



ONLINE AUTOMOTIVE DISRUPTION

May 26th, 2021

european internet ventures.

who I am

Malcolm Myers

14 years of classifieds

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

CEO of eiv

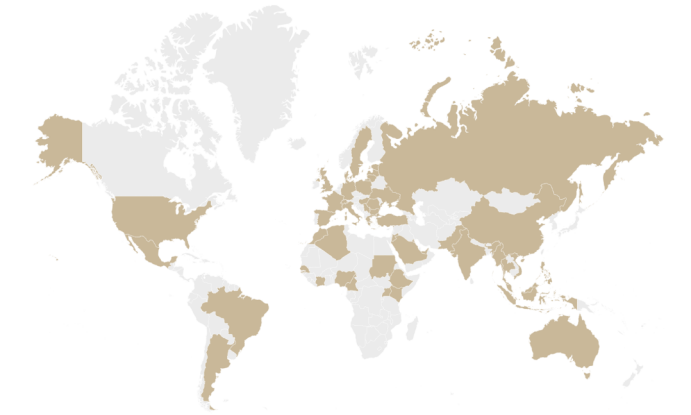
what we do

advisory firm dedicated to
online classifieds + marketplaces

m&a

capital raising

where we work



contents.

1. headwinds for classifieds

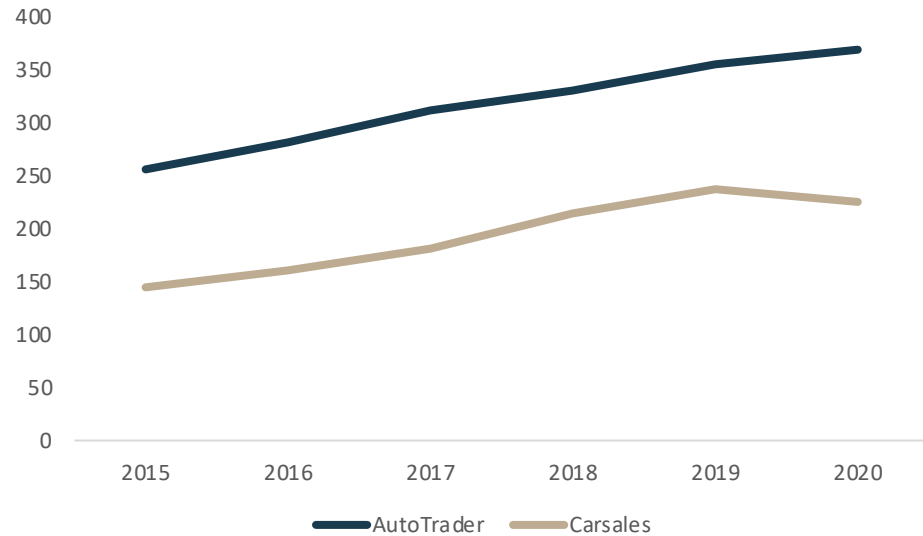
2. the rise of the iDealers

3. paths to value creation for classifieds

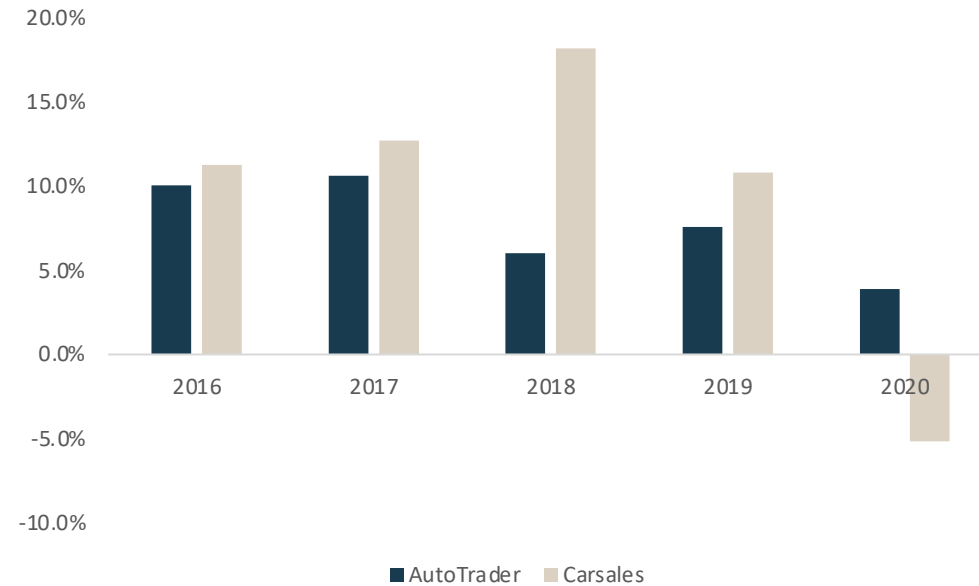
1 headwinds for classifieds

even before the pandemic struck, revenue growth rates were slowing.

REVENUE (£M)



REVENUE GROWTH y/y



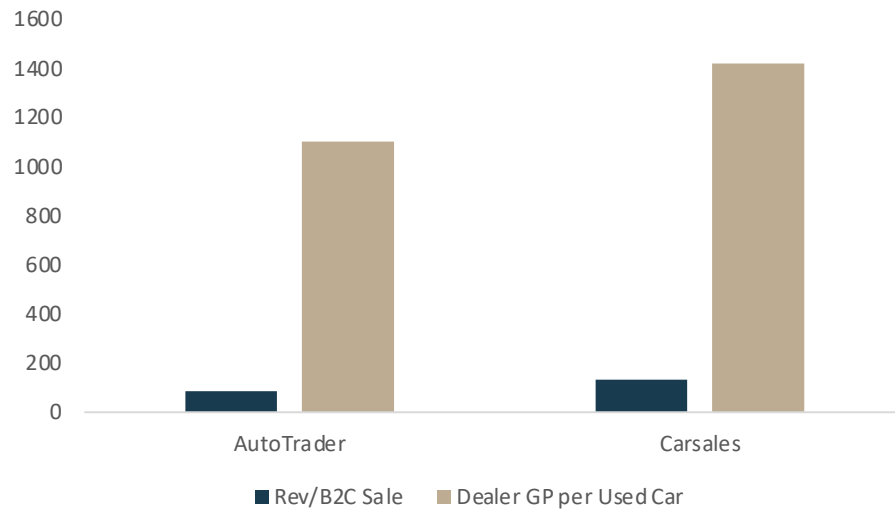
massive markets...

