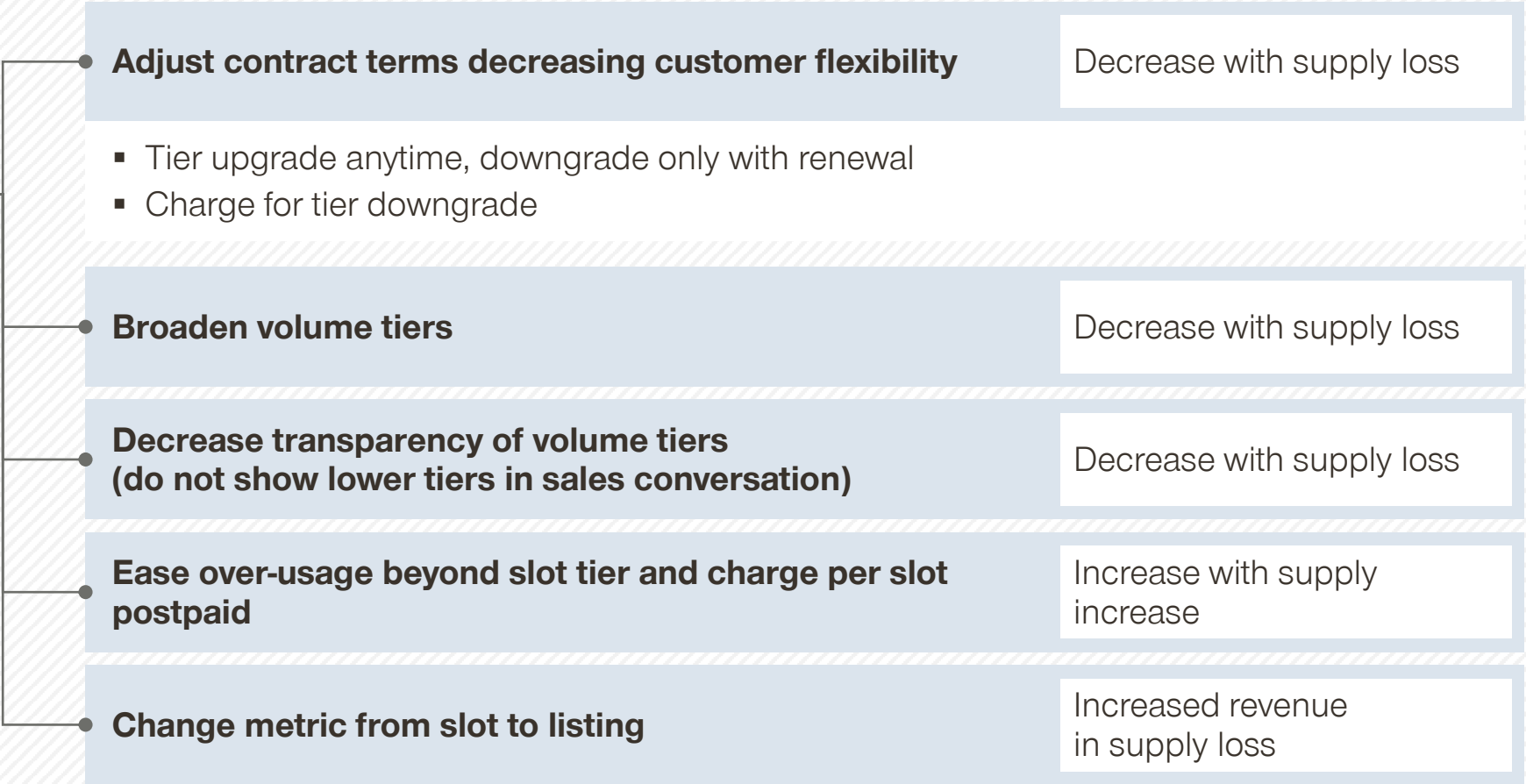


Exemplary measures to manage link between supply/demand and revenue in prepaid volume tier subscription

