

TopLine Growth in Chaotic Times

How to adapt your revenue model to shifts in the market

Helsinki, May 13, 2022

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Globally renowned consultancy for top-line improvement

Financial Times

Marketing, Brand,
Pricing

1

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

Finanz und Wirtschaft

Marketing,
Sales

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

brand eins/Statista

Marketing, Sales,
Pricing

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

MT Magazine

Strategy
Consulting

1

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

Capital

Marketing, Sales,
Pricing

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Capital, survey of the best consultancies in France, 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

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

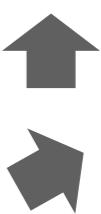
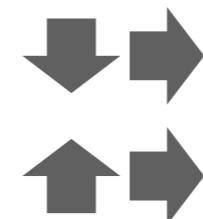
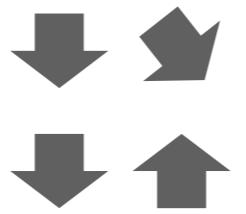
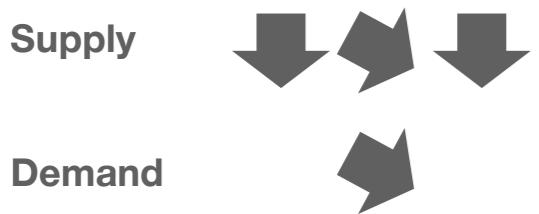
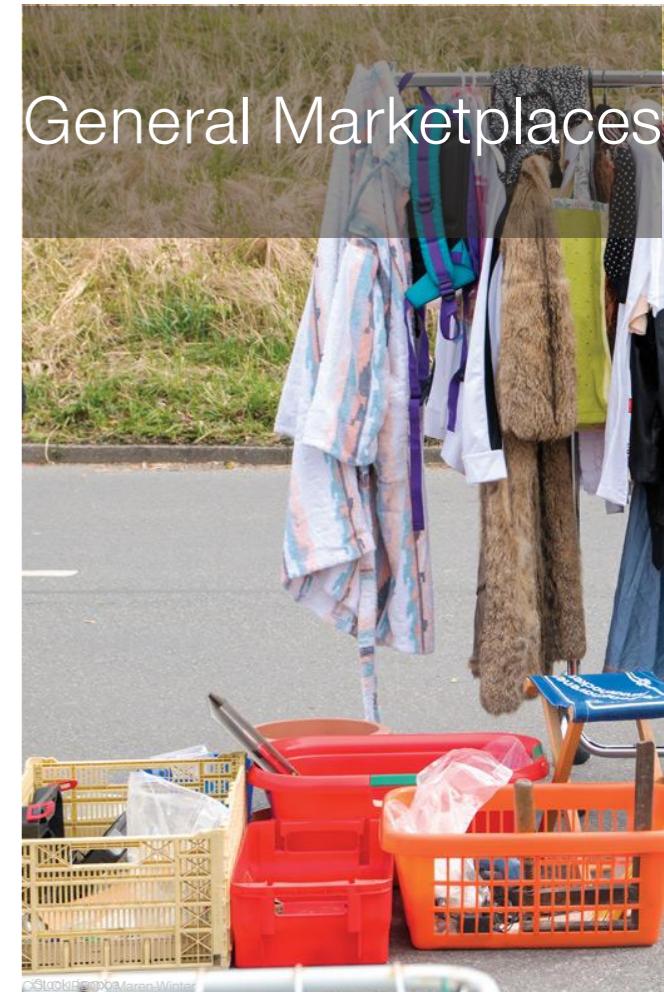
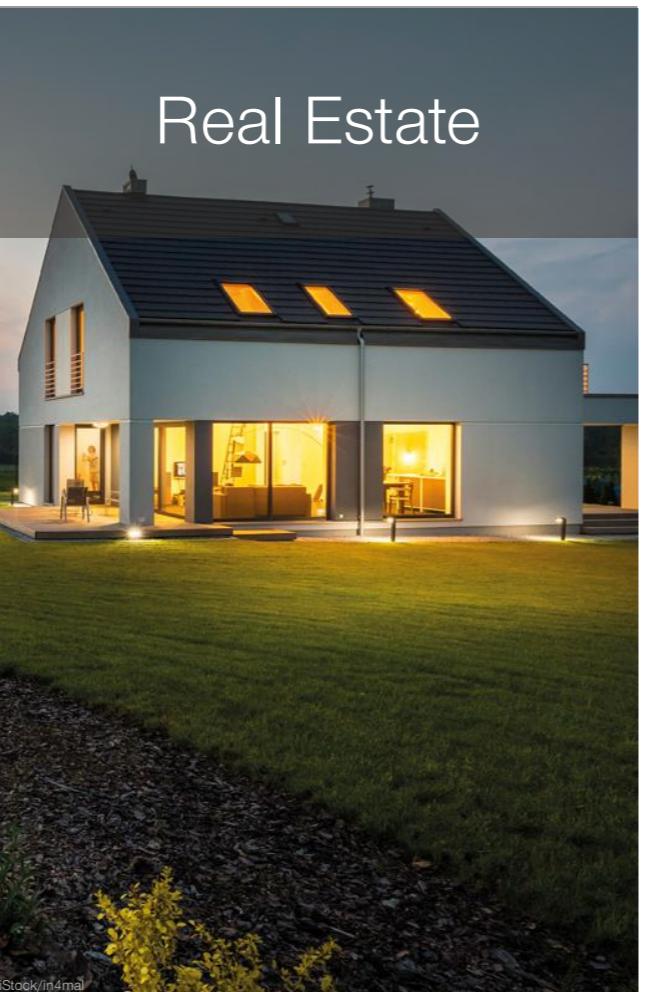
Market sizing: Size the market for new car online sales and deriving a new business model for large vehicle classifieds platform (new target segments & offers)

