



# disruption in marketplaces\_ what to expect

# european internet ventures.

## who I am

**Malcolm Myers**

>15 years of marketplaces

former head of m&a at Naspers  
former m&a advisor to Scout24

CEO of eiv

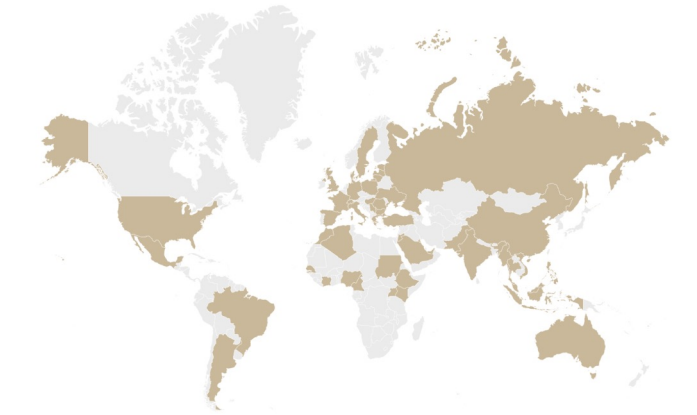
## what we do

advisory firm dedicated to  
**online classifieds + marketplaces**

m&a

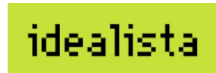
capital raising

## where we work



# some of our transactions

## real estate



## automotive



## jobs



## horizontals



# contents

1. evolution to date.

2. disruption in perspective.

3. possible impacts of AI.



**1** evolution to date.

in some industries, the past 25 years have witnessed incredible innovation

**MOBILE PHONE**



**1998**  
**Nokia 5110**



**2023**  
**iPhone 14 Pro**

**screen resolution**  
**internet speed**  
**app capabilities**  
**video**  
**price**  
**distribution**

5 lines (monochrome)  
no internet access  
ringtones vis sms  
n/a  
\$600  
physical store

3.6 million pixels, full colour  
5G 100-1,000 Mbs  
1.6 million apps  
4k video capture + playback  
\$999-\$1499  
store or online

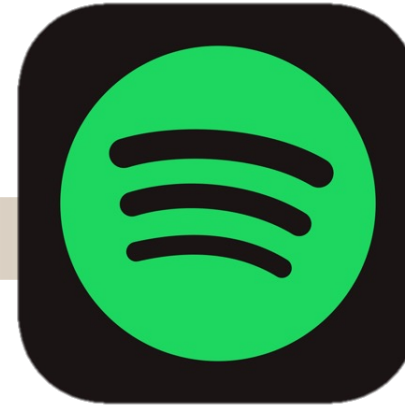
in some industries, the past 25 years  
have witnessed incredible innovation

## RECORDED MUSIC

1998



2023



**unit of purchase**  
**tracks available in store**  
**price of a music collection**  
**distribution**

a CD containing ca. 15 tracks  
5k-10k CDs  
\$3,000 for 200 CDs  
high street stores

unlimited streaming of any title on platform  
>80 million  
free (ad-funded) / premium \$15.49 per month  
online

# in comparison, car + real estate classifieds businesses seem to have changed rather less

## AUTOTRADER

1998

The 1998 Autotrader website search interface is a compact, blue-themed form. At the top, it features navigation tabs for 'BUY', 'SELL', 'MOTORING', 'NEWS/REVIEWS', and 'MY TRADER'. Below these are sections for 'Vehicle details' (MAKE, MODEL, Trim, Keyword), 'Your Details' (Minimum Price, Maximum Price, Max. Mileage, Maximum Age, full postcode, 40 miles, Show 50 Results), 'Seller Details' (Private & Trade, Show Photos), and 'Sort results by' (Distance, Price - Low > High, Price - High > Low). A prominent red 'SEARCH' button is at the bottom right. A footer note states: 'To activate all search settings above please [login](#). If you do not have an account please [register](#)'.

2023

The 2023 Autotrader website search interface is a modern, clean design. The top navigation bar includes 'AutoTrader' and various vehicle categories like 'Used cars', 'New cars', 'Sell your car', 'Value your car', 'Car reviews', 'Car leasing', 'Electric cars', and 'Buy a car online'. A search overlay is active, titled 'NEW & USED CARS Buy a car online'. It features a 'Postcode\*' field with a red error message 'Please enter a valid UK postcode', a 'Distance' dropdown set to 'National', 'Make' and 'Model' dropdowns set to 'Any', and checkboxes for 'Home delivery' and 'Click & collect'. A blue search button at the bottom of the overlay displays 'Search 439,305 cars'. The background shows a family (a man, a woman, and a child) sitting at a table with a laptop, suggesting a modern, user-friendly experience.

