DIGITAL ADVERTISING: CLASSIFIEDS

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DATA AND ANALYSIS WITHIN THIS REPORT

Overview

Pages	Subject	Essentials
03 – 05	Detailed overview › Market scope › Customer benefit, Market size › Future developments, Assumptions and sensitivity	Classifieds are small ads grouped under a specific heading Market size is US$16.5 billion in 2016
06 – 09	KPI-Comparison › Market KPI comparison by region in charts › Market KPI comparison by region in tables	Biggest market is Europe with US$6.1 billion in 2016 China has the highest average growth rate of 22.0%
08 – 09	Framework › Key Takeaways › Classifieds as part of the Digital Advertising market	China profits from a general boom in advertising and e-Commerce 8.3% of the global market
10	Company Profile › Schibsted | FINN.no	Finn plays a nearly monopolistic role in the Norwegian market
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CLASSIFIEDS MARKET

Market Focus: Classifieds

Focus Segment

Other Segment Reports

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SMALLEST MARKET IN GLOBAL DIGITAL ADVERTISING - STRONG MARKET IN EUROPE

Customer benefit

Classifieds are **small ads grouped under a specific heading** (classification) such as automobiles or real estate.

Online classifieds usually appear in specific portals, which can be differentiated in **horizontals and verticals.**

While horizontal business models have a generalist approach and cover most topics, vertical pure player only have specific classifieds like employment listings, real estate listings or automotive listings.

We can observe that many markets are **dominated either by one generalist service** (e.g. FINN.no in Norway) **or by vertical specialist platforms** (e.g. mobile or stepstone in Germany).

Also, some kinds of product listings on e-commerce platforms are kind of classifieds. These play an extraordinary role in the Chinese market.

Besides relatively low prices, classifieds have the advantage to reach very **specific target groups without excessive scattering losses** which we can observe in the field of Banner Advertising for instance.

In contrast to other Digital Advertising formats, Classifieds have a **pull characteristic**. The audience is usually looking for the product the classified is advertising.

The common pricing model is a **one-time fee per listing**. The fee has to be paid by the advertiser, regardless of the outcome of the ad, depending on factors such as the ad's position, size or display duration.

We consider B2B or B2C, but **no C2C classifieds**. Revenue from flea market or second-hand trade platforms and apps like Shpock or letgo, for instance, are not considered within this report.

Market size

The global Online Classifieds market size is US$16.5 billion in 2016 and has a share of 8.3% of the Digital Advertising market.

With this share Online Classifieds is the smallest market in Digital Advertising.

The **United States**, **Europe** and **China** cover 80.0% of the global Online Classifieds market with an accumulated revenue of **US$13.7 billion.**

Europe is the biggest market with a revenue **of US$6.1 billion in 2016**. With this market volume it is nearly twice the size of the **US** market with a market size of **US$3.3 billion** or the **Chinese** market with **US$3.7 billion**.

In contrast to many other digital markets, the **US** market is surprisingly **the smallest one**, despite the pioneering role in digital markets the **US** usually has.

Classifieds have a share of 4.1% of the total market in the **US**.

A closer look at the **US** market leads to the conclusion that this pioneering role might be the reason for the **low share of Online Classifieds**.

Innovative advertising formats like Social Media Advertising are dominating the market with a share of 18.5% and replacing the somehow old-fashioned classifieds format.

In **Europe**, however, the share of Online Classifieds is 14.5%, while Social Media Advertising accounts for 11.8%.

In some **European** countries with nearly monopolistic and horizontally aligned players **Online Classifieds play the most important role** in the market.

In Norway, for instance, Online Classifieds is the largest segment with a **share of 31.5%.**

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FAST AND STRONG GROWTH IN CHINA – MOBILE ONLY USE CASES ARE RARE

Future developments

The global Online Classifieds market is growing with **an average annual growth rate of 9.2% to 2021** to reach a total market size of **US$25.6 billion**.