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

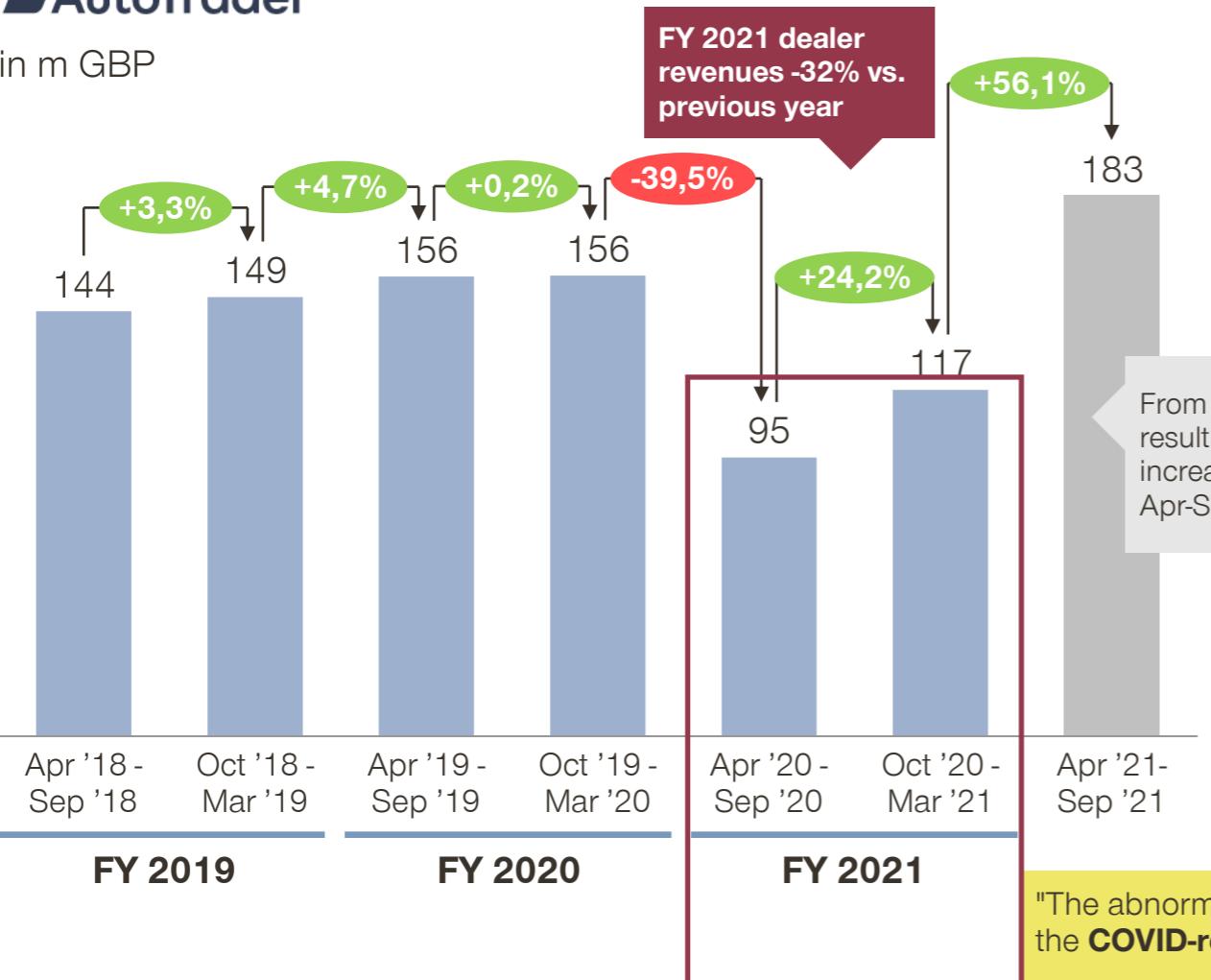


In 2020 car platforms reacted with discounts to demand shock: e.g. AutoTrader UK, cargurus