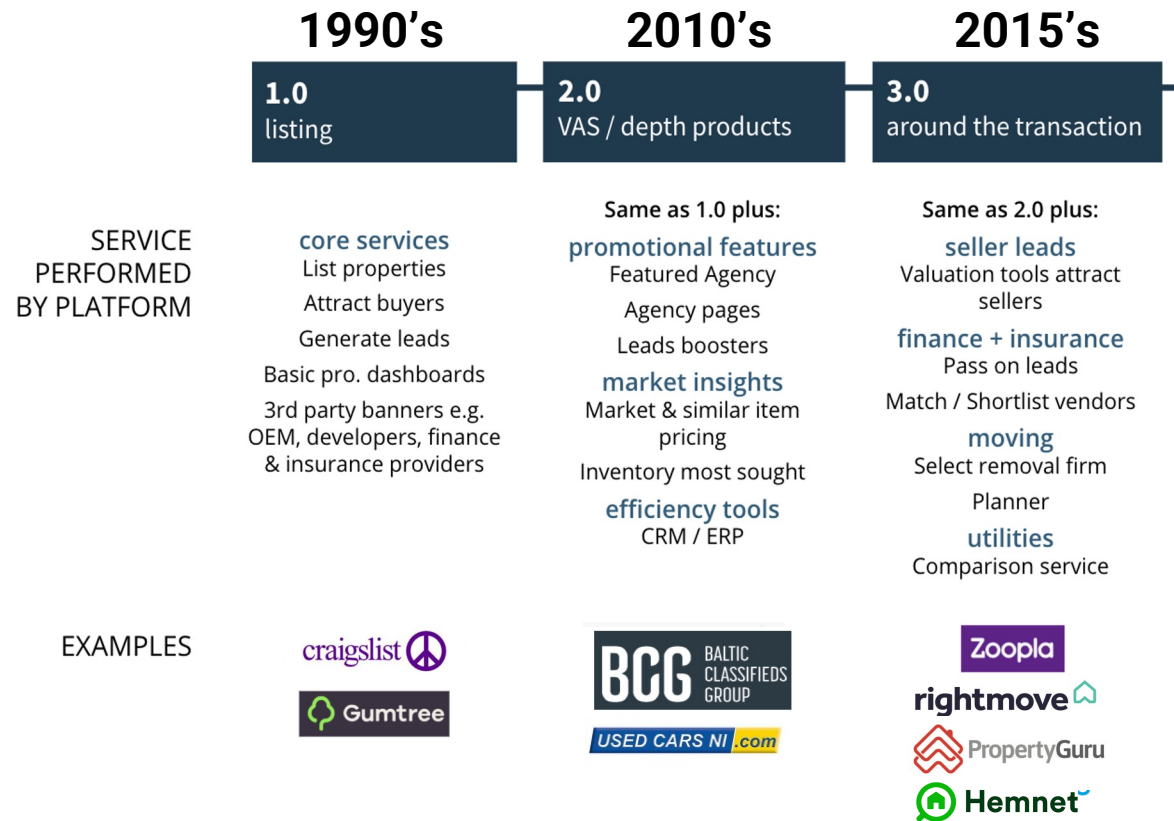
# in comparison, car + real estate classifieds businesses seem to have changed rather less

## RIGHTMOVE

2000

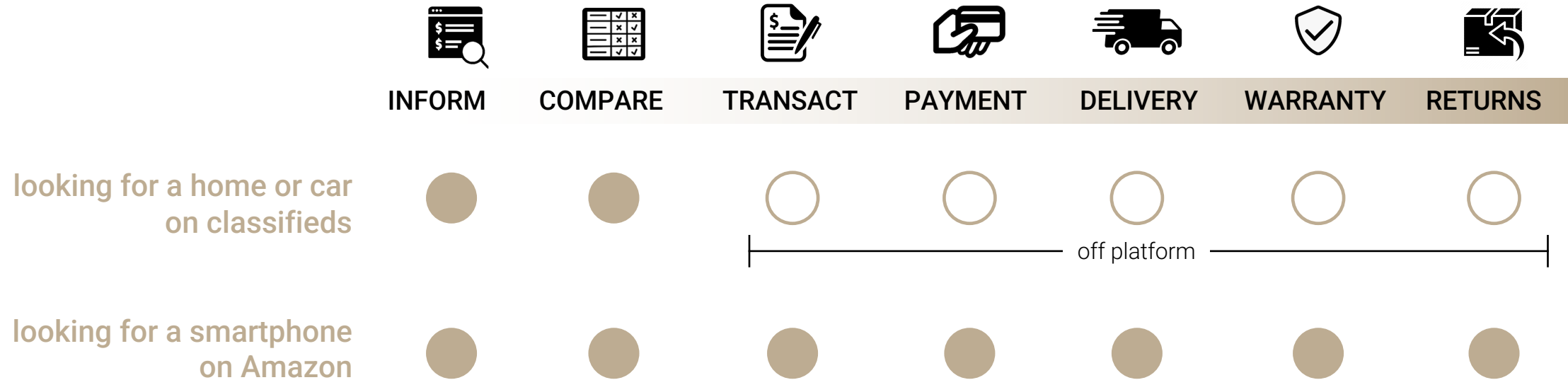
2023

for about 2 decades, focus in high GDP markets was to provide professionals with branding + premium visibility for their listings








most classifieds started at 1.0  
until the pandemic, the majority were focused on 3.0 - building ancillary services

# traditional classifieds lives off an outdated consumer experience



around 2015 saw the emergence of tech-enabled, fully transactional platforms, promising a far superior user experience

consumer wants when selling a home	   iBuyer	  classifieds + agent
avoid time and cost of RENOVATING + STAGING	●	○
minimize the number of VIEWINGS	●	○
OBTAIN the highest sale price	◐	◑
SPEED from offer acceptance to closing	●	○
TITLE TRANSFER taken care of by trusted 3 <sup>rd</sup> party	●	◑

iBuyers provide sellers a superior experience than realtors on all aspects - except net sale price  
average discount to market was ca. 3% until 2021/2



while the consumer experience was undoubtedly better,  
unit economics were dramatically worse

### Opendoor

#### 2022 FULL YEAR UNIT ECONOMICS IN \$

<b>Revenue</b>	<b>398'132</b>
Gross Profit	17'023
Gross Margin	4.3%
Sales, Marketing & Operations	(25'674)
G&A	(8'830)
Tech & Dev	(4'313)
Impairment & Restructuring	(1'965)
Financing	(10'464)
<b>Profit (Loss) Before Tax</b>	<b>(34'223)</b>
PBT Margin	-8.6%

based on 39k units sold in 2022

route to profitability likely to require:

- significantly higher buy-sell spread, to get gross margins to 8%-10%
- far more efficiency in Sales and Marketing
- operating leverage from selling ca. 100k units per year
- shorter holding periods (without sacrificing resale price)
- a fall in mid/long term interest rates
- opening up of platform to 3<sup>rd</sup> party listings on commission share, to further leverage marketing spend and fixed costs