We expect a moderate growth in the **US** and in **Europe**. While Online Classifieds in the **US** are growing with **an annual growth rate of 6.6% to 2021**, the **European** market is growing with a **CAGR of 3.4%** in the same timeframe.

Nevertheless, the slightly higher growth in the **US** does **not lead to more importance** of Online Classifieds in the total Digital Advertising market.

The **share decreases strongly** and Classifieds only account for 3.9% of the **US** Digital Advertising market in 2021 compared to 8.5% in 2016.

Despite the relatively small growth rate in **Europe** the status of Online Classifieds **stays high**, particularly compared to the share in **US** market described above.

They will account for 12.0% of the **European** market in 2021.

The relevance gets clear, when we compare the share on the global market in 2021, which is 7.7%.

The **Chinese** market, however, is growing rapidly with **an annual growth rate of 22.2% to 2021**.

Reasons for this outstanding fast growth can be found in a generally **fast growing Digital Advertising Marke**t in **China** (17.6% CAGR 2016 to 2021) and a **high relevance of paid product listing** within the e-Commerce platforms. Thus, the growing e-Commerce market in **China,** with a CAGR of 17.5% to 2021 reaching a total market volume of US$756 billion is driving the Classifieds market.

The mobile share is growing fast over all regions with average annual growth rates between 26.2% and 29.0% to 2021.

Nevertheless, the size of mobile revenue stays small, due to its very small basis in 2016.

Assumptions and sensitivity

Differences regarding formats, pricing models, reach and audiences between Online Classifieds and other Digital Advertising formats make it **hard to compare** these markets without any further explanation.

Prices are often relatively low and not tangible with the typical pricing models like cost-per-click (CPC) or cost-per-mille (CPM).

The typical pricing for Online Classi-fieds is a specific **one-time fee** independent from the outcome.

Therefore, we have **low average revenue per Internet user**, especially compared to success-based advertising models like Search Advertising.

Furthermore, the **general shift towards mobile advertising**, which can be seen in all other segments of Digital Advertising, does not affect Online Classifieds in the same way.

Upcoming C2C flea market apps indicate initial approaches of mobile only Online Classifieds.

C2C classifieds revenue, however, is not in scope and mobile only use cases for professional advertisers are rare and usually limited to highlighting existing classifieds in mobile apps.

It is difficult to differ between product listings with the characteristic of classifieds and product listings within the search of e-Commerce platforms.

Non success-based product listings can be considered as classifieds. These product listings can be found much more often in **China**.

This, along with the development of the e-Commerce market in **China** is the **basis for our very high growth assumptions**.

1: CAGR: Compound Annual Growth Rate/ average growth rate per year.

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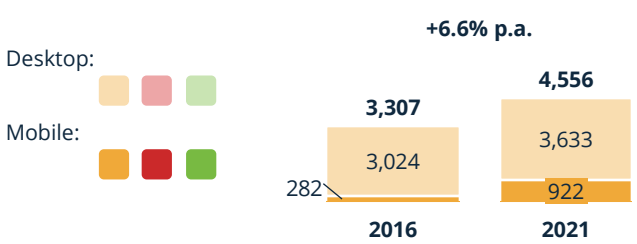
ONLINE CLASSIFIEDS IN MAJOR REGIONS

