



DIGITAL CLASSIFIEDS IN INDIA 2020

A study by KPMG in India & Google

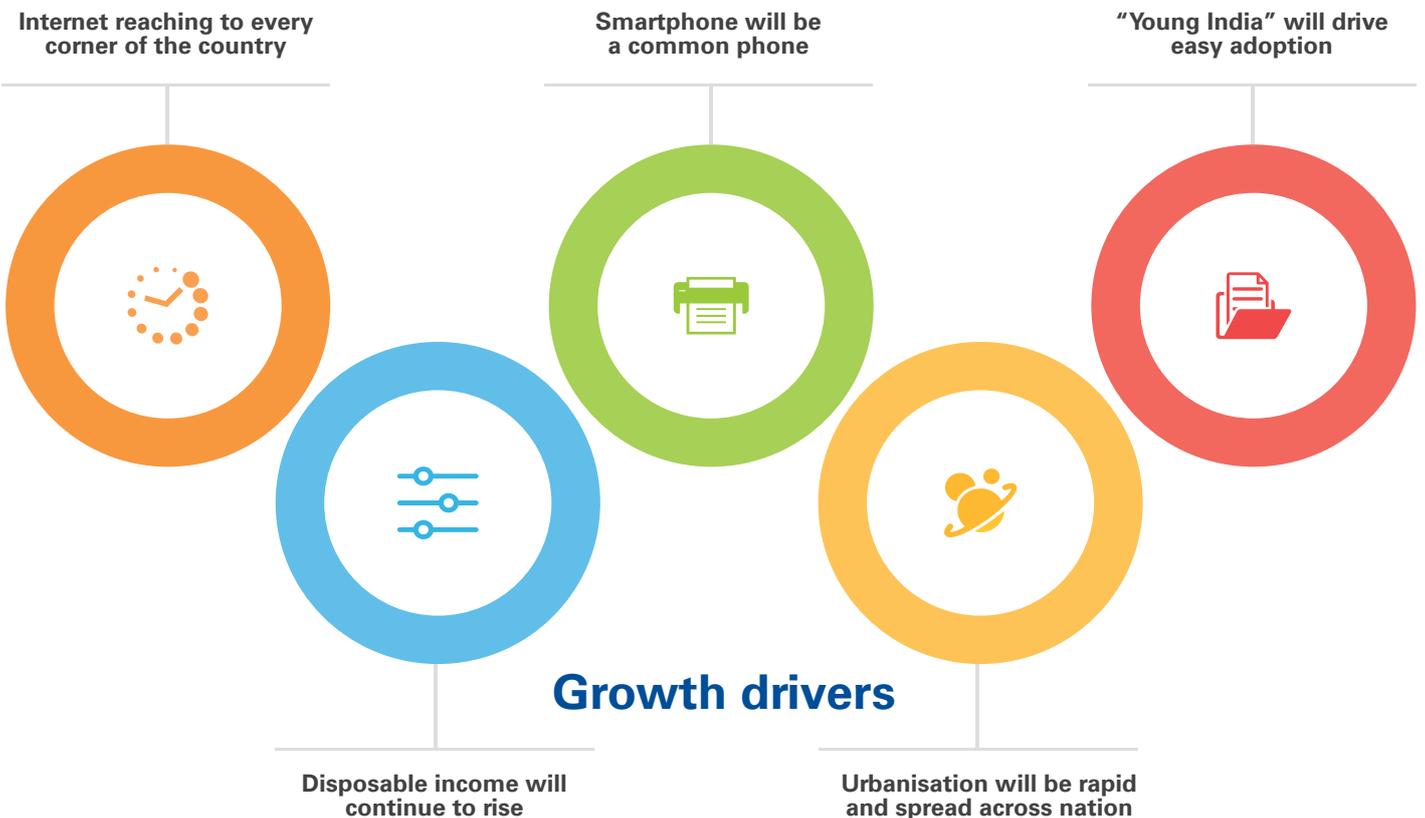
September 2016

Executive Summary – Present state

Digital Classifieds in India: Ready to go full throttle

The digital classifieds market grew at a CAGR of 29.5 per cent between FY 2011 and FY 2015 with revenue at INR ~2900 crores at the end of FY 2015. The impressive growth momentum of the industry is likely to continue in the coming years with an expected CAGR of ~22 per cent helping the industry reach INR ~7700- 7900

crores by FY 2020. The next phase of growth of digital classifieds is expected to be driven by E-services , Real Estate and Automobiles. While the vertical categories are likely to gain share, the horizontal classifieds would still hold ~ 30 per cent market share of total digital classifieds in FY 2020.