Dealer revenue AutoTrader UK - half year results

AutoTrader

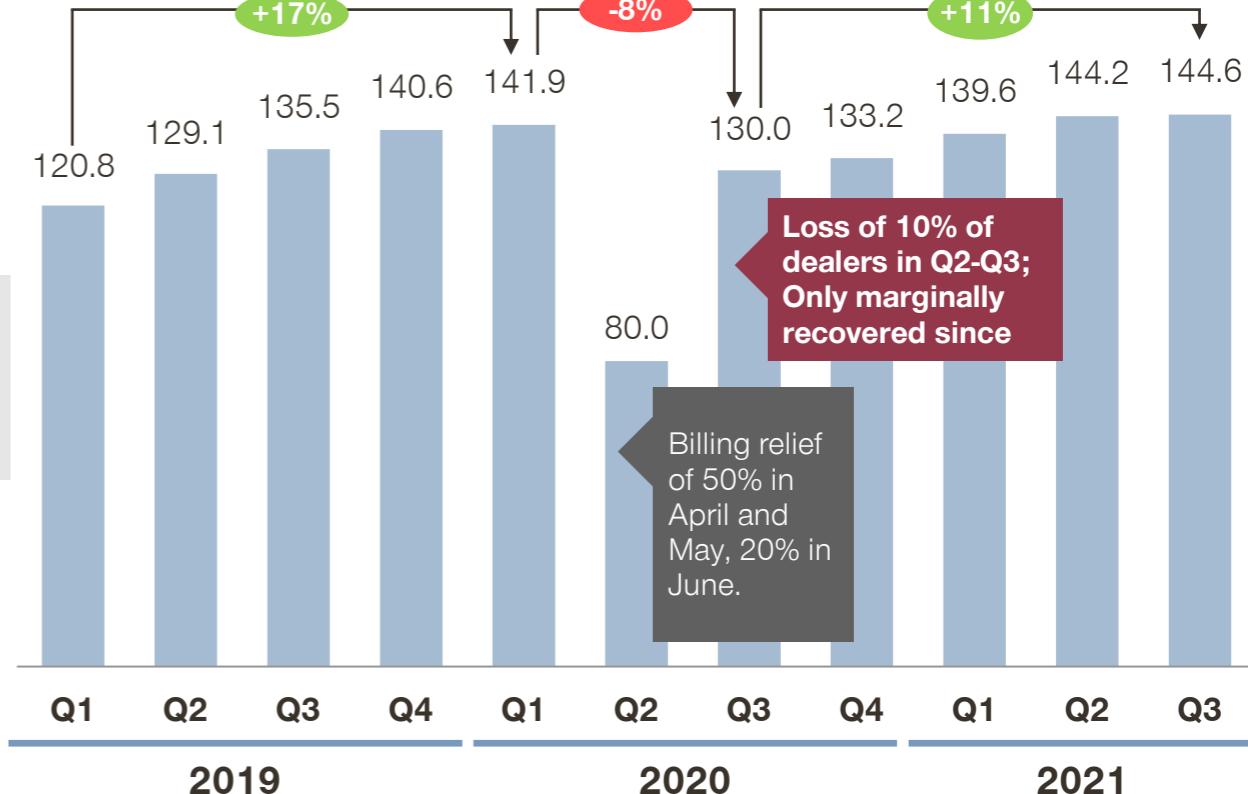
in m GBP



Dealer revenue CarGurus - quarterly year results

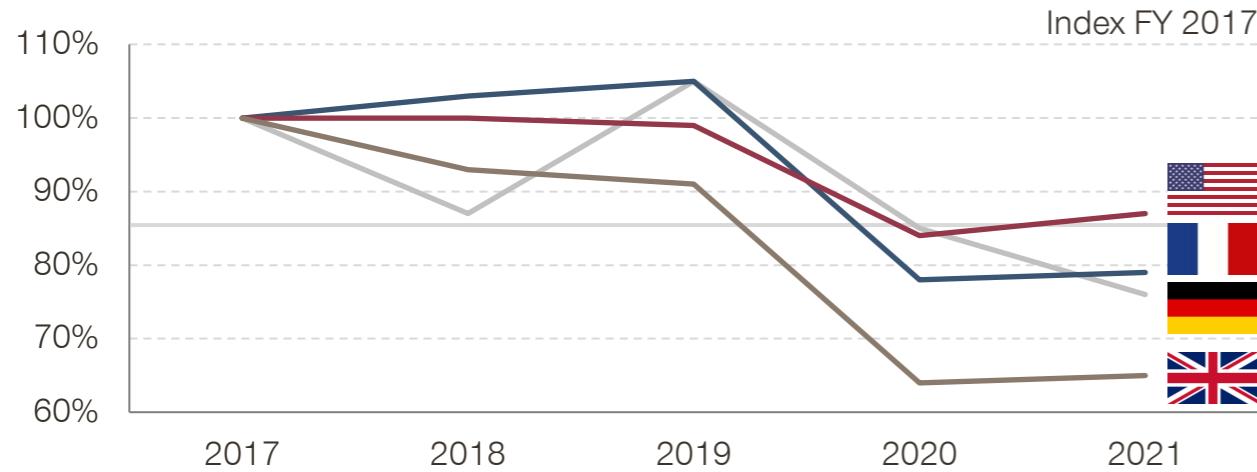
CarGurus

in m USD

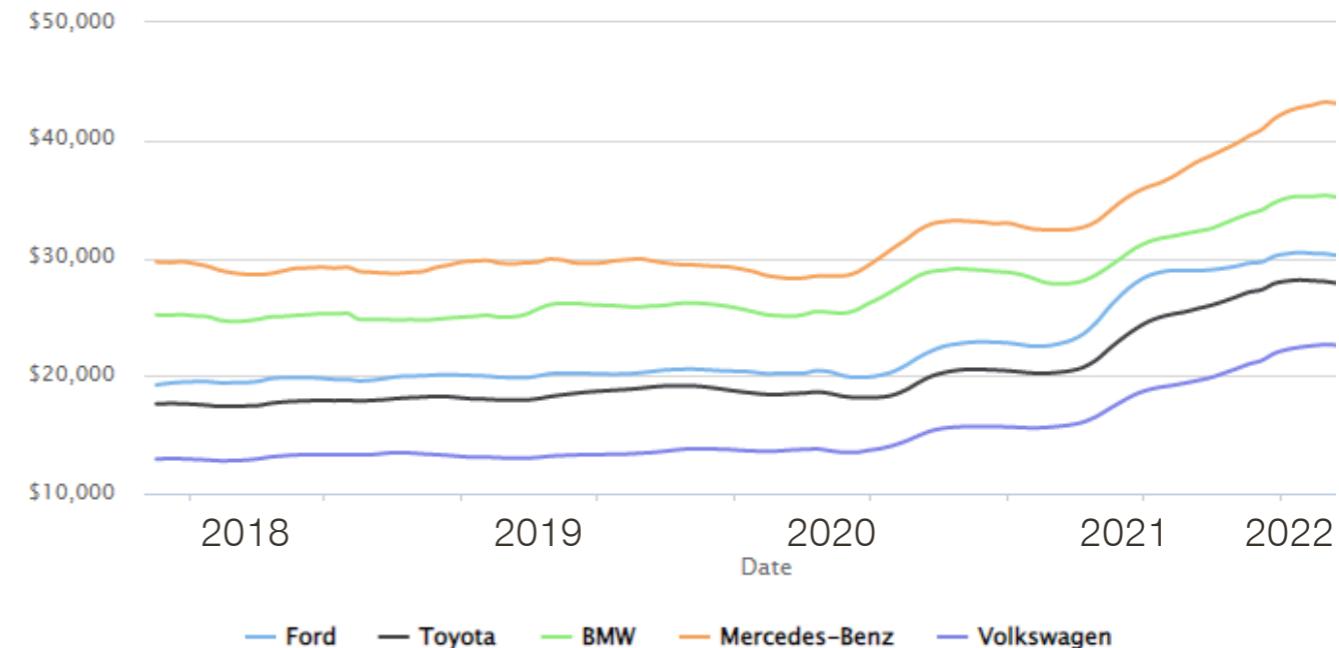


Currently, most markets face a supply shortage – and car prices are rising significantly