Market KPI comparison by region

United States

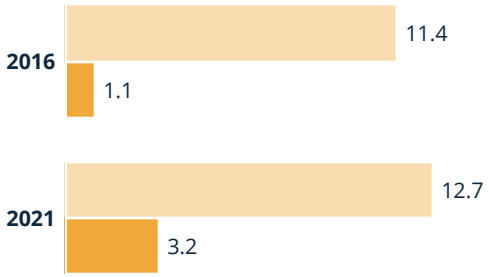
Revenue forecast

in million US$ by region

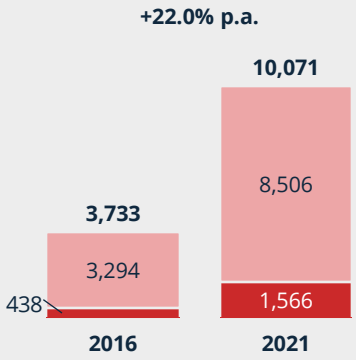


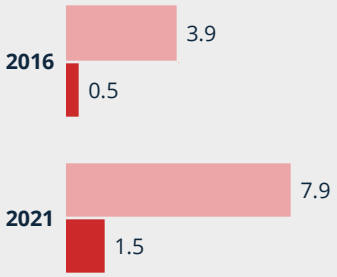
Revenue per Internet user

in US$ by region

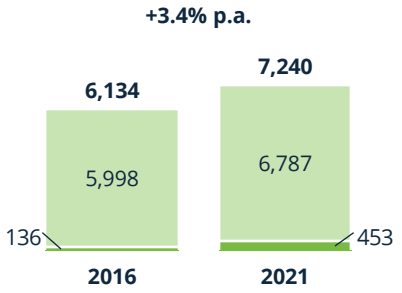


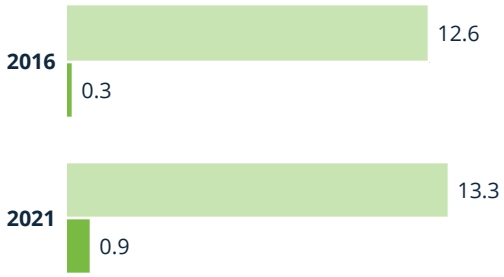
China





Europe





Source: Digital Market Outlook 2016

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CLASSIFIEDS IN MAJOR REGIONS

Market KPI comparison by region

United States / China / Europe

Revenue

Segment	Unit	2016	2017	2018	2019	2020	2021	CAGR[1] 16 – 21	2016	2017	2018	2019	2020	2021	CAGR[1] 16 – 21	2016	2017	2018	2019	2020	2021	CAGR[1] 16 – 21
Total	mUS$	3,307	3,577	3,863	4,117	4,332	4,556	+6.6%	3,733	4,856	5,977	7,394	8,738	10,071	+22.0%	6,134	6,353	6,573	6,793	7,016	7,240	+3.4%
Desktop	mUS$	3,024	3,159	3,308	3,440	3,555	3,633	+3.7%	3,294	4,175	5,056	6,240	7,367	8,506	+20.9%	5,998	6,187	6,361	6,518	6,660	6,787	+2.5%
Mobile	mUS$	282	419	555	677	777	922	+26.7%	438	681	921	1,153	1,371	1,566	+29.0%	136	166	212	275	356	453	+27.2%

Internet users

Segment	Unit	2016	2017	2018	2019	2020	2021	CAGR[1] 16 – 21	2016	2017	2018	2019	2020	2021	CAGR[1] 16 – 21	2016	2017	2018	2019	2020	2021	CAGR[1] 16 – 21
Total	m	265	270	275	280	284	288	+1.7%	854	890	924	958	989	1016	+3.5 %	493	503	510	517	521	523	+1.2 %

1: CAGR: Compound Annual Growth Rate/ average growth rate per year.
Source: Digital Market Outlook 2016

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KEY TAKEAWAYS BY REGION

Market sizing subjects for Classifieds forecast

	United States	China	Europe
Market size	› With a market size of US$3.3 on a similar level as China › Mobile is nearly irrelevant with a share of 8.5% of the total market	› Market size of US$3.7 billion › Despite China's mobile first status, the mobile share of total revenue is only 12%	› Nordic and East European countries are very strong in Classifieds › Therefore Europe is the biggest market in comparison to the US and China with US$6.1 billion in 2016 › Mobile share of total revenue with 2.2%
Growth rate	› Growing with an average growth rate of 6.6% to 2021 › Mobile revenue is growing with 29.0% CAGR[1] , but will not even reach US$1 billion in 2021	› Highest average growth rate of 22.0% › Highest growth rate of 29.0% for mobile revenue › Against the common trend in China, desktop revenue is growing almost with the same rate as mobile	› Smallest growth with a CAGR of 3.4% › Mobile revenue is growing above average with a CAGR of 27.2% › Desktop revenue is growing very moderately with an average growth rate of 2.5%
Trend signals	› Relevant mobile only use cases, which we do not see yet, would have a disruptive effect on the mobile development	› High growth rates of the e-Commerce market are driving the Classifieds market	› Market is already saturated to the greatest possible extend › New B2C business models with a mobile focus could be a leverage point, although these are not in the looming yet