Structure VS Stage

The present market has an oligopoly construct within each category of the market. The market as whole seems to be of a compound nature with horizontal and vertical players working to build acceptance of online channel for classifieds and related commerce.



Three prime clusters for plotting the stage of development: Recruitment and Matrimony verticals, are near “Management & monetisation” phase. Horizontal, Real Estate and B2B classifieds, have started enabling integrations and driving control. Last are Automobile and E-services, with companies investing heavily in achieving critical volumes.

Executive Summary – Market segmentation

B2C

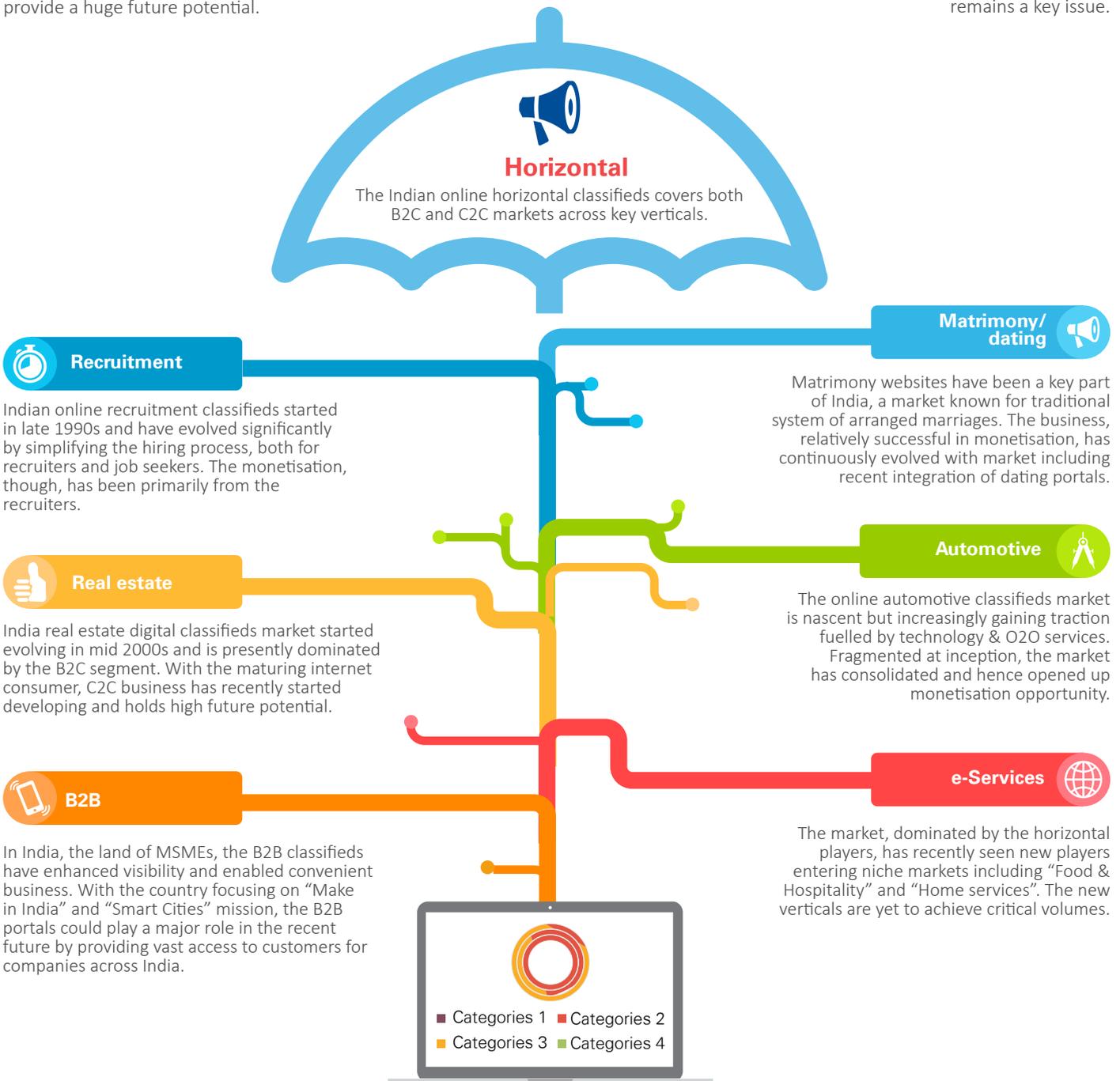
The B2C business covers the classifieds listing of goods & service providers across consumer requirements.