# similarly, in automotive, iDealers have dramatically raised consumer expectations when buying a car

## consumer wants when buying a car

broadest possible range of relevant VEHICLES

minimize the number of FORECOURT VISITS

AVOID HAGGLING while getting a fair price

BUY ONLINE

HOME DELIVERY

NO HASSLE RETURNS

WARRANTY INCLUDED



iDealer



classifieds + trad dealer



# while arguably focusing insufficiently on the overall business economics



## 2022 FULL YEAR UNIT ECONOMICS IN \$

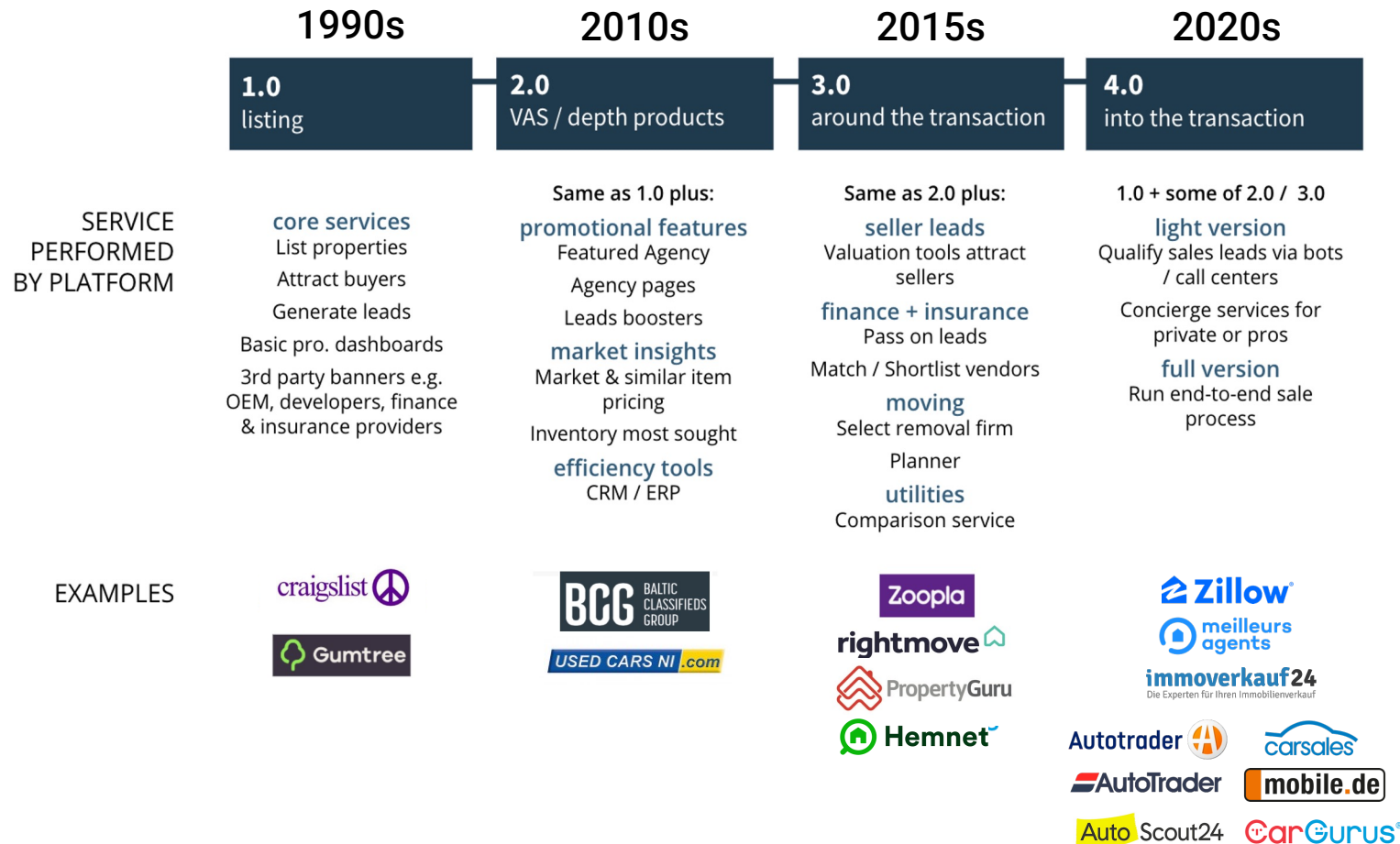
	2022	Target	Improvement
Revenue	32'996	32'996	-
Gross Profit	3'022	5'609	2'587
<b>Gross Margin</b>	<b>9.2%</b>	<b>17.0%</b>	<b>7.8%</b>
Marketing	(1'188)	(412)	776
Tech, G&A	(5'448)	(1'650)	3'798
EBITDA	(3'614)	3'547	7'161
<b>EBITDA Margin</b>	<b>-11.0%</b>	<b>10.8%</b>	<b>21.7%</b>
Interest Expense	(1'179)	(1'179)	-
<b>(Loss)/Profit Before Tax</b>	<b>(4'793)</b>	<b>2'368</b>	<b>7'161</b>
PBT Margin	-14.5%	7.2%	

based on 412k retail units sold in 2022

route to profitability likely to require:

- significantly higher buy-sell spread, to get gross margins to 17%
- 65% reduction in Marketing Cost per unit
- 70% reduction in Tech, G&A costs
- target EBITDA margin of 11% would be an industry record
- expansion of gross margins likely to make Carvana less price competitive than the largest dealers, making volume growth more challenging
- profitability likely to need greater use of 3rd party dealer stock, to leverage brand + infrastructure without increasing financing costs

# today, many car + some real estate classifieds are beginning to engage at the core of the transaction



# transactional models adopted by real estate classifieds

C2B

instant cash offer from platform



direct cash offers to sellers from vetted dealers

n/a

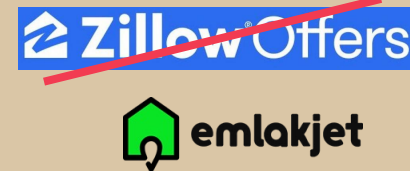
B2C



transactional challenger models from non-classifieds players

C2B

instant cash offer from platform



direct offers from selected dealers

classifieds players sell vendor leads to preferred agents;



Zillow refers sellers, wanting a fast cash sale, to Opendoor

transactional models adopted by classifieds players

B2C

commission sharing



e-commerce overlay to digitally enable dealer stock transaction digitization services from classifieds emerging in rentals space