1: CAGR: Compound Annual Growth Rate/ average growth rate per year
Source: Digital Market Outlook 2016

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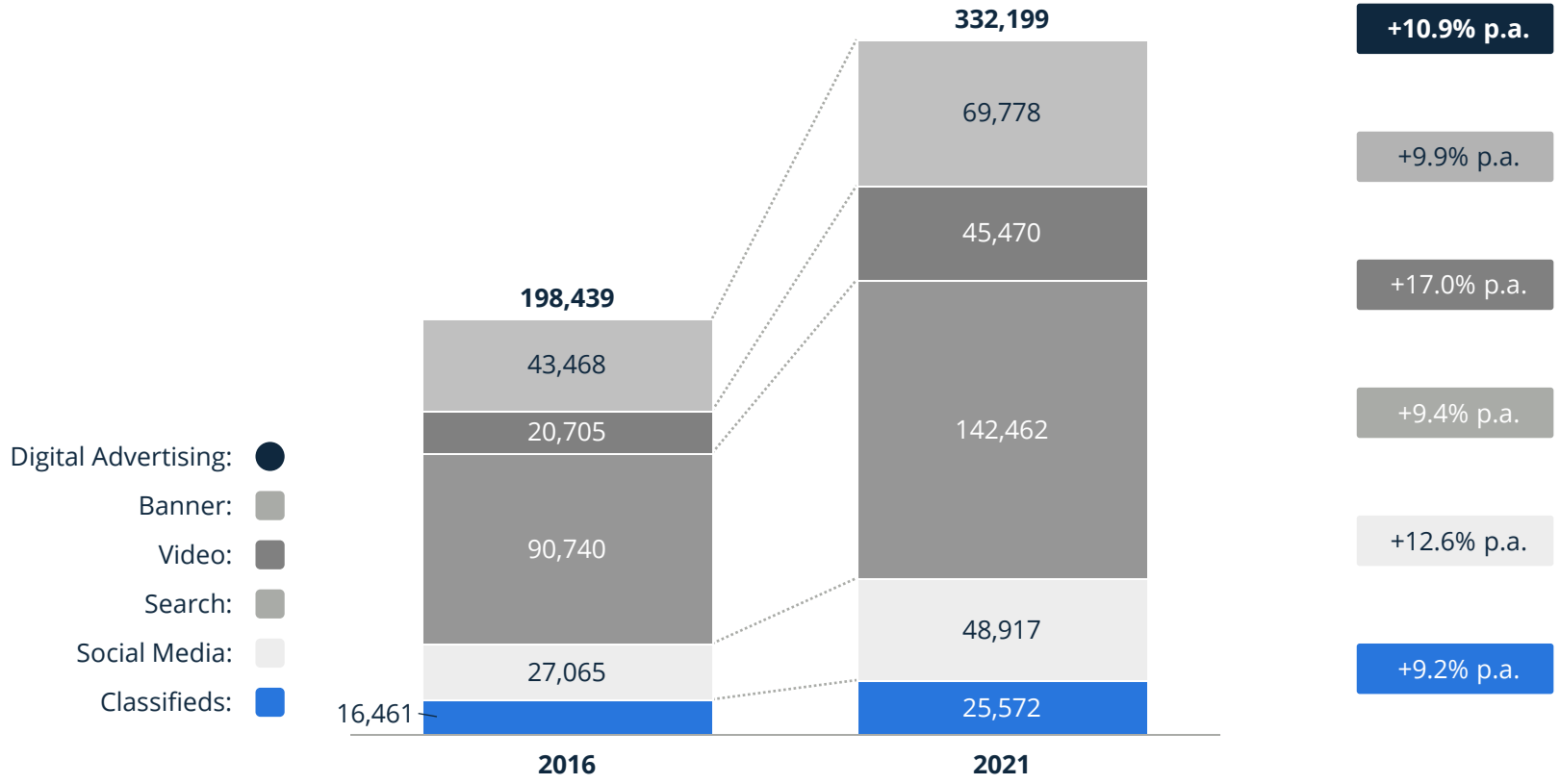
ONLINE CLASSIFIEDS ADVERTISING