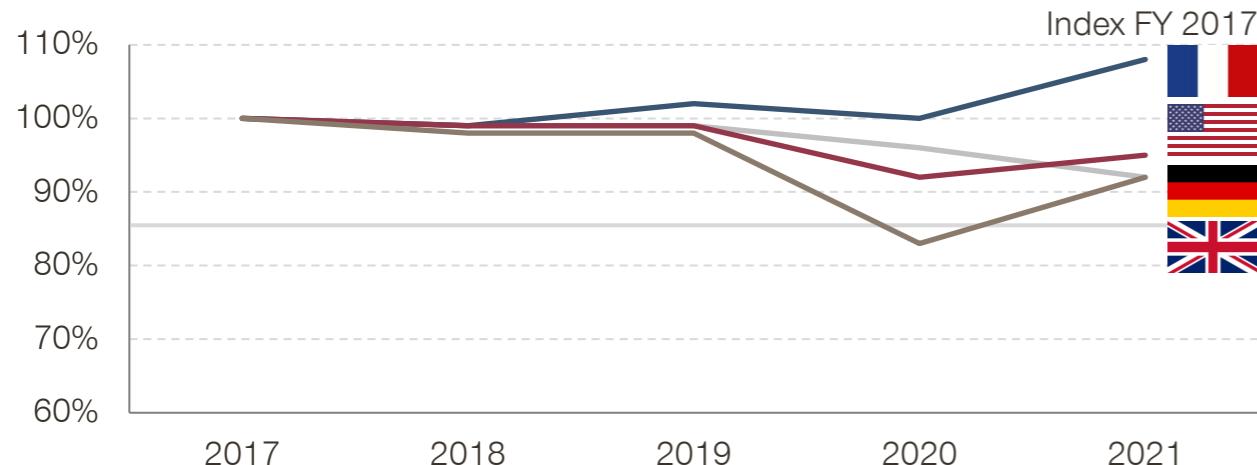
New car registrations



Used car price in \$



Used car registrations

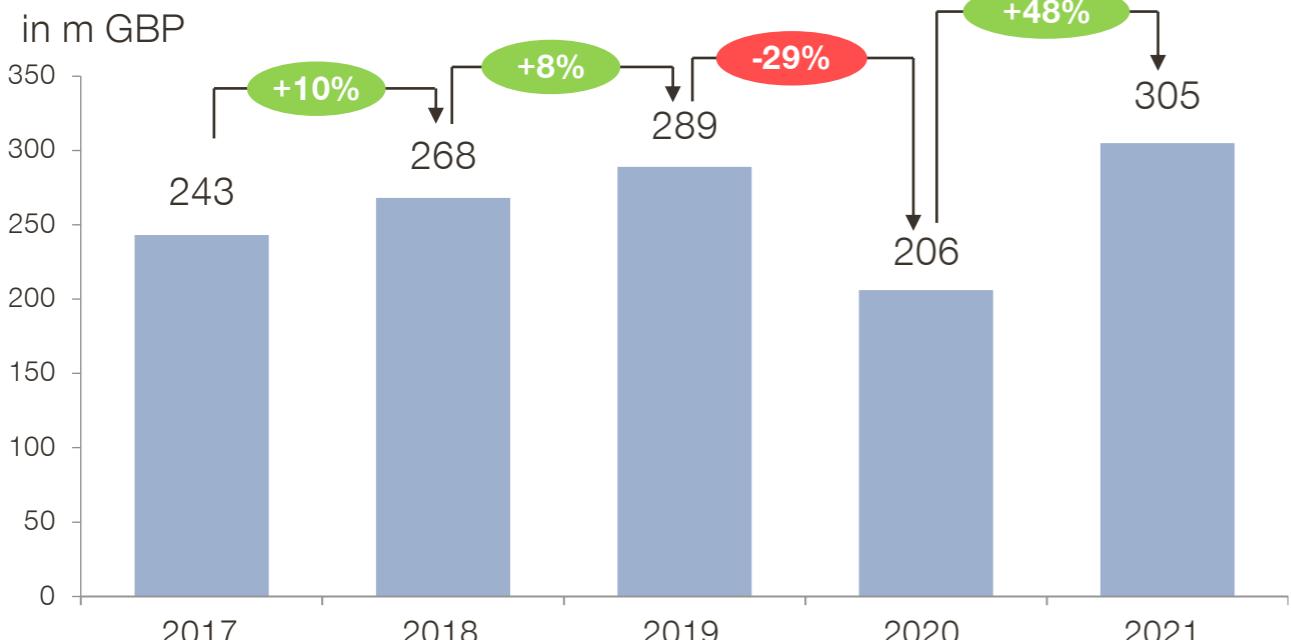


Dealers are actually fairing not too bad in this environment

Property verticals showed more diverse reactions

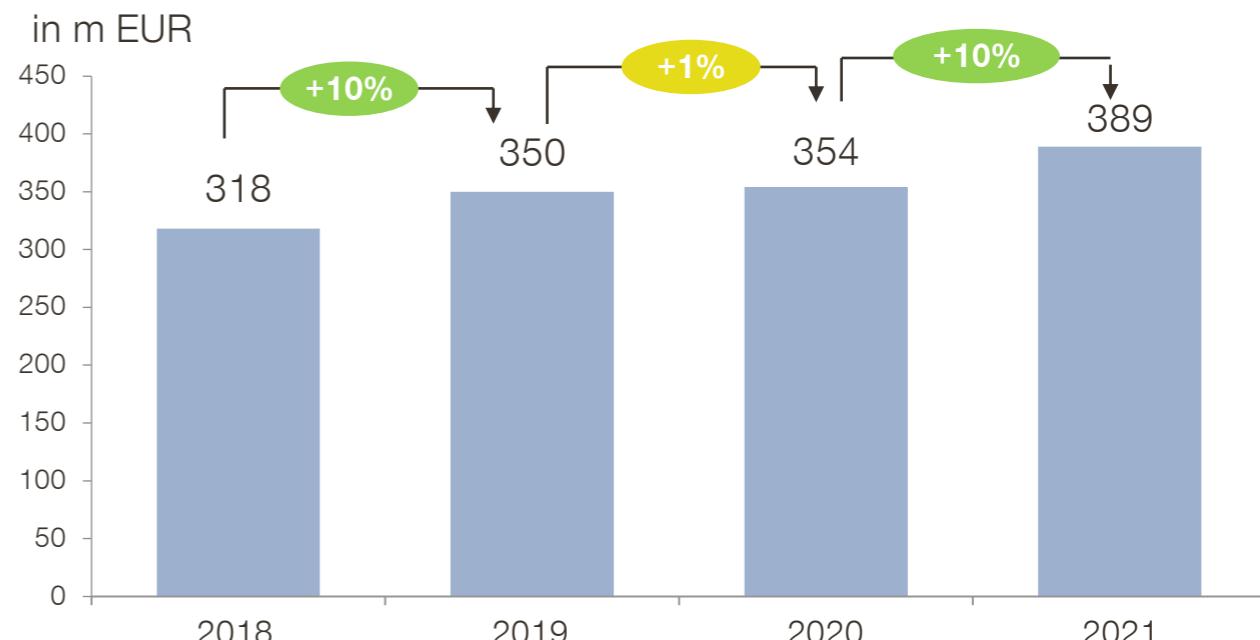
Revenue rightmove - yearly results

rightmove 



Revenue ImmoScout24.de - yearly results

Immo Scout24 

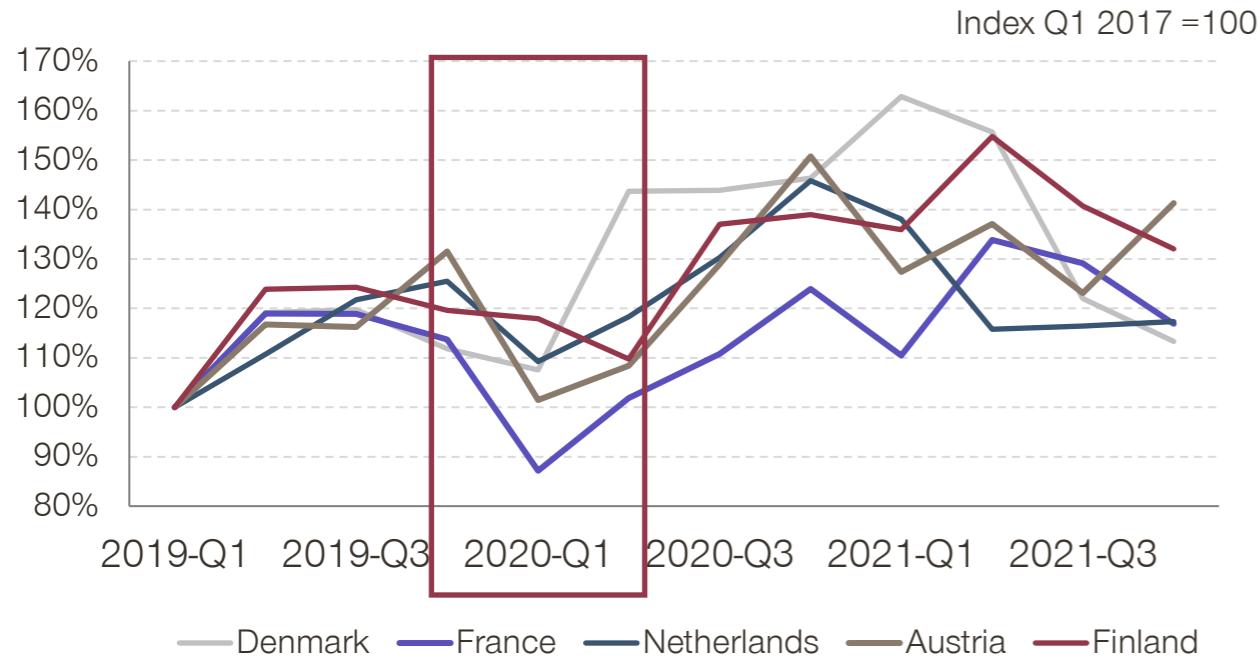