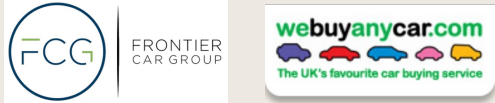
in house TEB



# transactional models adopted by automotive classifieds

C2B

instant cash offer from platform



direct offers from nationwide dealer auction platform



transactional models from non-classifieds players

B2C

iDealer



C2B

instant cash offer from platform



classifieds partners B2B



classifieds buys C2B

direct offers from selected dealers



transactional models adopted by classifieds players

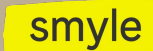
B2C

commission sharing



e-commerce overlay to digitally enable dealer stock

AutoScout24



in house iDealer

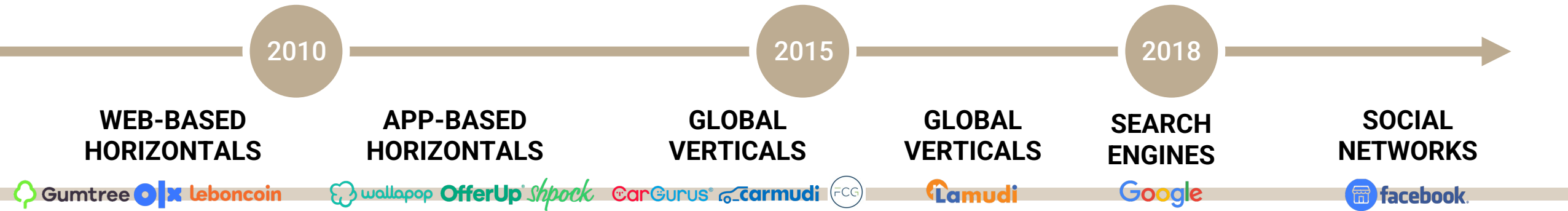


iDealer buys classifieds

**2** disruption in perspective.

# classifieds verticals have faced many potential disruptors

## previous sources of potential disruption for car /real estate classifieds



### why a threat?

- scale of traffic
- cross-sell users from high frequency categories
- app users more engaged
- app format able to provide superior user experience
- well-funded
- promised to combine centralized tech + marketing tech with local market presence
  - it worked for Air BnB
- Google to keep search + discovery on its own site, dis-intermediating classifieds
- >2B users on Facebook to transact on platform
- social graph to add trust + safety to marketplace

### why it hurt less than feared?

- less engaged users
- poorer listings quality
- tech + data challenges to match services depth
- greatest uptake from younger, less affluent demographic
  - RWD narrowed tech gap
  - dealers slow to adopt
- traction limited to a few markets
- resilience of incumbents and complexity of localization underestimated
- Google set up to index others' content, not curate and moderate its own
- poor content moderation, limited search + filtering
- lack of features important to dealers



# classifieds verticals have faced many potential disruptors

## previous sources of potential disruption for car /real estate classifieds



### why a threat?

- offered a superior online experience
- could scale + become buyer's first online destination

- offered a superior online experience
- could scale + become buyer's first online destination

- powerful tech solution for recording ownership and for transferring it via smart contracts
- tokenization of real estate and car ownership changes how transactions are done

- metaverse real estate market surpassed >\$1B in 2022
- virtual world property purchases could divert substantial value esp. amongst Gen Z

### why it hurt less than feared?

- larger traditional dealers fast to match value
- challenging unit economics + tough funding environment proposition

- challenging unit economics + tough funding environment
- macro headwinds 2022+

- players underestimated the **gravitational pull** of large incumbents
- more likely to succeed as 3rd party tech /service providers

- real world assets likely to account for most segment value for many decades
- metaverse solutions incl. digital car twinning, virtual test drives + immersive viewing likely to become **enablers** to existing ecosystems

# why have classifieds verticals proven so resilient?

## phenomenon

having all or most supply and demand in one place creates powerful and enduring **network effects**, benefitting both sellers and buyers

large volumes of unique and frequently-updated listings content drives **SEO** traffic

professional sellers get more well-converting **leads** from the leading classifieds platform than anywhere else

professional sellers wanting to gain share can **build their brands**, gaining more visibility for their listings and this more leads

resolute focus on managing dealer **loyalty** and expanding **workflow** integration

have usually held back from initiating innovations likely to directly challenge their clients' business

## examples

AutoTrader and Rightmove claim 70% and 80% of all in market visits respectively

#1 classifieds verticals invariably capture more top SEO positions

while data varies, a clear #1 classifieds vertical is likely to be generating well over 50% of all leads for most professional clients