In the B2C business, paid listing packages contribute majority of the revenue. The paid listings, as a percentage of the total listings, are very low and hence provide a huge future potential.

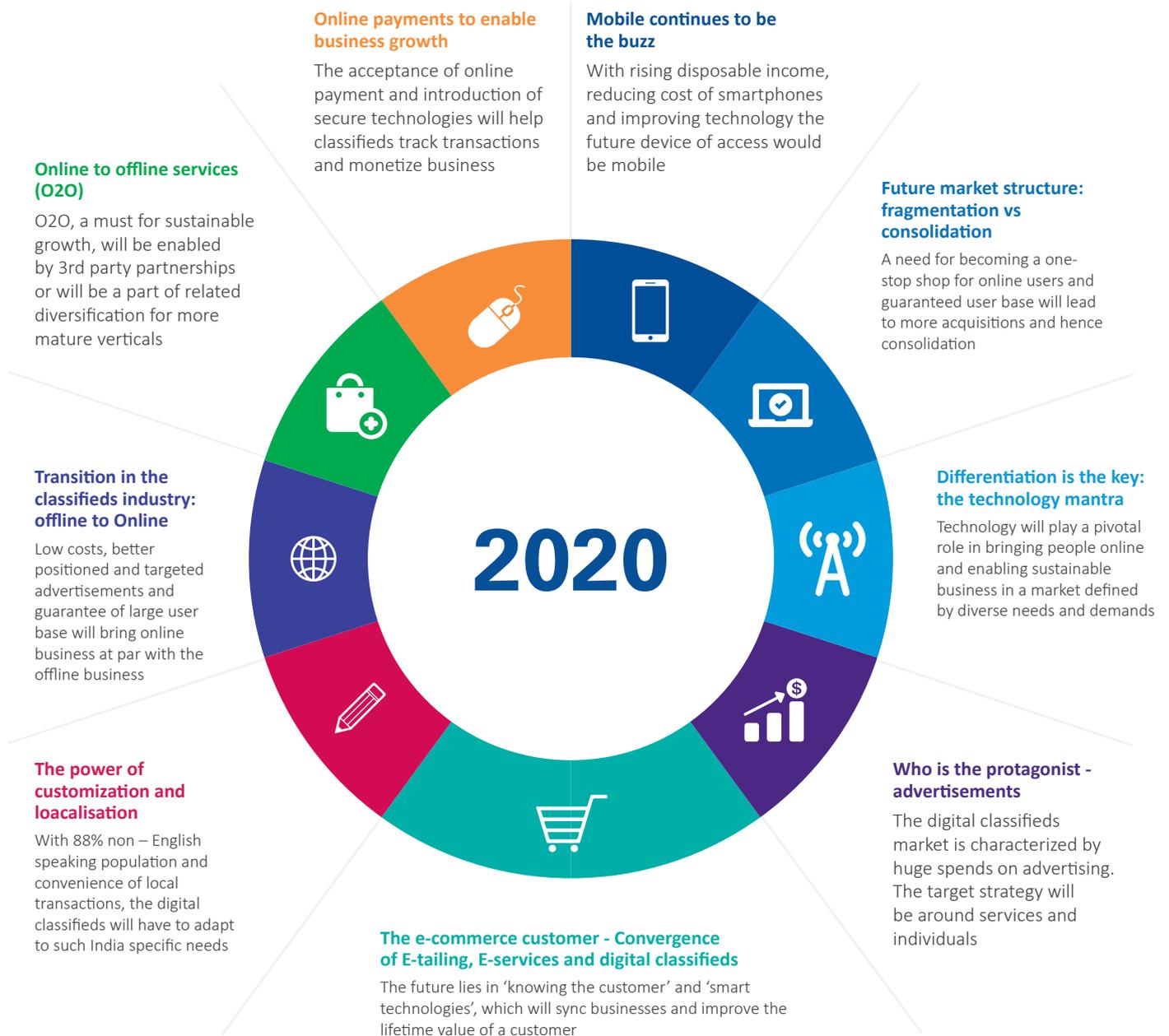
C2C

The C2C business helps individuals list and sell new/used goods as well as services.

The C2C market today, in a developing country like India is characterised with low involvement and low value transactions. Hence, even with large volumes, monetisation remains a key issue.



Executive Summary – Classifieds 2020



Source:

[1] - Internet and Mobile Association of India and market research firm IMRB International, June 2015