Used Car TAM	US	EU+ UK
Used Cars & SUVs Sold / year (M)	40.2	34.0
ASP (€)	7,768	12,794
GMV of Used Vehicles Sold in €(B)	312.3	435.0
Target Commission	7.0%	8.0%
Marketplace TAM €B	21.9	34.8

- dealers are involved in about 45% of US end user transactions and about 55% in UK+EU
- the UK market alone is worth €6.4B in dealer commissions based upon 5M B2C sales
- since classifieds platforms also attract C2C transactions, it is not wrong to consider a potential “commission” to be available on these sales too

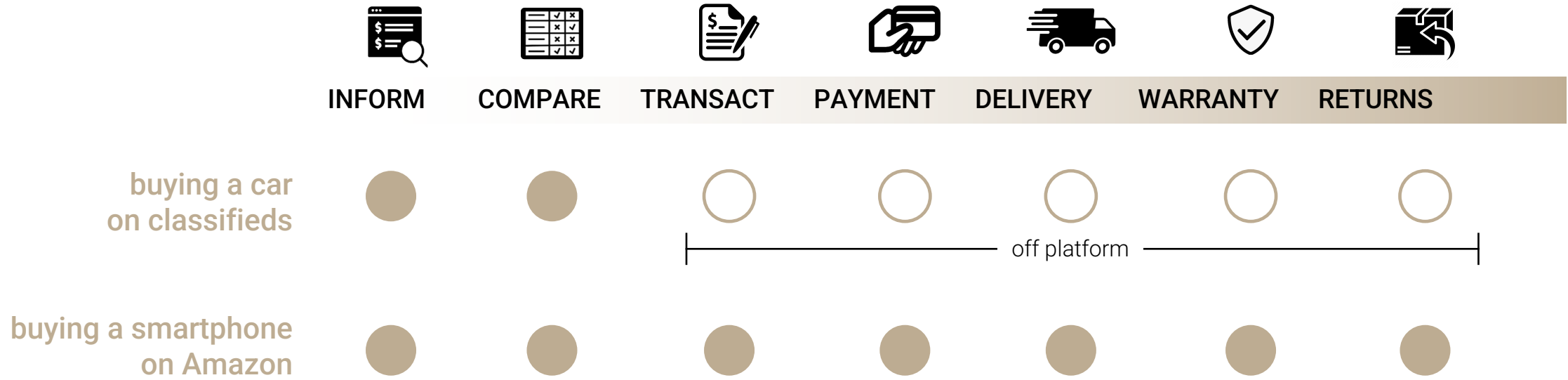
...but modest value capture.

CAR DEALER #1 CLASSIFIEDS SPEND VS COMMISSION (€)



- viewed as a share of intermediary commission, classifieds revenues still look low
- a used car dealer listing inventory on AutoTrader might spend €86 to sell a car that generates an €1100 commission (7.8%)
- AutoTrader's fee represents just **0.7%** of the value of the average car listed on its site

traditional classifieds lives off a broken consumer experience.



dependence upon the long tail of small to medium-sized dealers, looks even more precarious post C-19

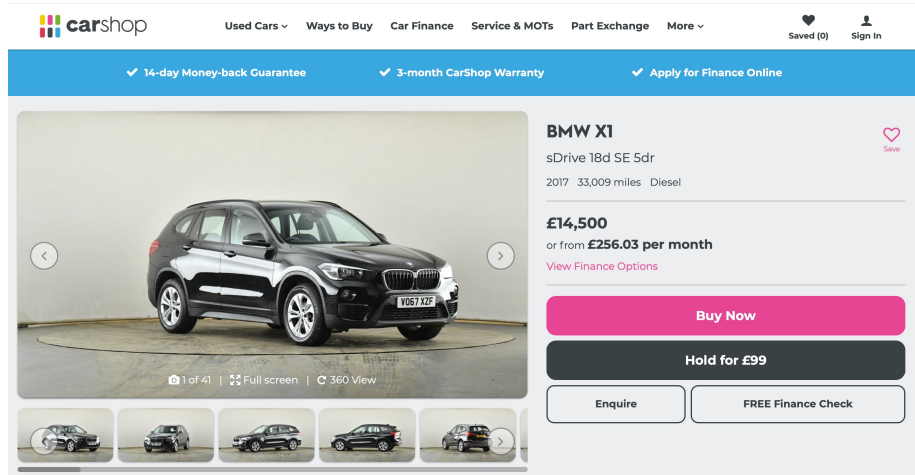
Announcement

After 125 years in business, Buntings of Harrow Ltd finally closed its doors at the end of March 2021. It was a difficult decision that has just had to be made. We'd like to say a big thank you to all our loyal customers, many of whom we've looked after for decades.

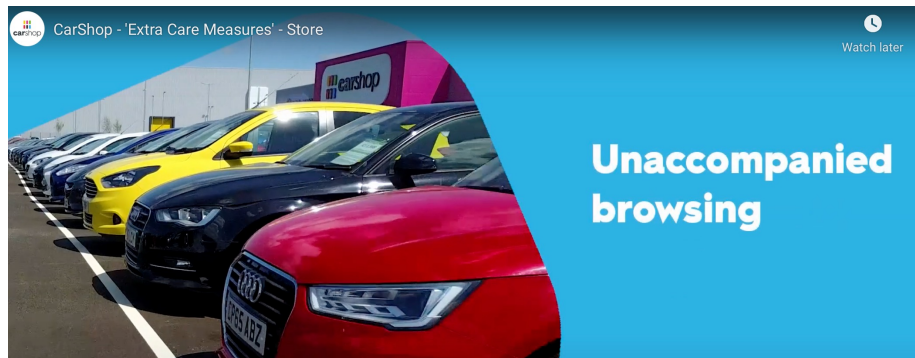


- why rent premium space to display cars which are mainly viewed online?
- face-to-face salesman contact not valued by the majority of buyers
- economics of building up dealer brands is challenging
- market is driven by choice, price and after sales service, not physical proximity

meanwhile the mega dealers are trying to build out their own e-commerce lead gen and sales activities.



- aiming to match the value proposition of the iDealers, while still able to accommodate physical visits
 - 7,900 cars (Cazoo 3,100)
 - price promise
 - 14-day returns
 - collect or delivered
 - physical stores
- currently big users of AutoTrader, but probably trying to reduce dependence in the longer term



Customers Rate CarShop.



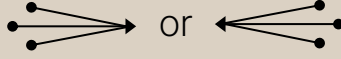
★★★★★ 4.9/5 Based on 8072 reviews. Powered by feefo

Excellent ★★★★★

Rated 4.5 / 5 based on 28,722 reviews on Trustpilot

2 iDealers

buying a used car: different models try to solve the same problem.