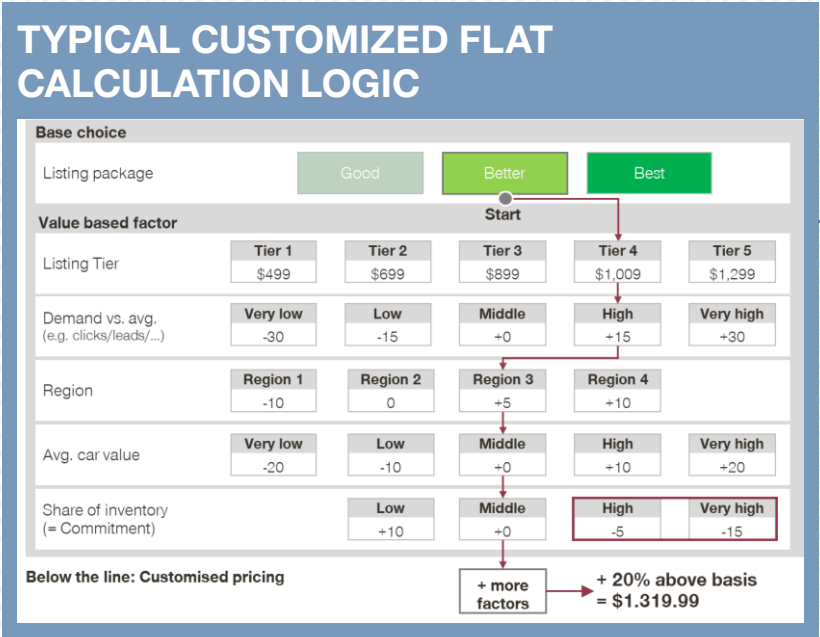
TYPICAL PREPAID VOLUME TIER SUBSCRIPTION PRICE LIST					
No.	Max. # slots	Starter	Basic	Prof	Prof +
1	5	500	750	1000	1250
2	15	800	1200	1600	2000
3	25	1100	1650	2200	2750
4	35	1400	2100	2800	3500
5	50	1700	2550	3400	4250
6	75	2000	3000	4000	5000
7	100	2300	3450	4600	5750
8	150	2600	3900	5200	6500
9	200	2900	4350	5800	7250
10	250	3200	4800	6400	8000
11	300	3500	5250	7000	8750
12	350	3800	5700	7600	9500
13	400	4100	6150	8200	10250
14	450	4400	6600	8800	11000
15	500	4700	7050	9400	11750
16	550	5000	7500	10000	12500
17	600	5300	7950	10600	13250
18	650	5600	8400	11200	14000
19	700	5900	8850	11800	14750
20	750	6200	9300	12400	15500
21	800	6500	9750	13000	16250

- Annual subscription with automatic renewal
- Monthly payments

REVENUE SENSITIVITY EFFECT



Exemplary measures to manage link between supply/demand and revenue in customized flat model



Adjust weighting of factors in price algorithm towards demand / object value

Ensure overall price increase ambition is high enough

REVENUE SENSITIVITY EFFECT

Decrease with supply loss

Decrease with supply loss

Exemplary measures to manage link between supply/demand and revenue in pay per lead model

Essentials	Amplify	Assured
Pay per email or phone enquiry \$54* (New Cars) \$60* (Demonstrators) Package Inclusions: Autogate Pro License Test Drive App 3rd Party Website Data Distribution 3rd Party Website Lead Delivery Access to carsales New Car Image Library Dealership branding on Listings	Pay per email or phone enquiry \$54* (New Cars) \$60* (Demonstrators) Package Inclusions: Autogate Pro License Test Drive App 3rd Party Website Data Distribution 3rd Party Website Lead Delivery Access to carsales New Car Image Library Dealership branding on Listings Promote Automation User generated Video on Listings	All New Car enquiries included \$60* per email or phone enquiry (Demonstrators) Package Inclusions: Autogate Pro License Test Drive App 3rd Party Website Data Distribution 3rd Party Website Lead Delivery Access to carsales New Car Image Library Dealership branding on Listings Promote Automation User generated Video on Listings Display Banners on Listings Links to Dealership Website on Listings SMS Auto Response
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● **Introduce listing-based model for specific customers**

Decrease with demand loss

Alternative model offered by carsales.com.au

Pay per listing

Pay per listing plans are suited to dealers who prefer to be charged per listing

* all listing charged per 28 day rolling period or up to 5 leads, whichever occurs first

● **Widen car value factor as prices increase**

Decrease with demand loss

\$ 11 for cars < \$ 3k
\$ 38 for cars \$ 3k-8.5k
\$ 60 for cars > \$8.5k

● **Increase base fees**

Decrease with demand loss

Summary – Key learnings



Understand link between revenue and supply / demand



Monitor customers' economics and supply / demand situation ongoing



**Add more flexibility to your revenue model to react
(not only annual price change decision, but ongoing task)**



**Put a good team into place that manages the link between
demand/supply and revenue and design the structures for flexibility and speed**



Do not only manage into one direction: if your customers are doing well, you should too!



Don't be afraid to actual introduce new measures into your revenue model

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