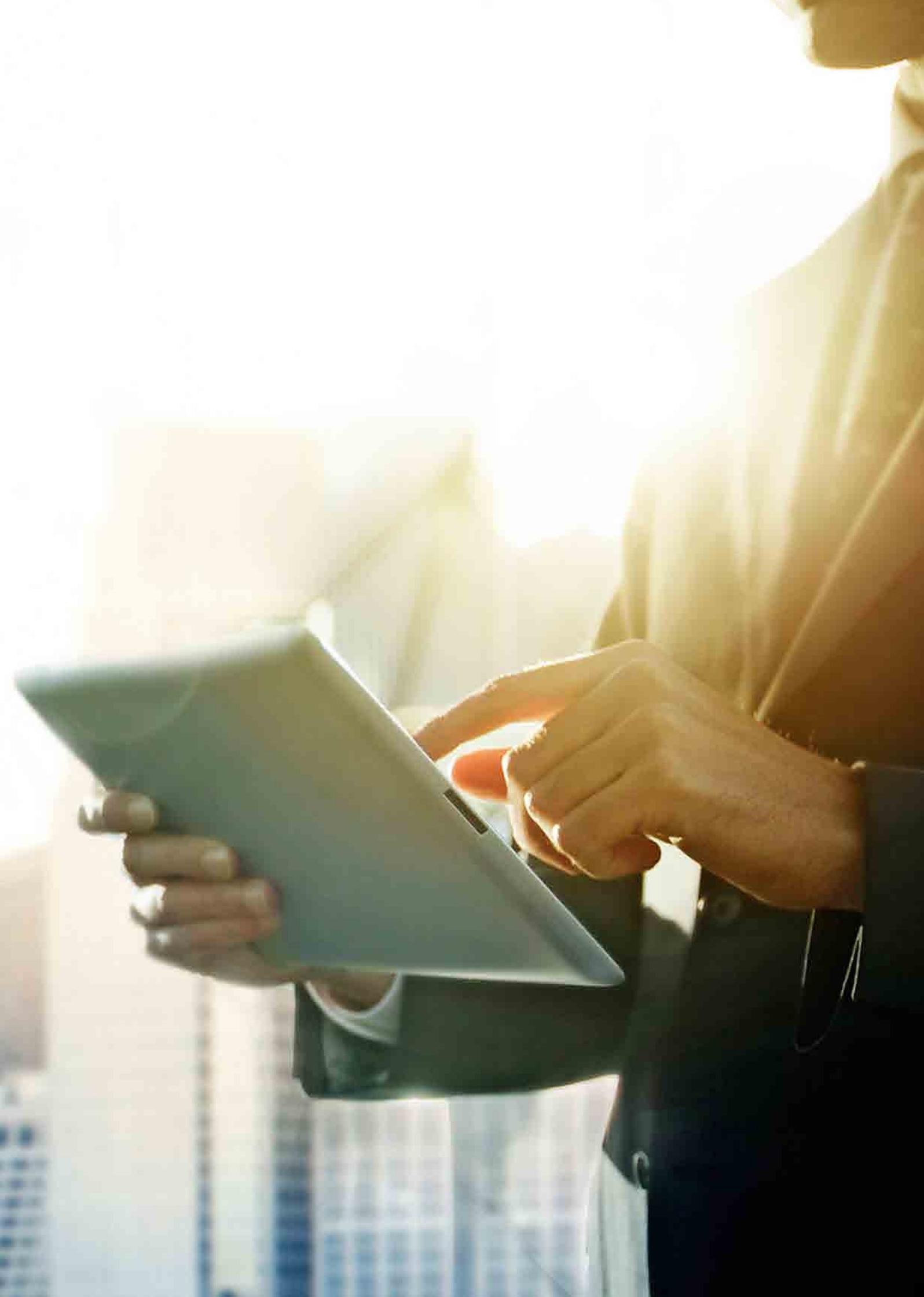


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The evolution of digital classifieds in India: An Introduction

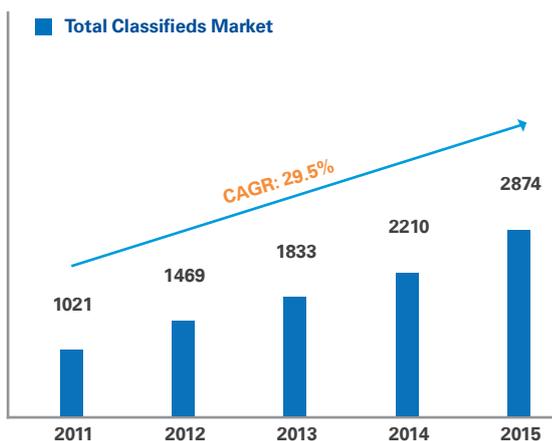


Introduction to historic evolution of digital classifieds in India

Digital classifieds in India: E-commerce and more

Within 20 years of the ancillary internet coming to India, the e-commerce market has become one of the fastest growing channels in the Indian economy with revenues totaling to ~ USD 23 billion in 2015^[2]. This exponential growth can be attributed to developments such as improved internet penetration, favourable demographics, increasing number of smartphone users and rising disposable income. As India started to expeditiously adopt the internet, migration from print to digital was inevitable. This consequently led to a rise in digital classifieds and overall classifieds enabled commerce. The digital classifieds market is almost as old as the internet in India albeit it was a meager two per cent of the total e-commerce market in 2015.