	CLASSIFIEDS (many to many) 	MARKETPLACE (many to many) 	PLATFORM (many to one or one to many) 
who owns the car?	consumers or dealers	consumers or dealers	platform
client focus	intermediaries	both buyers + sellers	consumers
#1 objective	leads	sales	sales
transaction occurs...	off platform	on platform	on platform
operate showrooms?	no	no	no (Europe + US) yes (China)
examples	US: CarGurus, Autotrader EU + UK: AutoScout24, AutoTrader, mobile.de CHINA: 汽车之家 (autohome.com.cn), 易车	ebay, CapCar	CARVANA, vroom, AUTO1.com, CAZOO, Aramisauto!, 瓜子 (GUZI), 优信 (YUXIN GROUP)

ebay has provided an online marketplace for buying and selling cars for years...

The screenshot shows an eBay listing for a Porsche 911 Carrera 2 3.6 997. The main image is a front view of the car. To the right of the image, the listing details are as follows:

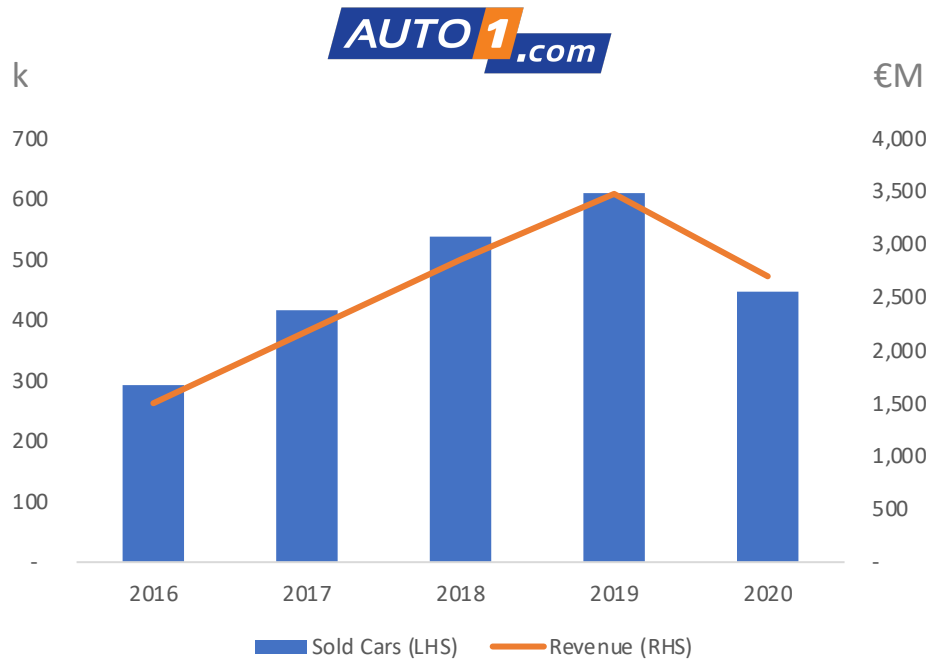
- Title:** Porsche 911 Carrera 2 3.6 997
- Views:** 16 viewed per hour
- Condition:** Used
- Time left:** 9d 08h | (03 Jun, 2021 19:42:55 BST)
- Price:** £23,500.00
- Buttons:** Buy it now, Watch this item
- Stats:** 18 watchers, Long-time member
- Postage:** May not post to Switzerland - Read item description or [contact seller](#) for postage options. | [See details](#)
- Item location:** Grantham, United Kingdom
- Posts to:** United Kingdom | [See exclusions](#)
- Delivery:** Varies
- Payments:** Cash on pickup, Other - See seller's payment instructions
- Returns:** No returns accepted

- C2C
- only 6 photos
- no inspection
- no warranty
- pay in cash

...but the key elements required to provide peace of mind to the buyer and enable an effective marketplace are missing

C2B Models appear to be running out of steam...

Auto1 Merchant Volumes and Revenues



- Auto1's C2B business peaked at 610k units in 2019 before being negatively impacted by the pandemic
- 2021 guidance is for 560k-600k merchant units - i.e. still below 2019 levels
- 2020 RPU was €6k at a 10% gross margin
- 3rd party remarketing partners have become an increasingly important channel accounting for 13% of C2B in 2020
- with over 50k dealers across 30 countries active on the Auto1 platform, it is insightful to see that the business encounters growth headwinds at below 2% used car market share

...and are now rapidly embracing B2C

C2B only

-  UK
-  India, Indonesia
-  Pakistan
-  Russia
-  Brazil
-  China

C2B and iDealer

-  EU
-  EU
-  EU
-  UAE
-  India
-  SE Asia
-  SG

Pure iDealer

-  US
-  US
-  US
-  UK
-  France, Spain
-  Italy
-  Greece, Poland
-  Mexico, Argentina
-  China

C2B only platforms will also sell used cars, e.g. via classifieds or to remarketers
 iDealers own the car for sale and the car can be purchased by consumers 100% online

iDealers are disrupting the traditional dealer

✓ **300 point inspection**
Every car expertly checked inside and out

🛡️ **Free 90-day warranty**
We also include RAC roadside assistance

📄 **7-Day Money Back Guarantee**
Love it or return it for a full refund



BMW 1 Series

1.5L M Sport Shadow Edition
118i

£16,425 £245/month PCP

- ✓ Buy or finance entirely online
- ✓ Part exchange your car
- ✓ Free delivery or collection
- ✓ No hidden or extra admin fees

Get started

[Calculate monthly payments](#)

🖼️ Gallery (27)

🔄 View 360°

Finance representative example (PCP): Borrowing £12,750 with a £1,000 deposit at a representative APR of 8.9%, fixed interest rate of 4.6%, 48 monthly payments of £243.98 followed by 1 optional payment of £4,056.00 including a £10 option to purchase fee, total cost of credit is £3,017.04, total amount payable is £16,767.04, annual mileage limit of 10,000 miles and an excess mileage charge of 4p/mile. [Find out more.](#)

Selection

Traditional Dealer

Dealers tend to focus on a few brands and models as holding stock is costly at dealerships
Salesmen tend to push what they have over what the consumer wants

iDealer

Superior inventory economics given **buying at scale, low-cost storage** locations, access to **debt market finance** and **data-driven stock selection** allows a far wider choice of vehicles

Condition

Dealers rarely document the state of the car, which adds much uncertainty to the buying process

All perform a **detailed and thorough vehicle inspection** before listing the car for sale; many make the inspection report available to prospective buyers

Price

Dealers often try to overprice their vehicles then win over more savvy clients via “discounts”

Offer **fixed, non-negotiable prices** based upon data-driven analysis of demand and supply at a make and model level

Purchase Process

Involves driving to dealerships, waiting to be served, negotiating, and considerable amounts of paperwork; seller-unfriendly trade-ins are a frequent source of dealer profit

100% online, no waiting, car can be collected or delivered to home/office; trade-ins offered with some price transparency

Financing

Terms are often uncompetitive

Scale of iDealers increasingly allows them to offer **compelling finance terms**

After Sale

Returns are rarely offered and warranties usually very limited in length and coverage

7-14 day returns policy and extensive warranties come as standard

...and transforming the customer experience...