► **Covid discount:** 75% in Apr – Jul 2020, 60% in Aug, 40-75% in Sep

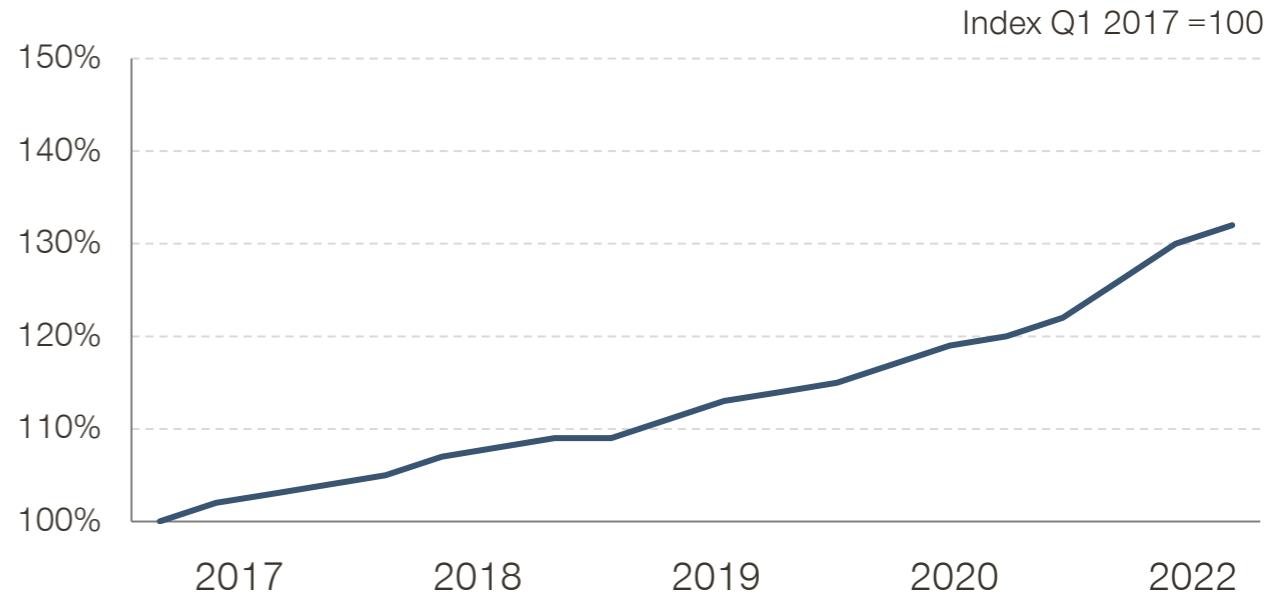
► **Covid discount:** Free offer for privates

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



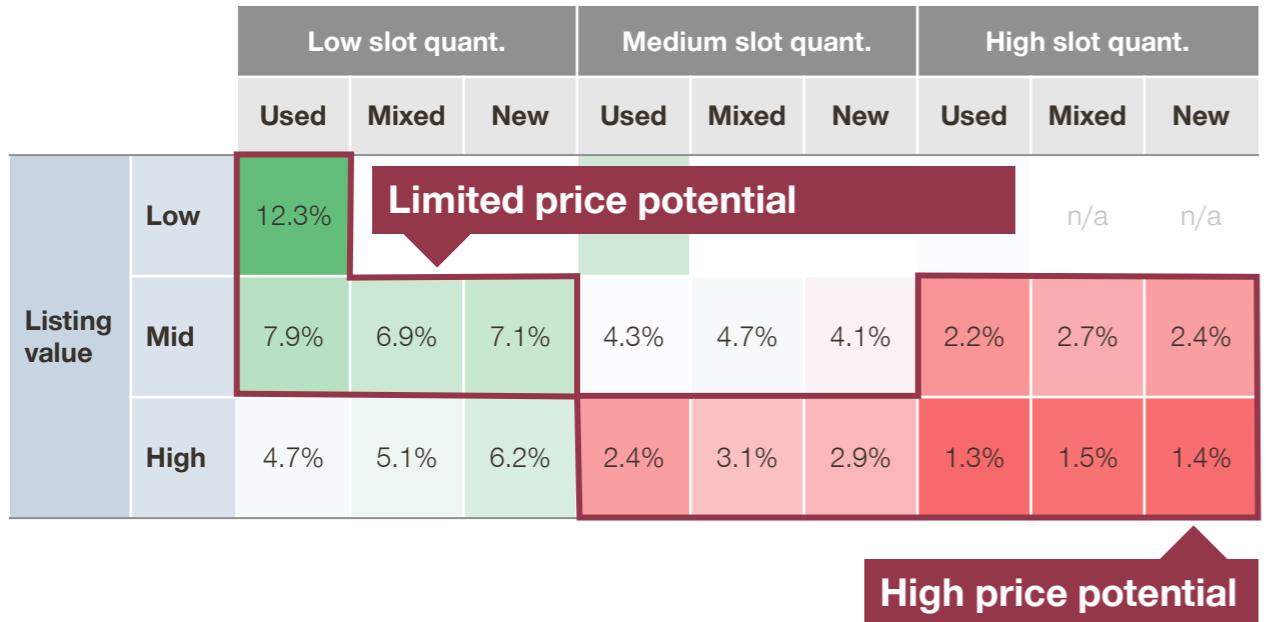
In Q2 2020, when lockdown measures due to COVID-19 were particularly strict in many EU countries, most countries recorded a decline of more than 10 % vs. the same quarter in 2019