Global segment sizes and growth rates

Global[1] Digital Advertising Revenue

CAGR[2] 16 – 21

in million US$ by segment



1: Only includes countries listed in the Digital Market Outlook
2: CAGR: Compound Annual Growth Rate/ average growth rate per year
Source: Digital Market Outlook 2016

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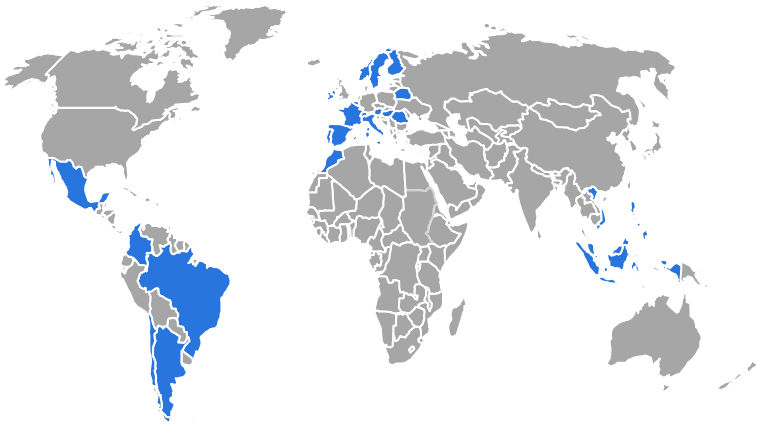
BEST PRACTICE: SCHIBSTED (FINN.NO)

Company profile

Footprint



Background

Schibsted is an Norwegian media group operating in fields related to newspapers, publishing, multimedia and other media products

Furthermore, Schibsted has market leading positions in the online classifieds markets in Norway, Sweden, France, Spain, Italy, Ireland, Austria, Malaysia and Hungary.

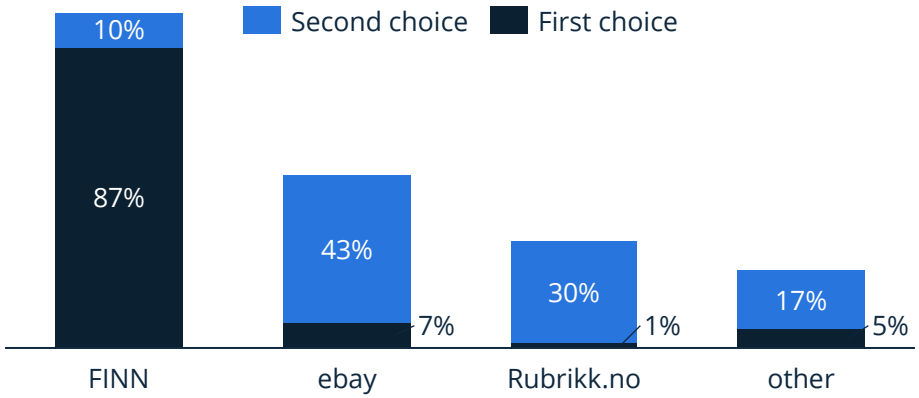
This business area also includes online classifieds sites in several early stage markets.

The company is operating the leading classifieds platforms in several European markets like FINN in Norway and Leboncoin in France.