Great value cars

We own all the cars we list and have thoroughly inspected and reconditioned each one to the highest standards.



Buy entirely online

Select from our wide range of high-quality cars and complete your purchase or financing fully online.



CAZOO

Free home delivery

Pick a slot to have your car delivered to your door in as little as 72 hours, at a time that's convenient to you.

Complete car buying confidence



Cazoo Quality Assured

Not only are our cars thoroughly checked and reconditioned, but each one has had a recent service and MOT (if required) and also shows the number of previous owners.



Money Back Guarantee

Enjoy your Cazoo car for up to 7 days to make sure it fits in with your lifestyle. If you don't love it, just let us know and we'll collect it for free and give you a full refund.



90-Day Warranty

Drive with total confidence in your Cazoo car. We provide a free comprehensive 90-day warranty and RAC roadside assistance, so you can have total peace of mind.

...into true click to buy



Honda Civic

1L SE VTEC Turbo

£13,375 £217/month PCP

[View finance options](#)

[Get started](#)

Delivery FREE
 Collection FREE

All cars have been thoroughly inspected and reconditioned.

[How we guarantee car quality](#)

Gallery (28)

View 360°

Imperfections

Finance representative example [PCP]: Borrowing £12,750 with a £1,000 deposit at a representative APR of 8.9%, fixed interest rate of 4.6%, 48 monthly payments of £243.98 followed by 1 optional payment of £4,056.00 including a £10 option to purchase fee, total cost of credit is £3,017.04, total amount payable is £16,767.04, annual mileage limit of 10,000 miles and an excess mileage charge of 4p/mile. [Find out more.](#)

CAZOO

[About you](#) [Part exchange](#) [Car care](#) [Finance or purchase](#) [Delivery or collection](#) [Payment details](#) [Review & payment](#)

Tell us about yourself

Ok, let's get going. Fill in your details below so we can keep you up-to-date with your purchase.

Title

Please select

First names

e.g. Robert, not Rob

As on your driving licence

Honda
Civic 1L SE VTEC Turbo
2018

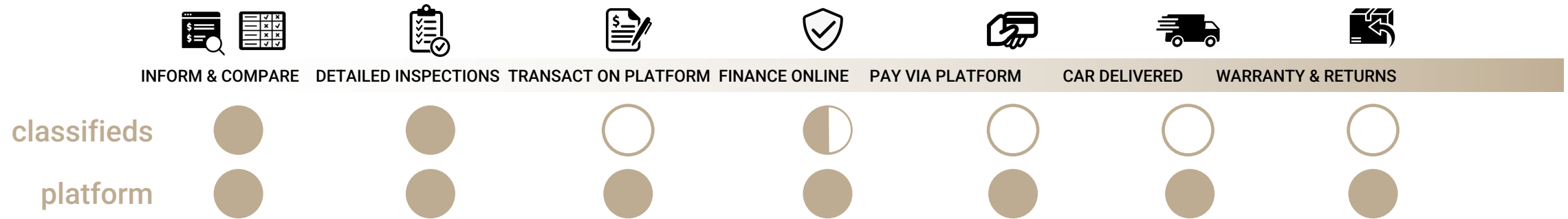


Cazoo car price **£13,375**

Payment today **£13,375**



buying a used car: consumer value proposition comparison.



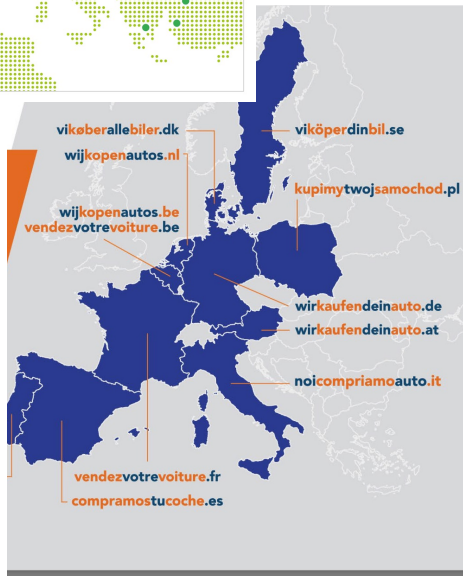
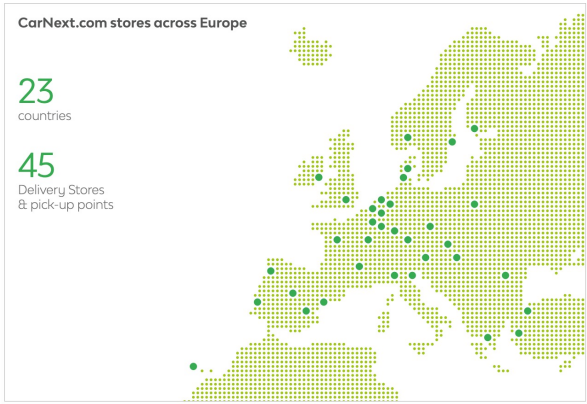
classifieds pass the buyer lead on to a **dealer**, which usually requires a **physical visit** to purchase and finance the car
warranties standard only for newer cars from franchise dealers

online platforms

- richer and comprehensive listings including full inspection report
- leasing and purchase 100% online
- car delivered with warranty and option to return within the first 7-30 days

Sourcing Strategy

Vehicle sourcing is the single most important strategic capability of an iDealer; AutoHero and CarNext have proprietary sources of supply, but ultimately it is the “metal” gross margin that best indicates an operator is sourcing well



Auto1 already operates the largest B2C car sourcing network in the EU

In 2019, >50,000 dealers bought 615,000 cars on the Auto1 platform

However, the ASP of these cars was € 6,436 in 2020 compared to the AutoHero ASP of €13,401, implying that the Auto1 platform currently sources cars that in the main are less suitable for sale on AutoHero