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

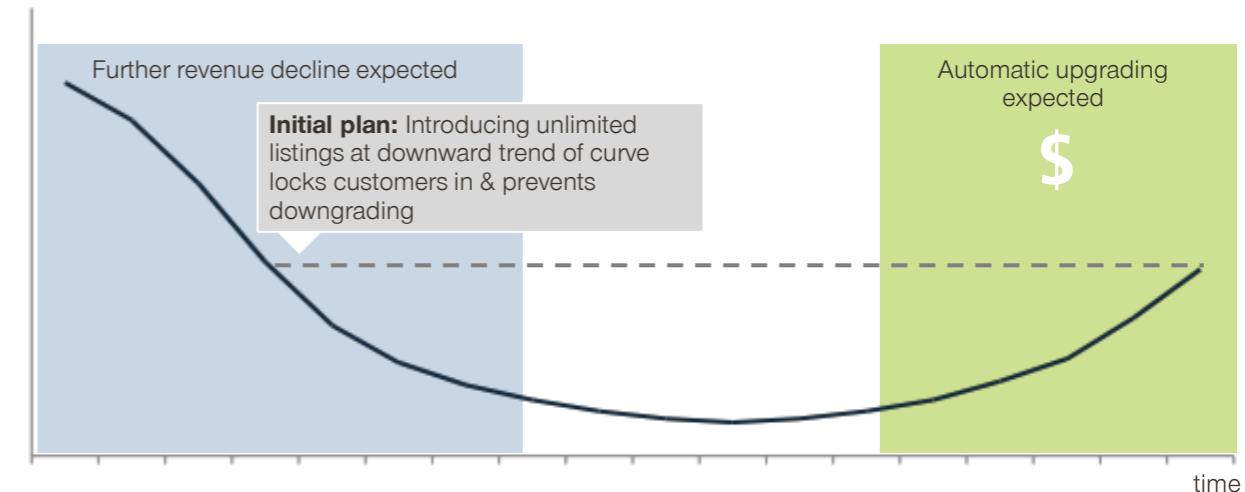
Independent of the revenue model platforms need to monitor:

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



Supply / demand development



? 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

? 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 tiersPrepayment typically on a monthly base12 months contracts	<ul style="list-style-type: none">All packages include unlimited listingsCustomized price per customer based on a number of factors	<ul style="list-style-type: none">Cost per lead as main price metricTypically 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 Preisliste, gültig ab 01.04.2022

Volume tier	Number of slots used in given month	KOMPAKT	KOMFORT	PREMIUM
1	0-1	100,-	100,-	100,-
3	2-3	100,-	100,-	100,-
5	4-5	100,-	100,-	100,-
10	6-10	100,-	100,-	100,-
15	11-15	100,-	100,-	100,-
20	16-20	100,-	100,-	100,-
30	21-30	100,-	100,-	100,-
40	31-40	100,-	100,-	100,-
50	41-50	100,-	100,-	100,-
70	51-70	100,-	100,-	100,-
Jedes zusätzliche Fahrzeug		100,-	100,-	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

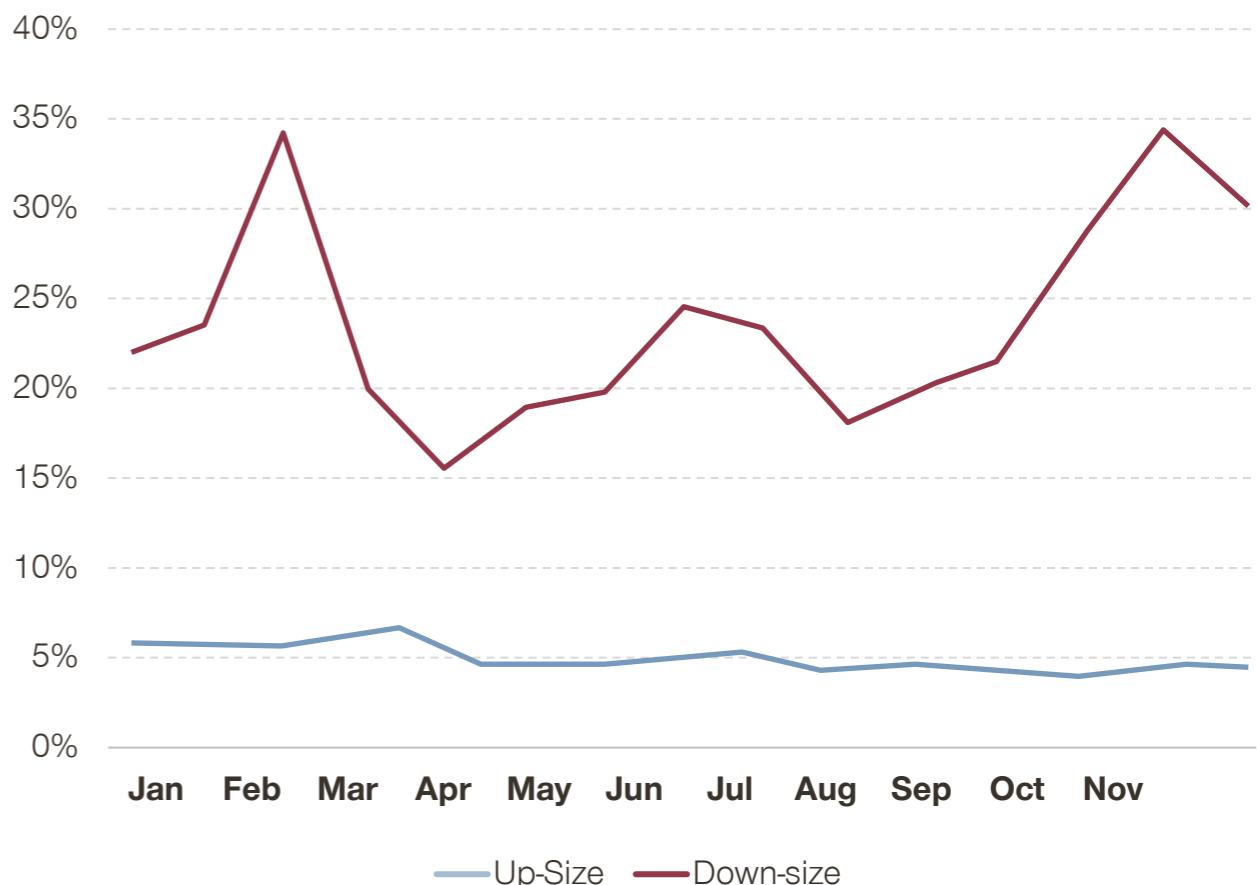
No.	Max. # slots	Starter	Basic	Prof	Prof +
1	5				
2	15				
3	25				
4	35				
5	50				
6	75				
7	100				
8	150				
9	200				
10	250				
11	300				
12	350				
13	400				
14	450				
15	500				
16	550				
17	600				
18	650				
19	700				
20	750				
21	800				