India digital classifieds: Market Size by Revenue (in INR crore)



Source: KPMG in India research and analysis with detailed methodology in annexure

The origin of digital classifieds can be traced back to the 1990s, when it was introduced in the US. The concept proved disruptive and the effect was seen by the drop in revenues of the Newspaper Association from USD 19.6 billion to USD 6 billion between 2000 and 2010^[3].

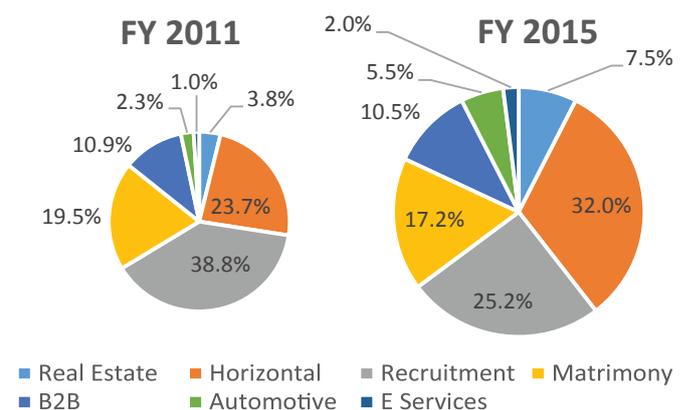
Source:

[2] - Associated Chambers of Commerce and Industry (Assocham), The Hindu, January 2016 ;

[3] - The Craigslist Economy Is Booming, Forbes, January 2015

Globally, the key markets show different structure and development stage, with the backdrop of similar market conditions. India, in the recent past, has seen rapid growth amidst major structural changes, introduction of new categories/evolving business models, entry of multiple new players, technology advancement and changing consumer behaviour.