Nevertheless the WKDA and other C2B business across the EU provide AutoHero with a strategic asset when sourcing inventory



CarNext’s whole raison d’être started with the need for a better solution to dispose of end-of-lease cars from sister company LeasePlan

In 2020 LeasePlan had a serviced fleet of 1.9 million cars and sold 271,000 end-of-lease vehicles (in the main via B2B channels)

CarNext also faces the challenge that the end of lease cars often do not correspond to the CarNext demand side



In the UK, Cazoo sources on the open market across the full range of sources:

- B2B auctions
- Remarketers
- Fleet and Leasing Operators
- Private sellers

A UK market operator has limited opportunities to leverage its skills and network in continental Europe; this means in sourcing terms, for its EU ambitions, Cazoo is starting from scratch

2.2%	27.7%	-1.8%
2020 Gross Margins		

Unit Economics – not for the faint-hearted

USD	AutoTrader		Carvana Q3	
	UK 2020	Carvana 2016	2020	Carvana 2024
Cars sold*	5,000,000	18,761	64,000	n/a
Revenue per Car sold	101.8	19,455	23,970	23,970
Gross Margin	95.0%	5.3%	16.9%	16.9%
Gross Profit per Car	97	1,023	4,056	4,056
Opex per Car	25	5,545	3,720	1,498
of which Marketing	5	1,440	1,007	300
EBITDA Margin	70%	-23%	1.4%	10.7%
EBITDA per car	71	(4,514)	336	2,558



- classifieds investors are used to 95% gross margins and EBITDA margins of 70%
- iDealer models need to live off low gross margins and take many years to reach positive EBITDA
- Cazoo's performance in 2020 looks weaker than Carvana in 2016;
 - gross margin 7.1pp lower
 - OPEX per car 57% higher
 - marketing cost per car 2x
 - EBITDA loss of \$9k per car compared to \$4.5k at Carvana

USD	Cazoo 2020	Cazoo 2024	AutoHero 2020
Cars sold	12,000	324,000	10,153
Revenue per car	16,587	19,351	15,672
Gross Margin	-1.8%	12.4%	2.3%
Gross Profit per Car	(302)	2,398	342
Opex per car	8,689	1,740	n/a
of which Marketing	2,890	490	n/a
EBIT Margin	-50.0%	3.0%	n/a
EBITDA per Car	(8,991)	658	n/a

- Cazoo and AutoHero 2020 numbers are quite similar
- both selling 10k-12k cars in 2020, and both scaling up to 8k-10k in Q1 2021
- ASP around \$16k
- Cazoo actually selling at negative gross margin in 2020 (but +3.2% in Q1)
- AutoHero 2.3% in 2020 (down to 2.1% in Q1 2021), suggesting their WKDA C2B channel is not yet supplying many of the AutoHero cars
- AutoHero Q1 2021 data shows 7.8k units sold and gross profit 2.1% despite claiming to source 99% of inventory from consumers

Why is C2B delivering 10% gross margins but B2C just 2%-3%?

The robustness and defensibility of classifieds and platform models are very different

	 <p>CLASSIFIEDS</p>	 <p>PLATFORM</p>
Today's successes are	Where most supply can be consolidated on one site e.g. used cars, real estate or dominant generalists	Complex products and services including cars, real estate iBuyer, rentals, travel
Traffic	High share of inventory brings most traffic for free	Paid: Most has to be paid for as overall inventory share is low
Monetization	Subscriptions model delivers reliable income but low GP extraction; pay per lead promising	Scope for high absolute gross profit per sale especially for more complex products and services
Network effects	STRONG: supply brings demand which brings supply	WEAK: most platforms today have sub 2% inventory share in their category
Scope to build competitive advantage?	HIGH , especially when combined with network effects e.g. by having exclusive data on object pricing	MEDIUM e.g. via using data and software to enhance buyer and seller experience, and build sufficient scale for attractive unit economics
Target EBITDA Margins	50%-70% but revenue per transacted item rarely exceeds 5% of intermediary commission	All car platforms currently loss-making, LT 10%-15% EBITDA margins possible at scale

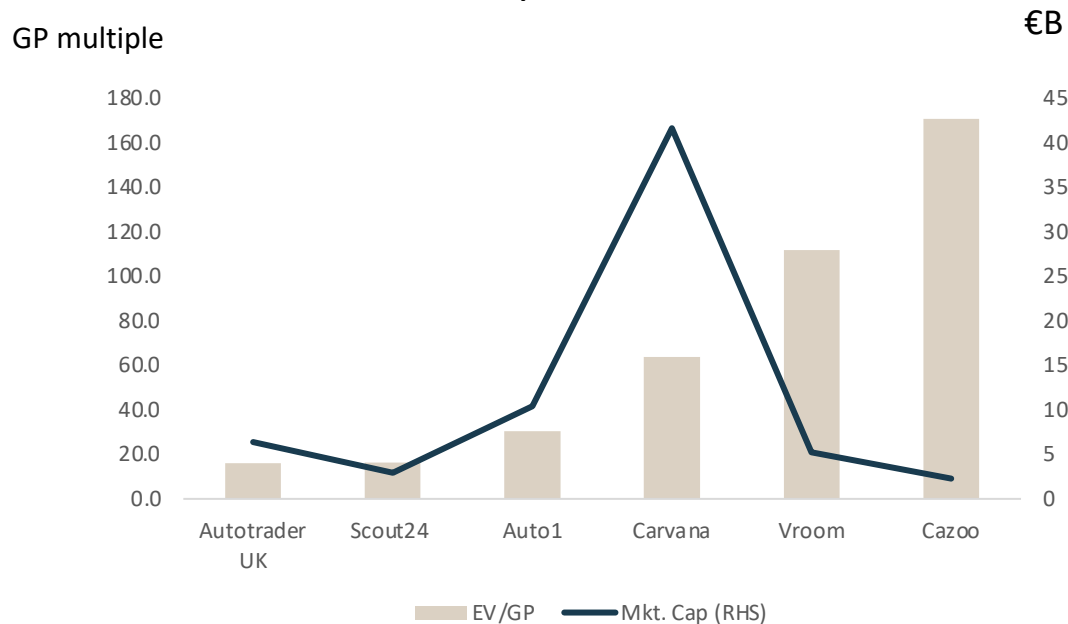
Are investors valuing iDealers as if they had the same strategic defensibility as classifieds?

market cap and market penetration currently look out of sync

	US	Germany	UK
Used Cars Sold 2019 (M)	40	7.2	7.9
Used cars listed on classifieds	>90%	>90%	>90%
Cars sold by iBuyers 2020 est. (M)	0.269	0.047	0.01
iBuyer Market Penetration	0.7%	0.7%	0.1%