- Annual subscription with automatic renewal
- Monthly payments

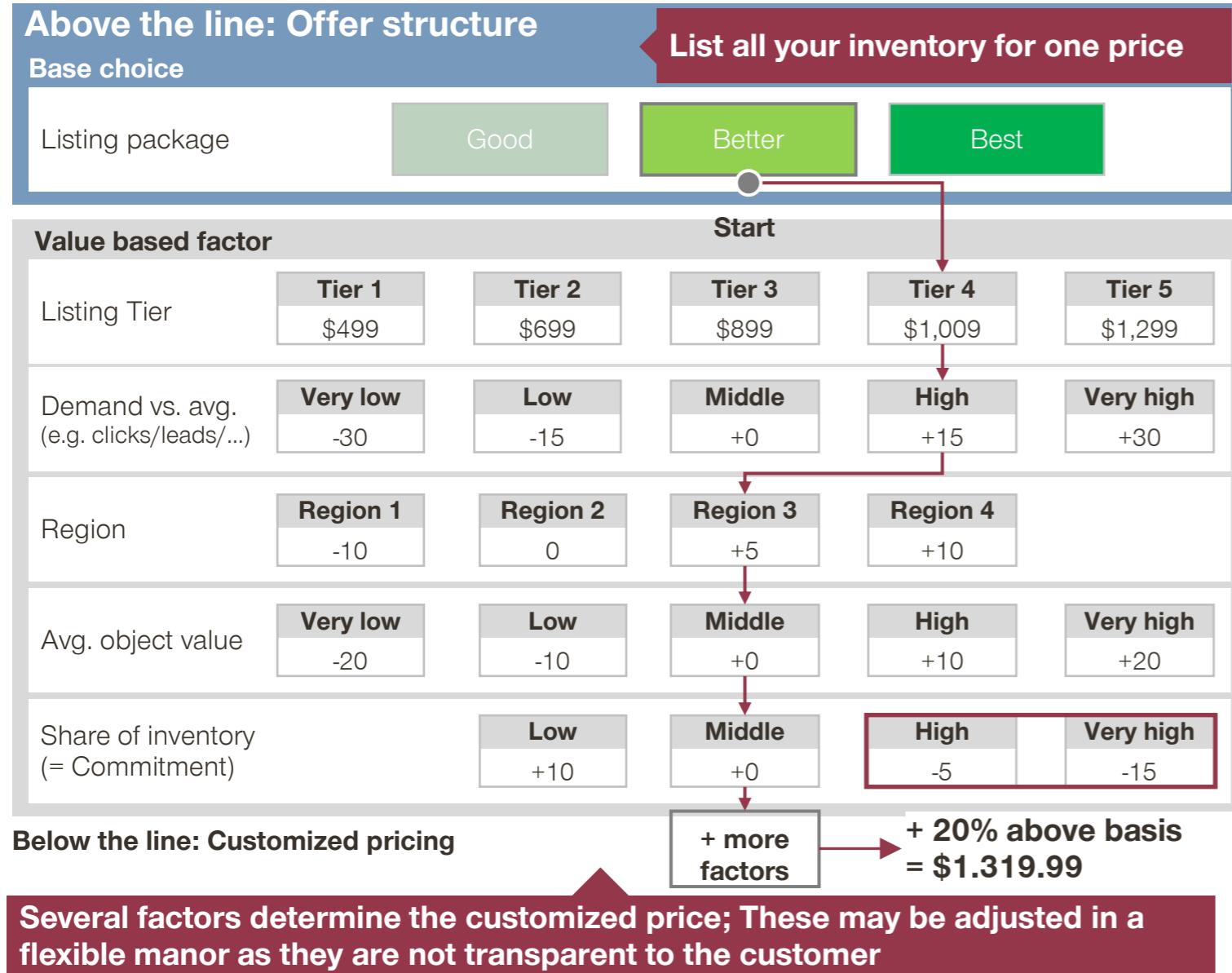
High percentage of customers downgrade when they get the chance

Anonymized project example:

Up-sizing & Down-sizing of volume tiers at contract renewal in % dealer
% of dealers

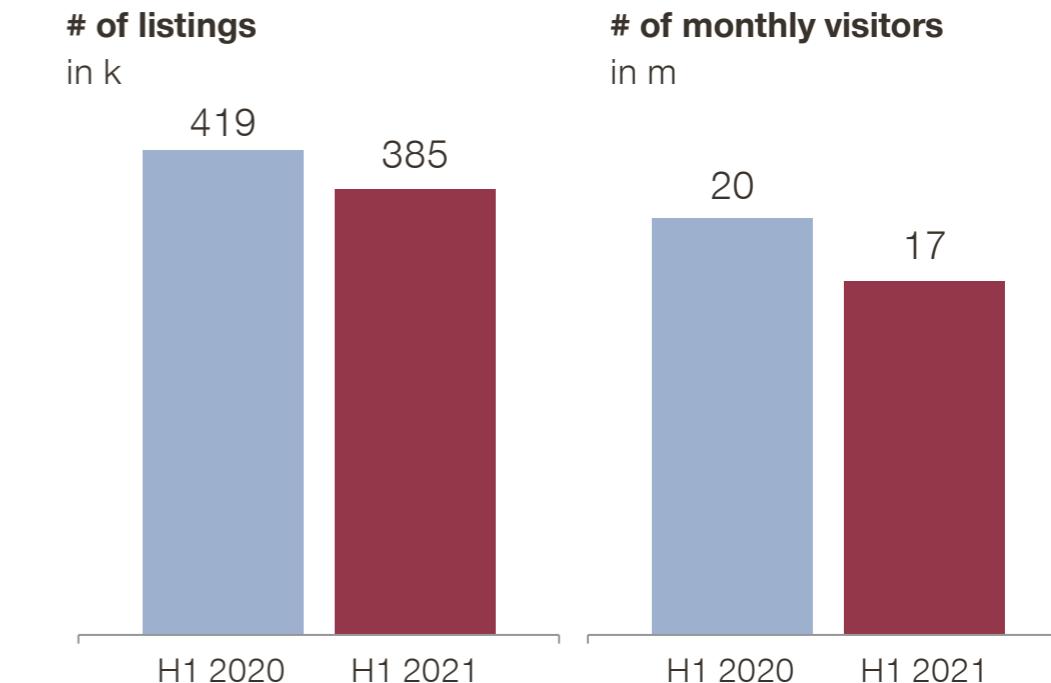


In a customized flat model, the platform is flexible on how to change the pricing function



Supply and demand development has comparably low impact on revenue

Immo Scout24



"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	Pricing based on Inventory Level	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*	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*	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*