Finn plays a nearly monopolistic role in the Norwegian market.

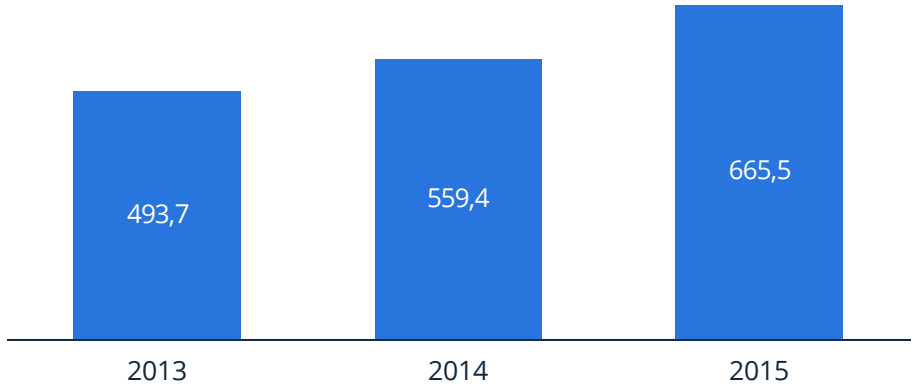
Preferred classifieds websites in Norway

Share of respondents, n=11,000 classified ad consumers, January 2015



Schibsted's Online Classifieds revenue

Revenue in million US$



Source: McKinsey, Company Information 2016

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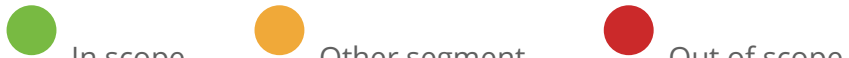
CLASSIEFIEDS REVENUE STREAMS

Market structure and definition

Segment	*Revenue stream*		*Out of segment*
Online Classifieds	**Fees paid by advertisers in order to display a classified ad**	Revenues from classified ads are the fees paid by advertisers in order to display an ad or listing around a specific vertical such as automotive, recruiting or real estate. The fee has to be paid by the advertiser, regardless of the outcome of the ad, instead depending on factors such as the ad's position, size or display duration..	**Banner Advertising** **Social Media Advertising** **Search Advertising** **C2C Classifieds**



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ABOUT DIGITAL MARKET OUTLOOK

9 Markets, 34 segments & 85 sub-segments

Digital Media
Video-on-Demand, Digital Music, Video Games, ePublishing

FinTech
Digital Payments, Business Finance, Personal Finance

eTravel
Online Travel Booking, Mobility Services

eServices
Event Tickets, Fitness, Dating Services, Food Delivery

eHealth
Diabetes, Hypertension, Heart Failure

Connected Car
Connected Hardware, Vehicle Services, Infotainment Services

Smart Home
Home Automation, Security, Home Entertainment, Ambient Assisted Living, Energy Management

e-Commerce
Fashion, Electronics & Media, Food & Personal Care, Furniture & Appliances, Toys, Hobby & DIY

Digital Advertising
Banner Ads, Video Ads, Search Ads, Social Media Ads, Classifieds

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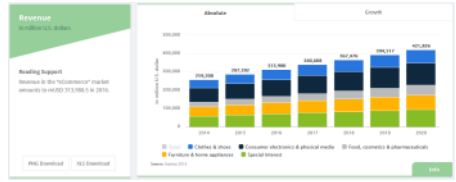
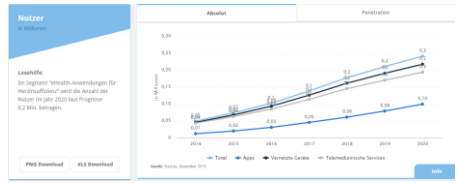
Details

- **50 countries**
- **Direct access & downloads**
- **7-Year coverage: 2015 – 2021**
- **Revenue forecasts**



- **User count & penetration**



- **Comparable data**

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