- in Western markets, over 90% of all used cars for sale are listed on the main vertical and horizontal classifieds sites
- in contrast, even in the US, the two largest iDealers collectively account for under 1% of US used car sales
- furthermore, the profitable, highly penetrating classifieds platforms are rated by the stock market at far lower multiples of gross profit than the low penetration and low margin iDealers
- Carvana's current market cap anticipates the sale of 1M cars each generating \$2.5k in EBITDA and a 20x EBITDA multiple (i.e. vs. 2020, need to ca. 4x volume at 5x the EBITDA per unit)
- The analysis, once updated for Cazoo's \$6.9B SPAC valuation, puts Cazoo on 31x 2020 revenues and a GP multiple of 120x 2021F

Market Cap/Gross Profit



3 paths to value creation for classifieds

strategic options for automotive classifieds.

new services

CLASSIFIEDS 3.0+

own branded inspections + warranty services sold to private sellers and/or dealers
buyers pre-qualified for leasing up to \$x/month

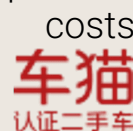
role of dealer

unchanged

net revenue growth

material from better monetizing private sellers and non-franchise dealerships; higher opex and insurance costs

inspired by



“SHOPIFY”

offer dealers a co-branded or dealer branded e-commerce capability to purchase used cars online;

unchanged but more efficient sales process

material from SaaS and commissions from e-commerce service



OWN LABEL IDEALER

acquire listings from private sellers; perform inspections and offer warranty to buyer in return for a sales commission

unchanged – will still get high quality leads and be able to run own dealership

high; in many cases platform can sell car without taking ownership



inspections and warranties add huge value to consumers



Body

He has not been involved in a serious accident



Certified Kilometers

The kilometers were confirmed



Mechanical components

No mechanical damage was found



Test Drive

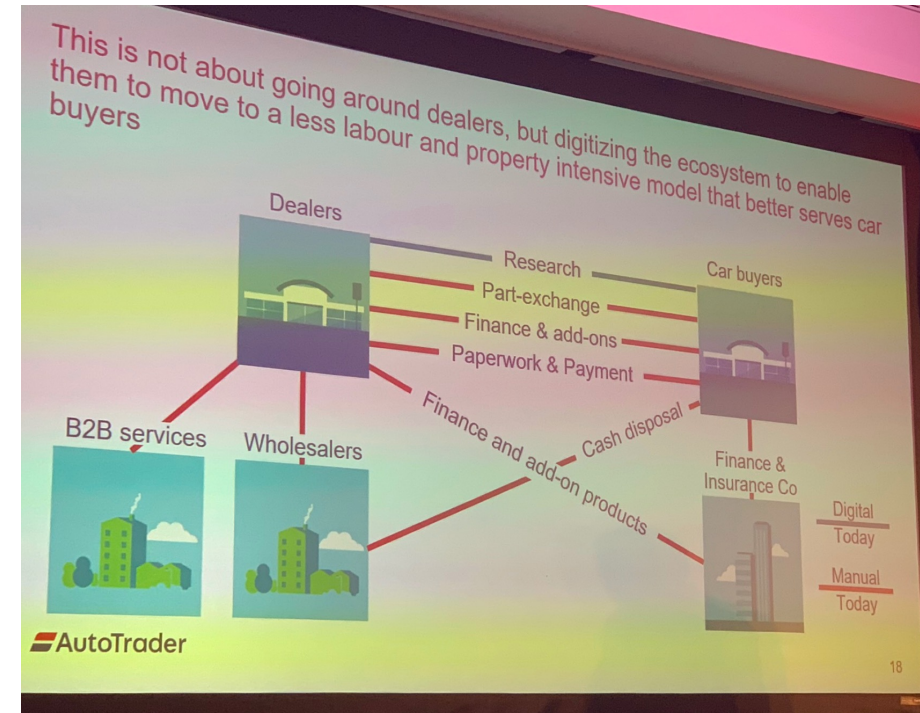
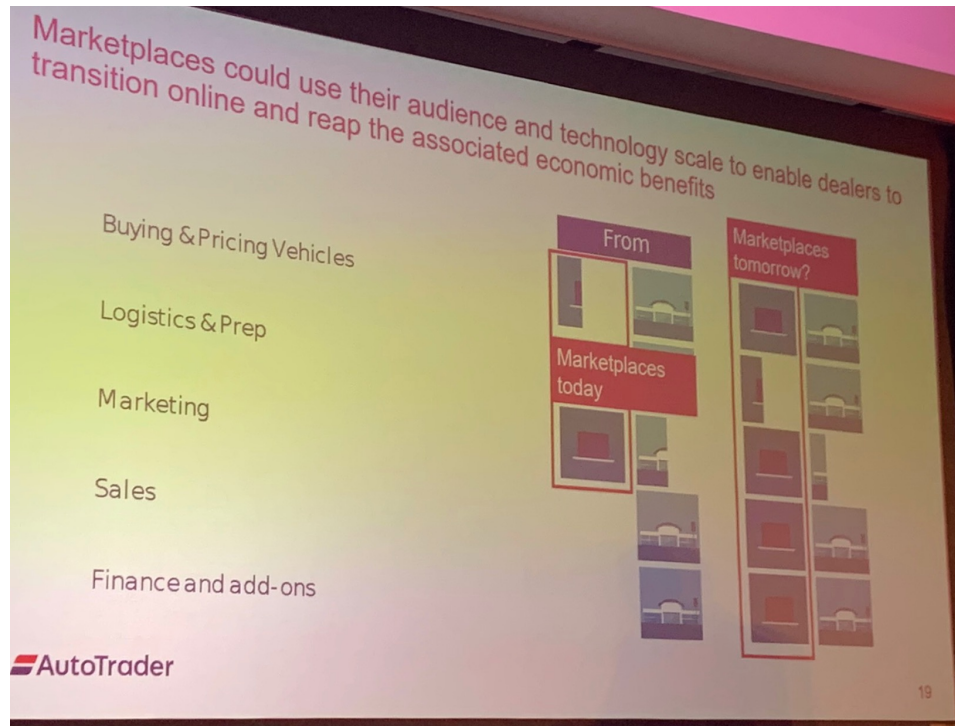
We drove it! It is even & safe

[SEE THE TECHNICAL REPORT >](#)

This **Mercedes-Benz A 200** has been tested at **200+ points** with **ISO 9001 certified procedures** and certified in **good condition** and **safe to use**.