India digital classifieds: Market Split by Revenue



Source: KPMG in India research and analysis of information available on key players websites and reports

The digital classifieds market is primarily an amalgamation of horizontal and vertical players. The horizontal model offers listings across a myriad of goods and services, ranging from real estate to pet care listings to water pump suppliers. The vertical model, however, focusses on a single major product or service category, such as recruitment solutions or matchmaking services etc.

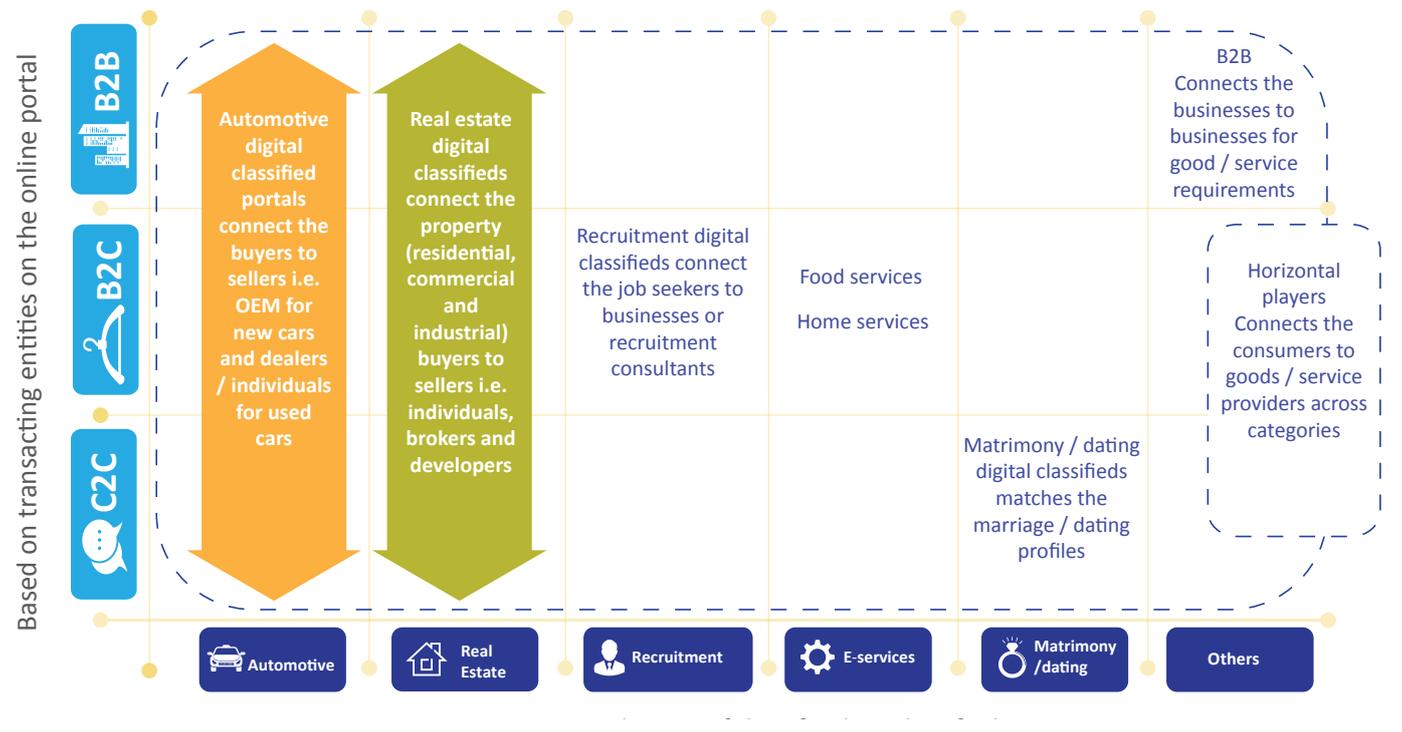
The digital classifieds market grew at a CAGR of 29.5 per cent between FY 2011 and FY 2015 with revenue at INR ~2900 crores at the end of FY 2015. The last five to six years have not only witnessed growth in revenues of this market but also acute changes in the way 'offering entity' and 'interested entity' interact with each other in the ecosystem. Today, on the online

platforms, data is more secure, listings more elaborate, searches more customised and the transactions more rapid.