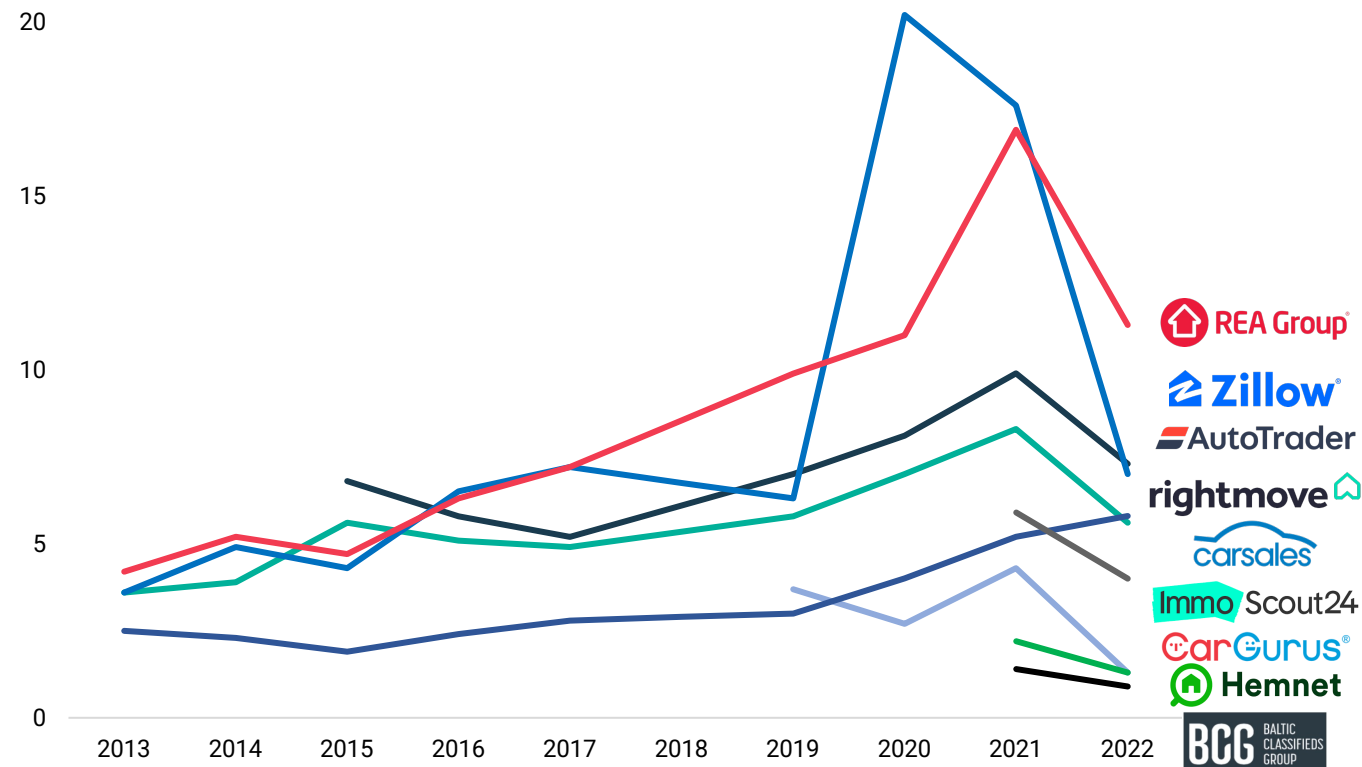
70% of AutoTrader UK's £400/month ARPA increase 2018-2020 was from largely visibility-enhancing product enhancements

ImmobilienScout24 purchased real estate agent software FlowFacts in 2014

in France, both SeLoger (real estate) and LaCentrale (auto) refrained from offering a C2C product until generalist Leboncoin made the practise acceptable; commission sharing with agents in Europe started in earnest only during the pandemic

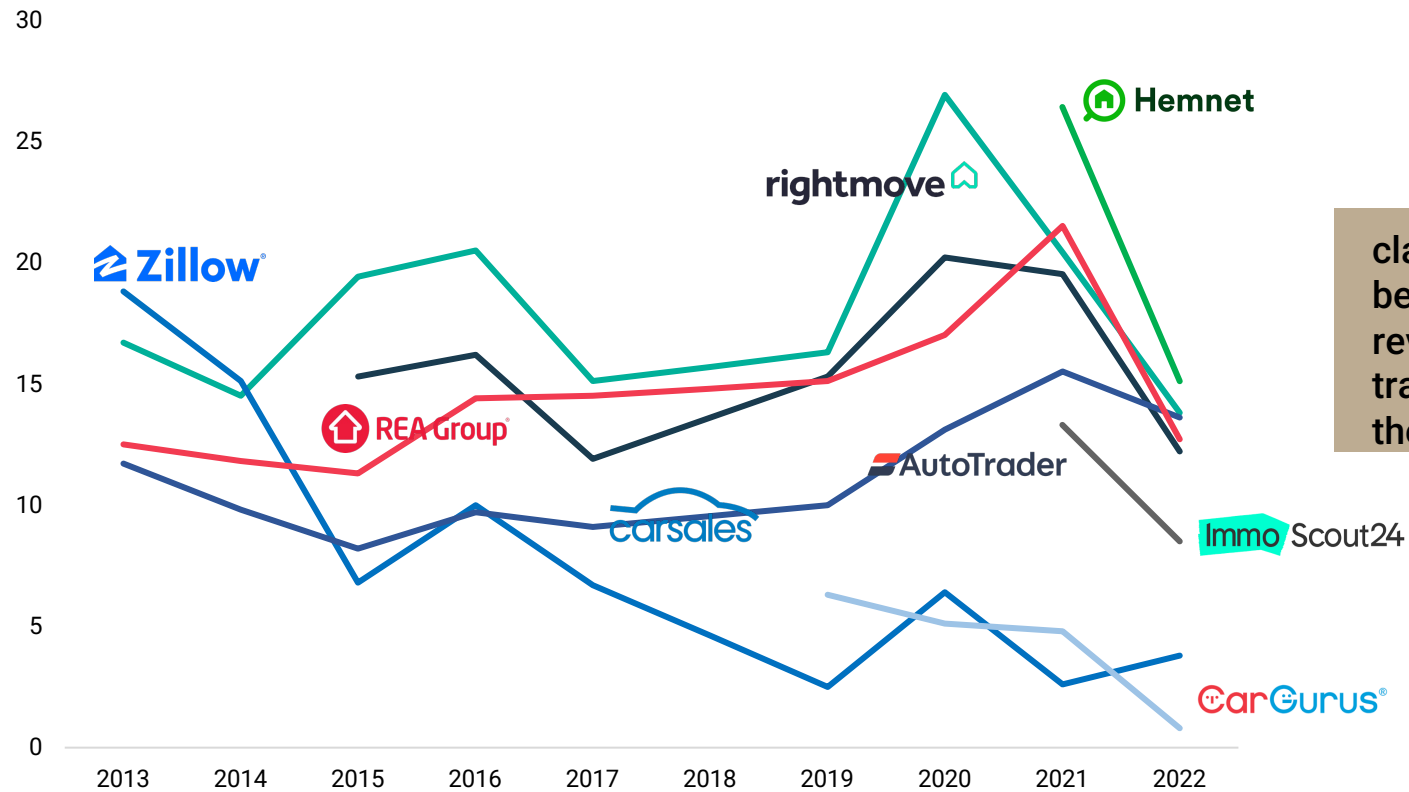
# classifieds players who have kept focused on the advertising model have been rewarded

ENTERPRISE VALUE IN \$B



# ...underpinned by healthy revenue multiples

## TTM REVENUE MULTIPLES



classifieds businesses are now being valued around 10x-14x TTM revenues  
transaction-centric businesses in the low single digits