- a trusted classifieds brand could provide its own branded inspections service
- this could then be backed up by a multi-year warranty offer, benefitting from the insights of years of accumulated data
- such a branded service could be made available to dealers – as Chemao has done in China
- in some European markets, such an approach has met with strong resistance amongst dealers

AutoTrader described the “Shopify” opportunity back in September 2019



“digitizing the ecosystem to enable (dealers) to move to a less labour and property intensive mode that better serves car buyers”

how might it work?



Storefront

Shopping cart

Store management

Marketing & SEO

Products

Web hosting

Analytics

Mobile App

24/7 support

Typical Mid-Sized Dealer already has:

- website
- dashboards / CRM systems tracking online and offline leads status
- Stock Management System
- calculator for finance offers
- a policy on warranties

For e-commerce, typical Dealer needs:

- listings detailed and comprehensive enough to enable buying without physical viewing
- leads funnel data per channel and online CAC measurement
- shopping cart linked to available stock
- fraud checking
- online payment
- vehicle preparation and delivery status progress indicator
- money back guarantee abuse checks and fast resolution
- customers reviews / Trustpilot integration

current dealer offerings show the pain points...

Reserve Now

Brindley Group
New Vehicle in Stock
Images Coming Soon
[RESERVE ONLINE](#)

2014(14) Nissan Note Acenta Premium
Now **£4,995**

01902 507 565
Brindley Honda Wolverhampton
Open Until 19:00 Tonight

[RESERVE ONLINE FOR £99](#)

[VALUE MY VEHICLE](#)

Live Video Appointments

Book a live video appointment and enjoy a virtual tour of any of our cars from the comfort of your home through Whatsapp, Facebook Messenger or another platform of your choice. Find out more about how our live video appointments can help you below.

[LEARN MORE](#)

Step 01

Browse our Cars

Find your perfect car from our extensive stock of world-class brands.

Step 02

Reserve Online

Reserve your chosen car with a fully refundable reservation fee of just £99. We'll be in contact within 24 hours to help you complete your purchase.

Step 03

Collection or Delivery

Choose contactless click and collect from our showroom or secure delivery straight to your door.

BMW X1
2.0 sDrive18d SE

Total Price £14,999 <small>+ £199 Admin fee</small>	Monthly (PCP) £266.28 <small>Personalise Finance</small>
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Ref: RK67ENW [Share](#)

[RESERVE NOW](#)

[BOOK A VIEWING](#)

[APPLY FOR FINANCE](#)

[PART EXCHANGE](#)

cargiant giant choice giant savings **The World's Largest Used Car Dealership**





Fair price **Finance available**

£15,000

BMW X1
2.0 sDrive18d SE 5dr
Leather Seats!

2017 (67 reg) | SUV | 45,672 miles | 2.0L | 150BHP | Manual | Diesel | ULEZ

Cargiant [See all 1131 cars](#)

☆ 4.6 (7684 reviews) | London (8 miles)

cargiant MORE cars available at [cargiant.co.uk](#)

[Buy Online with Free Delivery](#)

- Message dealer to have an accompanied video tour
- Reserve online, not buy online

...and the challenges of becoming an online retailer

Description

Hilton Garage
The Genuine Car Supermarket

Click Inspect Drive Collect

Click and collect Home delivery Live video COVID-19 safety measures

Citroen C1
2015 (15 reg)
1.0 FLAIR 3d 68 BHP - Reversing Camera & DAB Radio

£5,150
No admin fees
Close to market average
Good price

£105 per month (HP)

Message seller

CLICK & COLLECT/HOME DELIVERY

Purchase options

Home delivery
Delivery available to HA5-4RA

Hilton Garage Ltd
★★★★★ 4.5 (4302 reviews)
Derby - 102 miles away

Live video viewing available
Book now

Click and collect available
Enquire now

Overview
19,792 miles
15,762 miles below average

Manual 1.0L Hatchback Petrol
3 doors 4 seats ULEZ

Great Looking Citroen C1 Flair In White - 7" Touch Screen - Reversing Camera - DAB Radio - Tinted Windows - Steering Wheel Mounted Controls - Serviced at 4k, 7k - This Vehicle Will Be Supplied With A Minimum 6 Months MOT - This car will leave us after undergoing a comprehensive pre delivery inspection - All tyres with a tread of under 2.5mm will be replaced - Price match promise. Low rate finance available - 95% of customers would recommend - Up to 1400 cars in stock - 45 years of trust - Warranty cover available up to 3 years - Courtesy car available for warranty work - Best part exchange - Unaccompanied test drive - No pressure sales - Book a test drive now 01283 328 788 - Or reserve online at www.hiltongarage.co.uk CLICK AND COLLECT & HOME DELIVERY AVAILABLE - PLEASE VISIT OUR WEBSITE TO RESERVE A VEHICLE AND WE WILL BE IN TOUCH TO DISCUSS THE PROCESS - PART EXCHANGE VALUED AND COLLECTED PLEASE VISIT OUR WEBSITE TO VIEW OUR SUPERMARKET STOCK OF OVER 1200 CARS! With now over 46 years of trading, here at Hilton we have vast stocks of used cars on sale at our massive Car Supermarket site in the heart of the Midlands with easy transport links from Burton on Trent, Derby, Leicester, Nottingham and Birmingham. *If you find the same car at a lower price we will refund the difference plus £300! Visit hiltongarage.co.uk for details. WHITE, £5,150

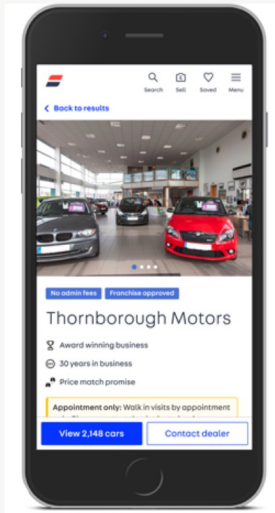
- “Click & collect” means click and a salesperson will call
- Blurred images are shown exactly as displayed for all Hilton’s inventory listed on autotrader.co.uk
- Lengthy text descriptions show some of the challenges adapting a face-to-face sales approach to a poorly online one

Given the “perfect storm” of the pandemic, what is taking so long?



