

## **AutoStew.com Background**

Autostew.com is a subscription based automotive, motorcycle, RV/Motor-home classifieds website. Started seven years ago by a dealership internet manager (Bob Spokes) in his spare time, it has grown to be one of the largest and most successful regionalized sites in the market-place. The region has a population of a little under-5 million with just over 2.3 million households.

Bob stopped working at the dealership five years ago when some friends funded him until the site was self-sufficient. Bob initially focused on content, believing “content is king,” then on users and last of all customers. To drive content there was no initial start-up fee for dealers along with no “training fee” on how to use the inventory management tool (IMT). The IMT is how dealers load and manage inventory on the portal, currently the cost to dealers is \$150 per week with unlimited unit upload.

To get “eyeballs” Bob did have a small spend on SEM but this has tapered off over the past two years as the site has become well known in the area. He does sponsor some community events along with booths at annual auto, motorcycle, RV/Motor-home shows in his area.

Bob was determined to ensure that his data was “clean” so has not entered into any partnerships or lead sharing programs with other sites. While this may impact the overall reach of the site he feels that it is a point of differentiation from some mega-national sites he competes with plus another regional site. The other regional site also has more classified categories (real estate, job opportunities, general merchandise) that he feels dilutes the message and the audience.

Currently he has 148 auto dealers using the IMT out of a total market of 347 locations. AutoStew.com offers a full service package (using independent contractors) where they will take photos/videos of inventory units for the dealer for \$50 per week, to date 44 automobile dealers avail themselves of this service whereas no motorcycle or RV/Motor-home dealer is a user. The site also boasts 19 out of the 24 cycle dealers plus 9 of the 12 RV/Motor-home base.

Each of the customers pays \$150 per week to have unlimited listings, almost 25% of the auto dealers, 10 of the cycle and 5 of the RV dealers use Featured Listings for another \$50 per week.

They began offering video about twelve months ago for an extra \$100 per month but to date only 18 of the total customer base is making this buy.

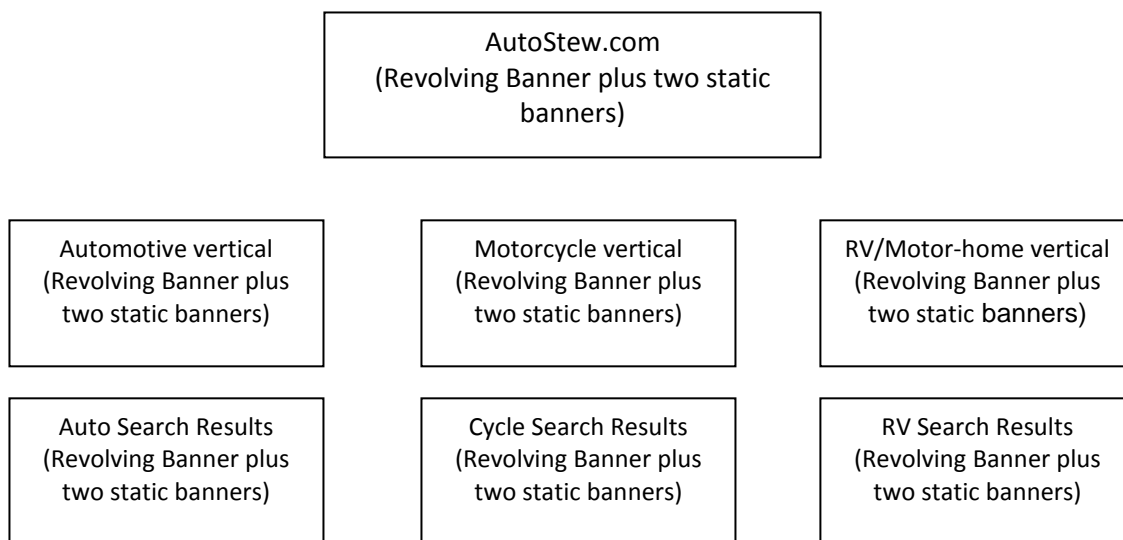
AutoStew.com has two Inside Sales Reps that are base-plus commission compensated. They seem to spend a lot of time on service versus sales calls. The outside Key Account Rep focuses on banner advertising and helping the Inside Reps with presentations when required, he also “manages” the photographers. Bob has reluctantly given up these roles due to work pressures. You, the Sales Manager, have been with the company for the last 8 months and feel that you have an understanding of the portal business today that you did not have in the past. Bob hired you due to your dealer background and the feeling that there was a lot of remaining potential in that area.

The site has a Home Page and three further search Landing Pages (automotive, motorcycle, RV/Motor-home) each of which has three banner placements as does the Search Results pages for each vertical. On each page there is one revolving banner ad (top right hand-side), this has been sold to a local brokerage house for a monthly flat fee of \$1,800 to use for branding purposes.

The Home Page attracts a rate of \$500 for the two banner ads that can be sold, while the other pages attract a rate of \$450. Each of the banner ads (non-brokerage house) has a two-week cycle, originally four-week. Bob felt that the banner customer-base was too small with only, potentially, 14 vendors running in a 4-week cycle so reduced this four months ago. Currently there are three banner ads open, one on the cycle Landing Page and one each on the cycle and RV/Motor-home Search Results pages. On the Ad Detail Pages there are two links one for credit the other for insurance, combined they account for \$6,500 in monthly revenue. AutoStew.com is able to drive these revenue streams through:

- 210,000 visitors each month
- 1.2 million impressions (monthly)
- 1.12 million page views
- CPM is running a little under \$10

The automotive vertical has, typically, 30,000-plus units of inventory out of an assumed 90,000-plus for the region the numbers for cycle are 12,162/RV 900. You are comfortable with the amount of automobile inventory (new and used) in the region due to your contacts in that industry but are unsure of what the totals may be for the other verticals. As of today there is no “search radius” in the search function as Bob wants all the customers to have a fair chance of attracting lead volumes.



## **AutoStew.com Expansion Carsforall.com Facts and Figures**

Bob has identified what he considers an expansion opportunity in a market 175 miles (280 kilometers) to the west. The market has a smaller population of only around 3 million with 1.8 million households. Interestingly the market is in a different time-zone, there is a one-hour time difference between the two regions.

While the mega-national sites are “players” in this market they have no substantial foot-hold, a local portal (Carsforall.com) appears to have some following amongst the automobile vertical. What differentiates this portal is they have a parts category on their site for both commercial and private-party advertisers. Private-party (consumers) may also list their automobiles free of charge.

They have limited advertising on their pages – no revolving banner ads, with only one vertical and one horizontal per page. They do have ads on detail pages (not in the parts section) but these appear to be duplicates of those on other pages. There are six banner ad placements available on the home page and the landing page for the Automotive and Parts verticals. History has shown that these do not change during the course of a month. You assume that these are billed at a flat rate.

There are a total of 230 automotive dealers, of which 80 have inventory on the site, however a review of the dealers’ sites indicates that only around 80% of inventory is on the portal. Currently they appear to have around 13,000 units on the site. The Parts vertical seems to be well subscribed with dealers, retailers and private party advertisers all showing both custom banner ads and items for sale. According to the site commercial advertisers can list inventory for \$120 per week, there does not appear to be any Featured Listings on the site.

While there are no cycles or RV’s on the site there are 16 cycle and 8 RV dealers in the area.

Many of the businesses are to be found on the national mega-sites, although the lead volume may not be that great as larger national dealers advertise special offers that will erode margins for local businesses.

Bob is aware that the business is owned and operated by an older couple who could be looking to sell as part of a retirement end-game. Careful investigation has indicated that they would look at 5 x turnover to sell.