**3** possible impacts of AI.

“We tend to **overestimate** the effect of a  
technology in the **short run**  
and **underestimate** the effect in the **long run**”

Ray Amara, American Futurologist (1925-2007), October 2006

“The application of math and software code to **teach computers** how to understand, synthesize, and generate knowledge in ways similar to how **people do it**”

Marc Andreessen, 6<sup>th</sup> June 2023



find me a 2 bed apartment in Manhattan





find me a 2 bed apartment in Manhattan



I'm sorry, as an AI language model, I don't have access to current real estate listings or the ability to browse the internet. However, there are many online resources that you can use to search for apartments in Manhattan, such as Zillow, StreetEasy, and Apartments.com. You can use these websites to filter your search based on your specific preferences, including the number of bedrooms, location, and price range. Additionally, you may want to consider working with a licensed real estate agent who specializes in the Manhattan area to help you find the perfect apartment that fits your needs and budget.

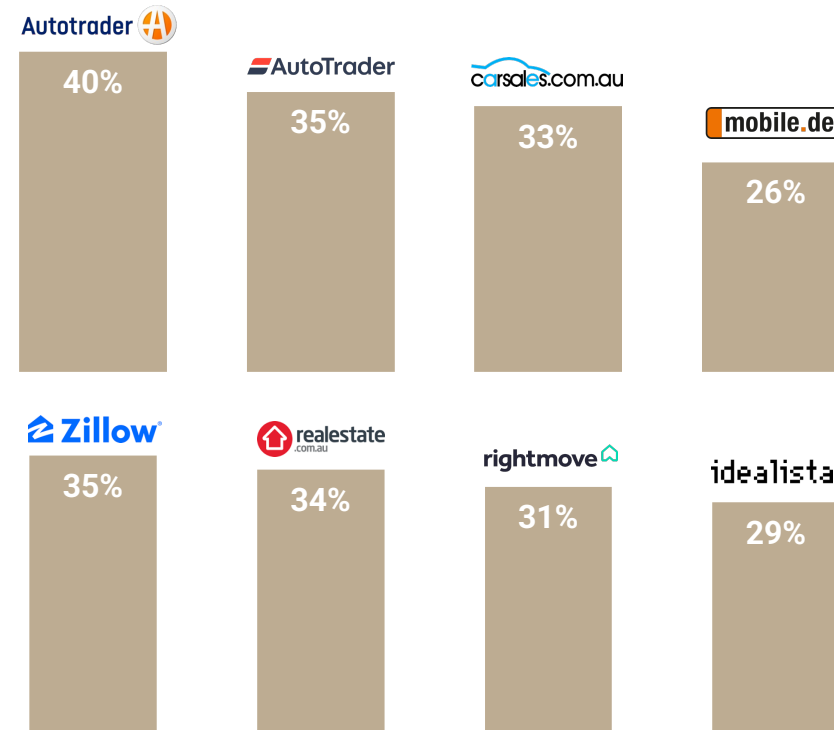
# organic search is a major source of traffic to classifieds verticals

Google search results for "buy 3 bed apartment Marylebone".

Search results include:

- Rightmove**: 3 Bedroom Flats For Sale in Marylebone, Central London. Flats & Houses For Sale in Marylebone - Find properties with Rightmove - the UK's largest selection of properties.
- Zoopla**: 3 Bedroom flats for sale in Marylebone. Find 3 bedroom flats for sale in Marylebone with Zoopla. Browse the UK's largest property portal and find apartments for sale from the leading estate ...
- OnTheMarket**: 3 Bed Flats For Sale In Marylebone. Find the latest 3 bed flats / apartments available for sale in Marylebone with the UK's most user-friendly property portal. Search properties to buy from ...
- Foxtons**: Properties for sale in Marylebone, W1 with 3 bedrooms. Properties for sale in Marylebone, W1 with 3 bedrooms through Foxtons Real Estate Agents. Large selection of properties for sale. Rating: 4.5 · 8,756 reviews

## share of organic visits



# today's search experience on classifieds is outdated

## the classifieds experience today

must start with 6-digit postcode



Postcode\* HA54RA Distance National

Make Any Model Any

Model variant Any

Buying with Cash Finance

Min price £10,000 Max price £15,000

Remote options Home delivery Click & collect

Keywords Add keywords e.g. sunroof, sat nav Add

ADVANCED SEARCH Search the largest choice of cars

Sign in to view your saved searches →

Body type Hatchback (9,127) Estate (2,011) SUV (6,016) Saloon (3,758) Coupe (1,442) Convertible (1,273) MPV (1,316) Pickup (178)

Mileage Any Gearbox Automatic

Fuel type Diesel (3,941) Diesel Hybrid (4) Electric (53) Petrol (1,641) Petrol Hybrid (126) Petrol Plug-in Hybrid (251)

Age Select year Brand new Only show new car deals

Min year Any Max year Any

Specification Colour

Beige (34) Black (1,506) Blue (754) Bronze (40) Brown (61) Gold (35)

Reset filters - 4 selected Search 6,016 cars

Find your next car All New Used

Make Model Location

Price Min Price Max Body Type Keywords

Clear All

Show me 209,135 cars

Everything you auto know



must start with postcode or town

Find your happy

Search properties for sale and to rent in the UK

e.g. 'York', 'NW3', 'NW3 5TY' or 'Waterloo Station' For Sale To Rent

rightmove Buy Rent House Prices Find Agent Commercial Inspire Overseas

3 BED FLAT MARYLEBONE not found in the UK

We could not find a place name starting with '3 BED FLAT MARYLEBONE'. Please double check the place name and try again.

3 BED FLAT MARYLEBO Start Search

e.g. 'York', 'NW3', 'NW3 5TY' or 'Waterloo station'

Were you looking for one of the following locations?