Retailer Stores

Driving buyer engagement with your brand and stock



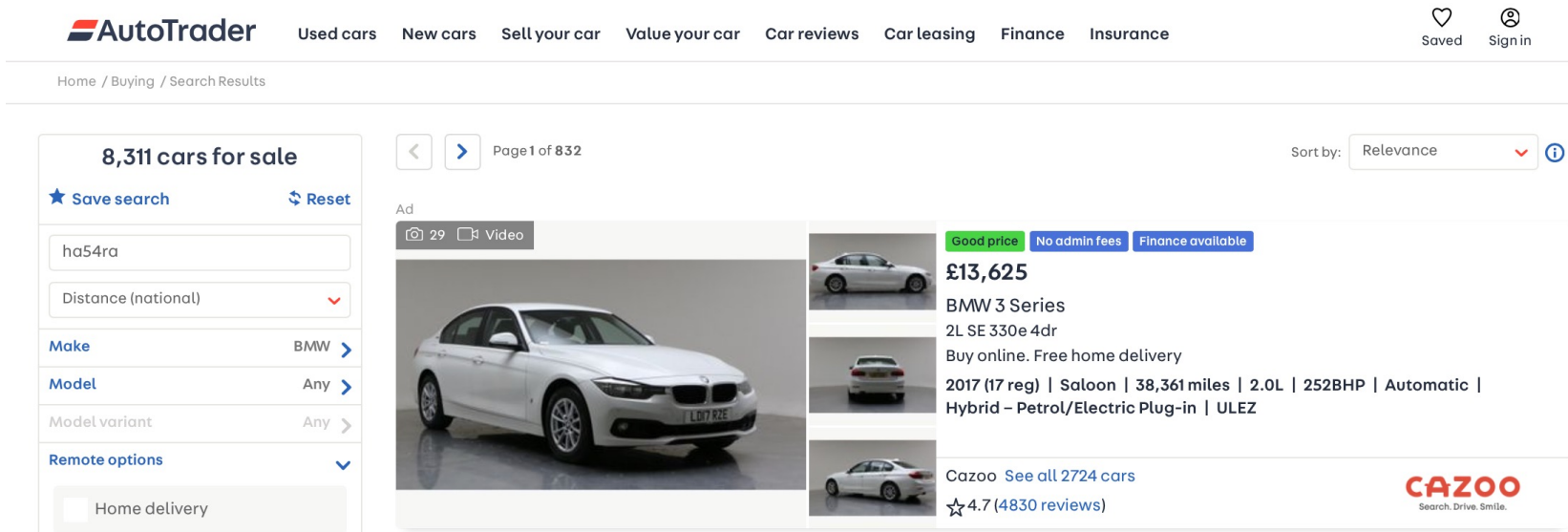
Retailer Stores allow you to create and customise your own dedicated brand destination on Auto Trader to help drive buyer engagement with both your stock and brand.

- **Build brand awareness on Auto Trader**
Help buyers learn about your brand and discover your stock portfolio with an all on one digital forecourt
- **Easy customisation**
Use simple self-serve features in portal to create your customised store filled with rich media and valuable content
- **Highly visible**
Your page will be visible across Auto Trader when people are clicking your brand name and reviews as well as search engines such as Google.

No shopping cart!

- the technical challenge of building standardized software that can be deployed “out of the box” at dealerships is massive
 - Legacy systems
 - Different technologies deployed
 - Non-standard workflow and processes
- requires a sophistication of software design and delivery skills unlikely to be present in classifieds companies
- lack of sufficient digital marketing expertise and culture at mid-sized dealerships to properly leverage the online retailing opportunity
- hard for mid-sized dealers to give up their forecourts and sales teams gradually, meaning that for many, and for some time, this investment will be extra cost not an efficiency enabler
- unwilling to rely on a dominant classifieds player for both a) traffic and b) core operational software; it hands over a complete view of the commercial heart of the dealership

e-commerce monetization



The screenshot shows the AutoTrader website interface. At the top, there's the AutoTrader logo and navigation links for 'Used cars', 'New cars', 'Sell your car', 'Value your car', 'Car reviews', 'Car leasing', 'Finance', and 'Insurance'. On the right, there are icons for 'Saved' and 'Sign in'. Below the navigation, the breadcrumb 'Home / Buying / Search Results' is visible. The main content area shows '8,311 cars for sale' with options to 'Save search' and 'Reset'. A search bar contains 'ha54ra' and a dropdown for 'Distance (national)'. Filter sections for 'Make' (BMW), 'Model' (Any), and 'Model variant' (Any) are present, along with a 'Remote options' section where 'Home delivery' is selected. The search results show 'Page 1 of 832' and a 'Sort by: Relevance' dropdown. The featured car is a BMW 3 Series, priced at £13,625, with details: 2L SE 330e 4dr, 2017 (17 reg), Saloon, 38,361 miles, 2.0L, 252BHP, Automatic, Hybrid - Petrol/Electric Plug-in, ULEZ. The car is listed by Cazoo, which has a 4.7 star rating from 4830 reviews. The Cazoo logo and tagline 'Search. Drive. Smile.' are also visible.

- A technically easier step would be for classifieds players to leave the messy and complex task of dealer e-commerce enablement to specialist software vendors and systems integrators, and focus instead on **performance-based marketing** (cost per lead, cost per sale)
- As consumer preference to buy new and used cars online accelerates, the **conversion efficiency** of each lead generated on classifieds sites rises - something that subscriptions pricing is poor at capturing
- iDealers are likely to spend much of the £500-£1000 budgeted for marketing on classifieds sites, and classifieds players are likely to implement pricing models with iDealers which better match spend with lead conversion; given AutoTrader currently generates about £75 per UK dealer car sold, the revenue upside is considerable
- The larger traditional dealers are likely to follow, or miss losing out on the best converting leads

could a classifieds player set up a C2C marketplace?



- instead of reselling an inspections and warranty service to dealers, classifieds players could offer the same services to private sellers
- the owner provides the marketplace with 2 months of exclusivity to sell his car above an agreed minimum price
- the marketplace pays for the inspection, and deducts its commission from the buyer's payment before passing on the remainder to the seller
- the buyer has peace of mind from a warranty backed by the marketplace
- French start up CapCar runs this approach; classifieds players could do this starting from a position of high traffic and accumulated transaction data

conclusion.

- for classifieds players, an incremental approach to the subscriptions model is unlikely to deliver expected returns
- the classifieds backbone of small and medium-sized dealers will come under increasing pressure from iDealers, and it is questionable whether there is much a leading classifieds player can do to offset their structural disadvantages
- the traffic levels and brand power of leading classifieds players provide classifieds players with several attractive options to offset the impact of these shifts; moving to a PPL/commission-based set up with car supermarkets and iDealers would be relatively straightforward to implement
- substantial further upside is likely to be found by classifieds players with the ability to launch their own C2C marketplace offerings.



thank you

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