In 2011 the clear market leaders were predominantly B2C horizontal players, who were exploring online as a channel with well established offline business and recruitment portals. In the present time, the horizontal players have expanded across B2C and C2C segments and have enabled the consumers to drive end-to-end advertisement listing process independently with minimum required expenditure. This is mainly due to ease of access and

reduced complexity of the entire process. The online horizontal classifieds have enjoyed fast growing user acceptance and a significant gain of ~ 10 per cent market share as part of the larger digital classifieds market. The transition in digital classifieds from 2011 to 2015 also resulted in a notable gain in market share for upcoming Automotive and Real Estate verticals by over ~3 per cent and ~ 4 per cent respectively

Key categories and market structure

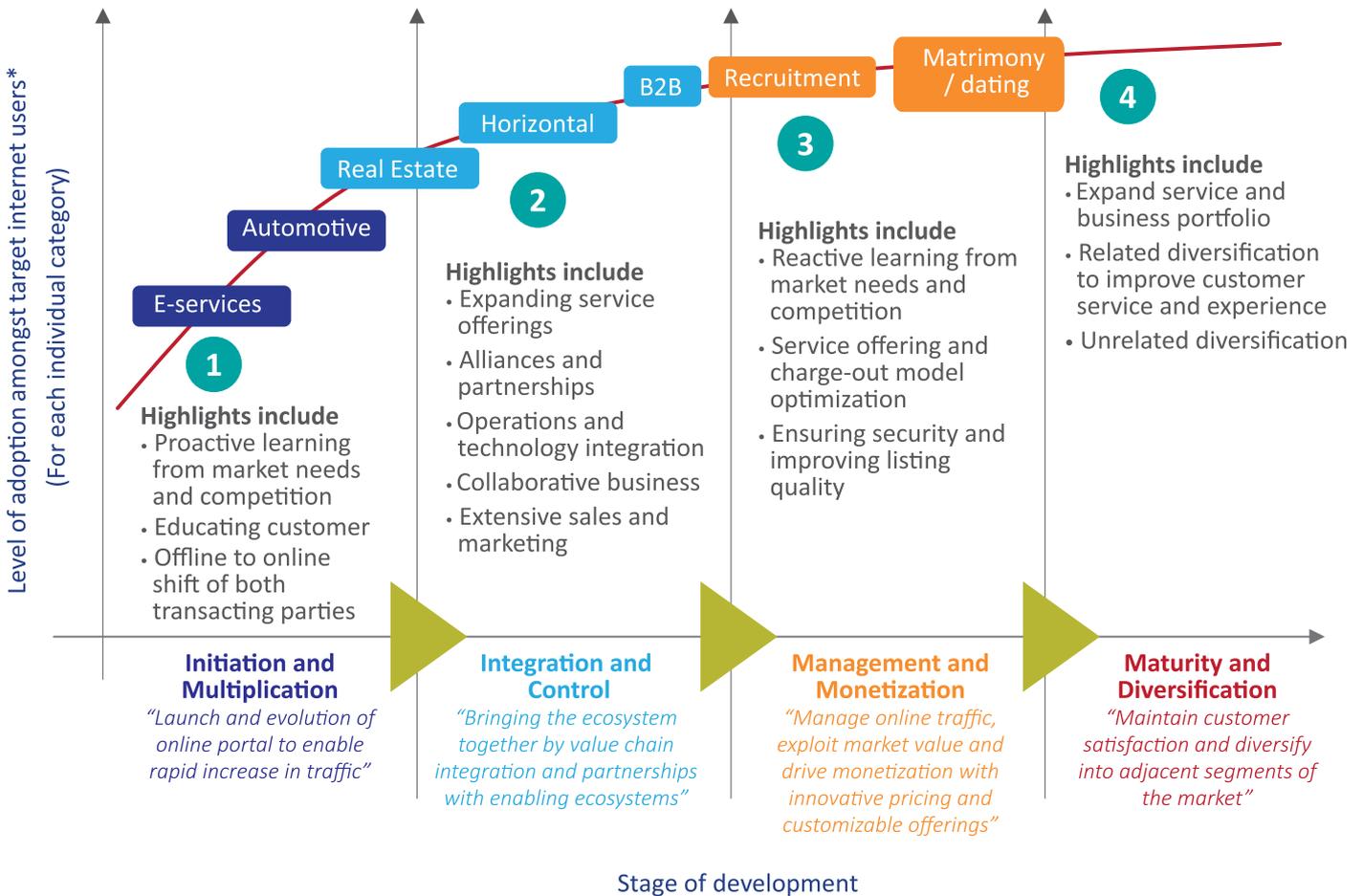


Source: KPMG in India research and analysis of information available on key players websites and reports

Current market structure

- The digital classifieds in India is a market spanning across sectors, verticals, people, cultures, languages and geographies. With such diverse demography comes a wide range of market opportunities.
- Amidst this ubiquitous online market, the horizontal classifieds, have been able to establish their dominance in terms of traffic volumes and brand recall through extensive advertising and elaborate sales and onboarding field force in the past five years.
- On the other hand, the vertical classifieds have tried to target niche markets with differentiated technology, supreme market expertise and unmatched user experience.
- In verticals, online recruitment and matrimony markets are comparatively matured and constitute ~40-45per cent of the Indian classifieds market in FY 2015. These vertical markets are dominated by 2-3 players, which command over ~90 per cent of the market share. Such vertical focussed market leaders makes it difficult for any new entrant to compete, including possible entry by horizontal players
- Automobile, real estate and services are still nascent and fragmented vertical markets. They show a competitive outlook with 4-5 players aggressively competing with the larger horizontal players to command dominating market share.
- While the B2C and C2C segments has seen a lot of major players coming in leading to increased competition and price wars, the B2B segment is still relatively less crowded, with only a few players playing in the space.
- The present market has an oligopoly construct within each category of the market. The market as whole seems to be of a compound nature with horizontal and vertical players working to build acceptance of online channel for classifieds and related commerce.

Key categories and development stage