- Marylebone, Central London
- Capel St Mary, Dorking, Surrey
- Capel St. Mary, Ipswich, Suffolk
- Maryland, East London
- Donhead St. Mary, Shaftesbury, Dorset
- St. Mary, Jersey, Channel Isles
- St. Mary, Louth, Lincolnshire
- Taleford, Ottery St. Mary, Devon
- Whiteflat, Mauchline, Ayrshire
- Allandale, Bonnybridge, Stirlingshire

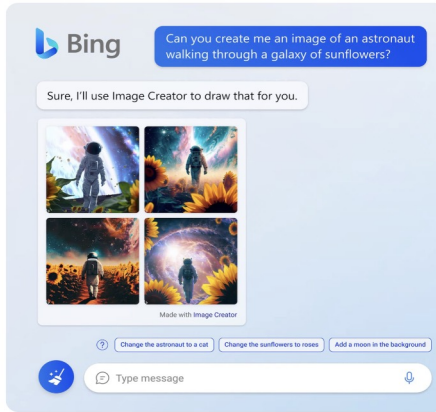
Have you tried...?

- Homes in the UK and overseas
- House prices
- Instant property alerts

- lacks contextual intelligence
- assumes you can express what you want as a specific object e.g. 2018-21Chevy Tahoe (not "recent, large family SUV")
- unintuitive interfaces e.g. why still need a post code for a car?
- bewildering array of specs. once you go beyond basic search

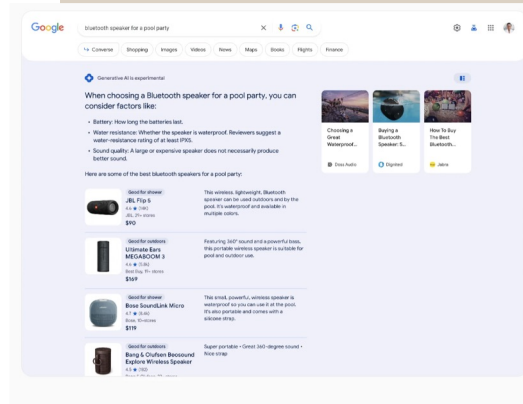
# AI will change the search experience

## CONVERSATIONAL + PERSONAL



'New Bing AI is a **conversational bot** that adapts the format of responses like 'write a description' or generating images from text  
Formulate creative recommendations to **subjective** requests + personal questions

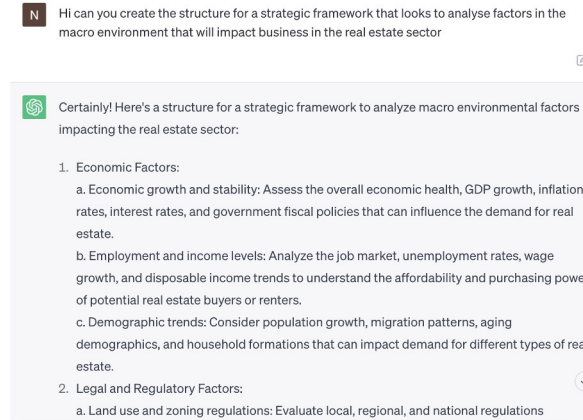
## RESPONSIVE



**decipher cues in content to answer and refine** queries in real-time based on **user feedback**

Google's 'AI snap-shot' generates structured answers + guides to new questions

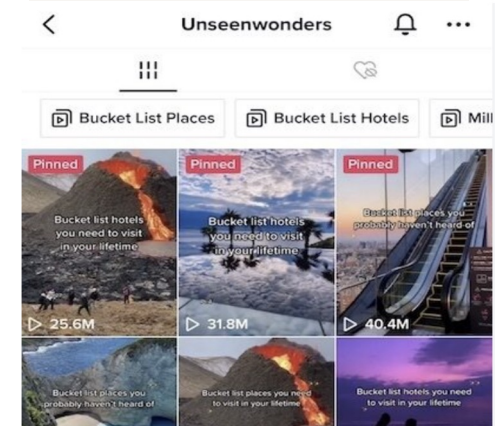
## EASY-TO-CONSUME



streamline search experience by summarizing key information in a short + easily consumable format

**Chat GPT** reduces search time by drawing relevant content from multiple sources

## VISUAL



rise of richer visual mediums to base search queries

**40%+ of 18-24** prefer using TikTok + Instagram feeds for search inspiration (e.g. mood boards) vs Google

the risk: more time spent on Google (and Bing) and potentially fewer click-throughs to classifieds

# ... and for continued success, classifieds businesses will need to adapt accordingly

## future AI-Powered search on classifieds

### AUTOMOTIVE



“what SUV sits 4 adults comfortably and has low depreciation and good fuel economy?”

“which convertibles under \$80,000 are priced most attractively given condition and mileage?”

### REAL ESTATE

“3 bedroom flat with terrace within walking distance to shops”

“spacious detached house with high ceilings in a quiet neighbourhood with south facing garden near schools”

“a house within 30 miles that looks like this (upload photo)”



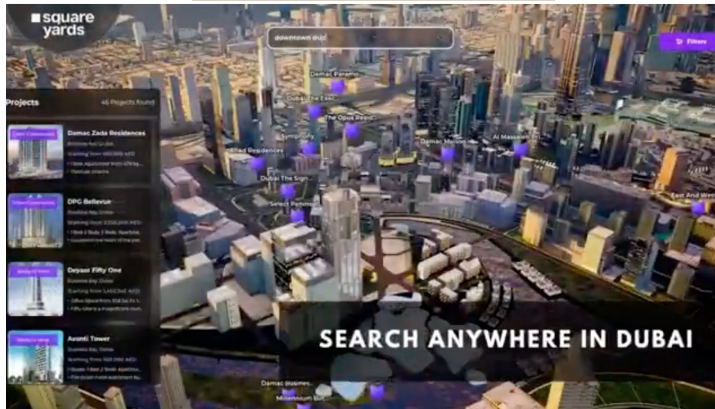
classifieds websites have the richest data, and thus, with the right AI tools + internal development efforts, could become best-placed to satisfy the next generation of car and home buyers