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

Three packages for franchise and other bigger dealers

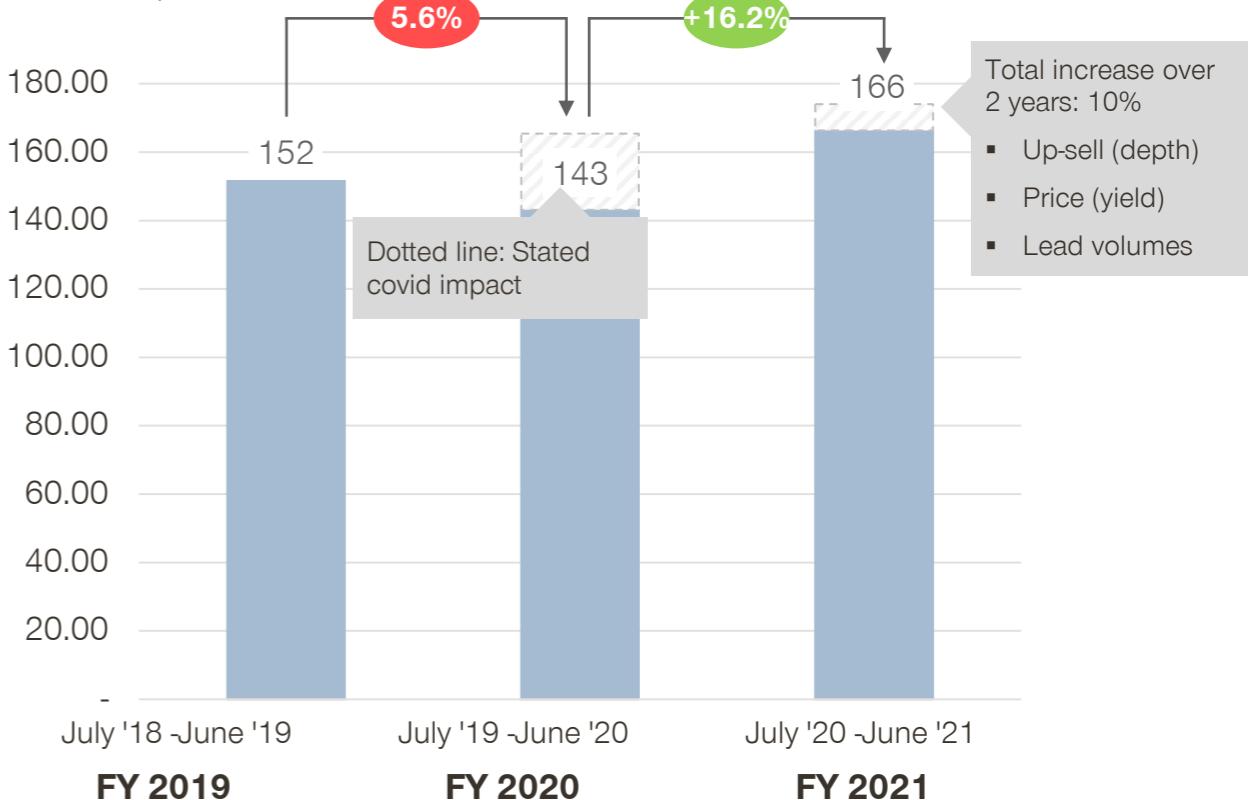
Fee for each sales lead (email or phone)

Some volume discount through additional base fee

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

TYPICAL POSTPAID PRICE LIST				
Volume tier	Number of slots used in given month	KOMPAKT	KOMFORT	PREMIUM
1	0-1	100,- EUR	100,- EUR	100,- EUR
3	2-3	100,- EUR	100,- EUR	100,- EUR
5	4-5	100,- EUR	100,- EUR	100,- EUR
10	6-10	100,- EUR	100,- EUR	100,- EUR
15	11-15	100,- EUR	100,- EUR	100,- EUR
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30	21-30	100,- EUR	100,- EUR	100,- EUR
40	31-40	100,- EUR	100,- EUR	100,- EUR
50	41-50	100,- EUR	100,- EUR	100,- EUR
70	51-70	100,- EUR	100,- EUR	100,- EUR
Jedes zusätzliche Fahrzeug		100,- EUR	100,- EUR	100,- EUR

- Introduce object value factor to better reflect economics and participate in rising object value
- Adjust tier structure, smaller tiers if you believe in supply increase
- Charge additional fee for insertion/object
- Increase time frame for calculation of avg. # of listings
- Introduce minimum charge per month based on dealer classification
- Shorten price change cycle (e.g. from 12 to 9 months)

REVENUE SENSITIVITY EFFECT

Increase with supply loss

Increase with supply increase

Increase with supply increase

Decrease with supply loss

Decrease with supply loss

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				
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

- **Adjust contract terms decreasing customer flexibility**

- Tier upgrade anytime, downgrade only with renewal
- Charge for tier downgrade

Decrease with supply loss

- **Broaden volume tiers**

Decrease with supply loss

- **Decrease transparency of volume tiers
(do not show lower tiers in sales conversation)**

Decrease with supply loss

- **Ease over-usage beyond slot tier and charge per slot postpaid**

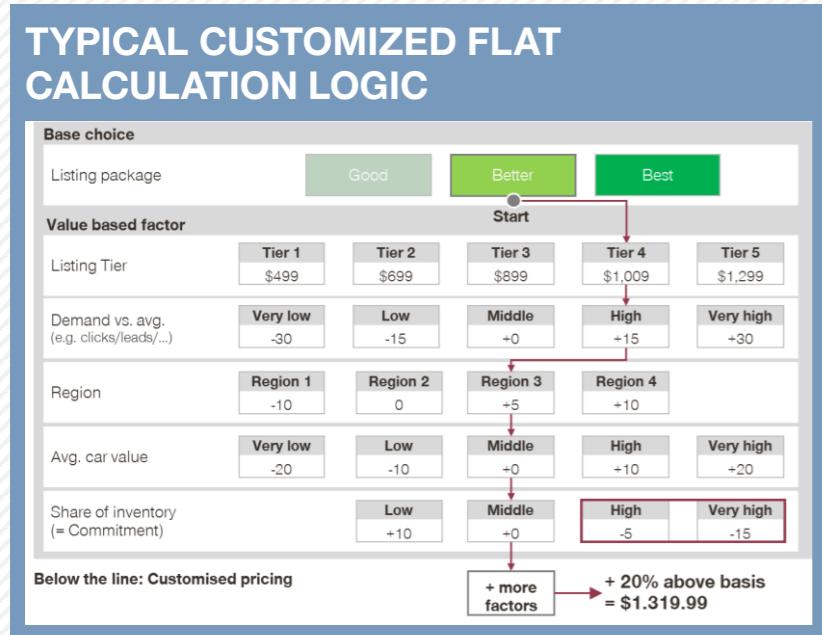
Increase with supply increase

- **Change metric from slot to listing**

Increased revenue in supply loss

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

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- Introduce listing-based model for specific customers

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

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

- Increase base fees

REVENUE SENSITIVITY EFFECT

Decrease with demand loss

Decrease with demand loss

Decrease with demand loss



-  **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 actually introduce new measures into your revenue model**

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