# future of discovery

## IMMERSIVE

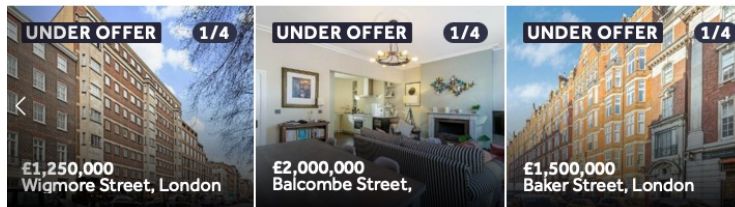


Generative AI is enhancing AR and VR capabilities expanding possibilities to create immersive environments for classifieds

**Square Yards** is offering the opportunity to explore properties through digital twins of whole cities, visualizing actual localities through a 3D-built environment, + walking into them as avatars that interact as part of a collaborative marketplace too

## GUIDED

RECENTLY SOLD NEAR  
Marylebone by Kinleigh Folkard & Hayward - Sales

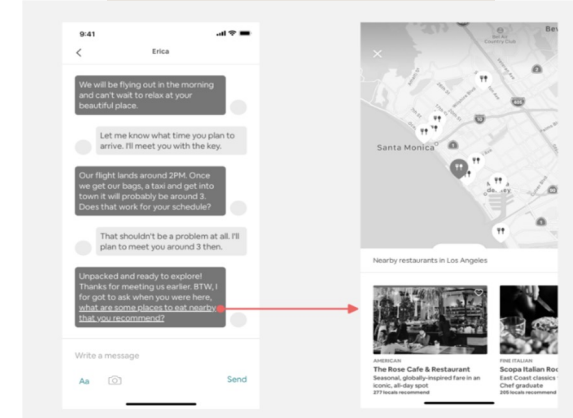


**KFH** Kinleigh Folkard & Hayward - Sales  
Marylebone [Click h](#)

leverage natural-language processing to make predictive assessment, **match + refine** queries to pinpoint the desired object

algorithms optimize aggregate discovery behaviour + site metrics based on similar patterns

## AUTHENTICATED



integrate Generative AI to verify listing + provide search discovery tools to supplement product descriptions

real-time verification + information scanning to authenticate classifieds

Airbnb uses deep learning algorithms to verify features in photos + display most relevant content to guests

# C2C transactions have been hard to get right

## the classifieds experience today

Accueil > Voitures > Ile-de-France > Paris > Paris 75116 16e Arrondissement > Audi A3 Sportback 1.4L TFSI e-tron 204ch Ar




### Audi A3 Sportback 1.4L TFSI e-tron 204ch Ambition Luxe

Paris • 2014 • 118263 km • Hybride

17 500 € Pack Sérénité : dès 119 €

01/06/2023 à 20:06




lefebvre  
4 annonces

>

---

🕒 Répond généralement en 10 minutes

 Réserver

Envoyer un message

## BUYER'S CONCERNS

### asymmetrical issues

car condition | accidents  
service history | how driven

### symmetrical issues

is the price fair?

who is "lefebvre"? does he  
own the car? is it safe to  
meet him for a test drive?

can I get financing?  
how do I pay?

how can I be sure the car  
will be registered in my  
name?

## SELLER'S CONCERNS

is the price fair?

who is the buyer? is he just a  
middleman? is it safe to meet  
the buyer for a test drive?

does he have financing?  
how do I receive the money?

how can I be sure to be paid  
before transferring  
ownership?



# an online marketplace can use AI to help radically reduce friction in the transaction

## asymmetrical issues

## how solved

- car condition
- accidents
- service history
- how driven

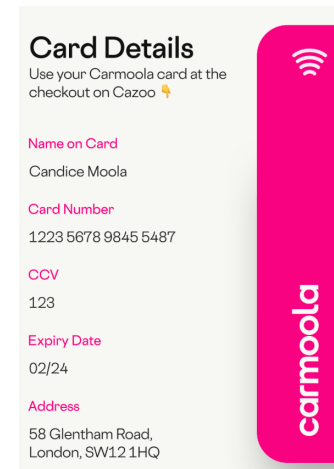
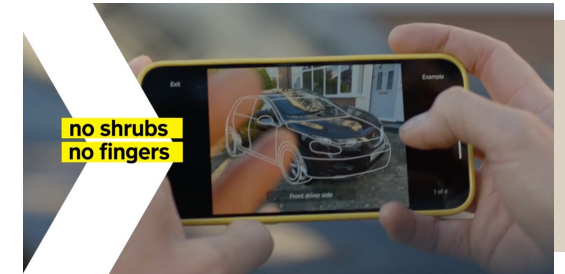
- step change in data capture by Generative AI-based app
- carfax or similar database integrated
- AI-generated summary from a phone scan of garage receipts + service records
- insurance databases (in some cases)

## symmetrical issues

- pricing
- identity verification
- background checks
- ownership
- financing for C2C cars
- online Escrow + payment
- online registration

- more refined AVMs with greater market data
- ID card or drivers license scans and verification
- police databases, social media analysis
- car registration databases
- pre-authorized buyers
- integrated 3<sup>rd</sup> party solutions
- data sharing with state vehicle licensing authority

## motorway



# conclusion

while classifieds has remained largely unscathed from previous potential sources of disruption,  
**this time it's different**

AI offers the opportunity for classifieds platforms to become more engaging and more relevant for  
users and professionals alike

It also provides the technology to address many of the traditional weaknesses that have prevented  
classifieds from becoming fully-fledged, transactional marketplaces e.g. in C2C

AI will disrupt classifieds players who do not adapt fast enough to become AI-enabled  
marketplaces, while those who do embrace the potential of AI will find scope to expand revenues  
and profitability

# 5 predictions on AI + marketplaces

- 1 search will become far more intuitive and conversational
- 2 personalization and matched selections will become the norm
- 3 monetization will move from subscriptions to performance-based
- 4 agents and dealers will increasingly partner with marketplaces to provide online transactional experiences, enhanced by platform level data and technology
- 5 C2C will gain market share in automotive, as marketplaces using AI build trust and convenience in C2C transactions



**thank you**

**Malcolm Myers** Founder & CEO // European Internet Ventures  
mm@europeaninternetventures.com | malcolmmyers on LinkedIn