Source: KPMG in India research and analysis of the local market

* Target internet users – internet users with a potential need for the goods/service offered by a particular category

The Indian digital classifieds market can be divided into three prime clusters for plotting the stage of development

- Recruitment and Matrimony verticals, are notably the most matured segments as opposed to the other categories. Matrimony is in the phase of transformation from “monetisation” to “maturity and diversification” while recruitment is in its nascent phase of “management and monetisation” with players cashing on ‘Corporates’ and trying to monetise the ‘Job seekers’.
- Horizontal, Real Estate and B2B classifieds, which occupies around 45-50 per cent of the market, lie in between the second and third phase. Horizontal and B2B classifieds have started enabling integrations to drive transactions. The real estate classifieds have recently started enabling integrations to bring as much of the offline ecosystem online as possible. An increasing

focus on vernacularisation and growing presence in Tier 2 and below cities exemplifies the importance of building traffic at this stage with only a secondary focus on monetisation.

- The final cluster includes Automotive and E-services, though a small share of market, has companies looking for critical volumes. They are investing heavily to drive the interconnected cycle of number of listings and number of visitors. Automobile segment lies towards the end of first phase with a few players trying to build alliances with the OEM’s. The E-services market is very nascent and is investing large amounts in both online and offline activation. Players in both the categories are trying to get the product right for bringing critical traffic and get the ‘Network effect’ going.



Future of digital classifieds market

Digital classifieds in India: On a growth streak

The INR 1000 crores digital classifieds market in FY 2011 had drawn attention of various stakeholders of the E-commerce industry in India. Digital classifieds market recorded collective revenues of ~INR 2,900 crores in FY 2015. The impressive growth momentum of the industry is likely to continue in the coming five years, as the industry matures and stabilises, with an expected CAGR of ~22 per cent helping the industry reach INR ~7700- 7900 crores by FY 2020.

In light of the current state of the industry, leading players in each digital classifieds vertical may need to establish, consolidate and enunciate their respective business models unambiguously amongst its important stakeholders, especially- listing customers, consumers and investors, in order to steer clear of volatility in the industry.

In near future, the horizontal classifieds could have to sustain the recently realised traffic eruption as opposed to their vertical

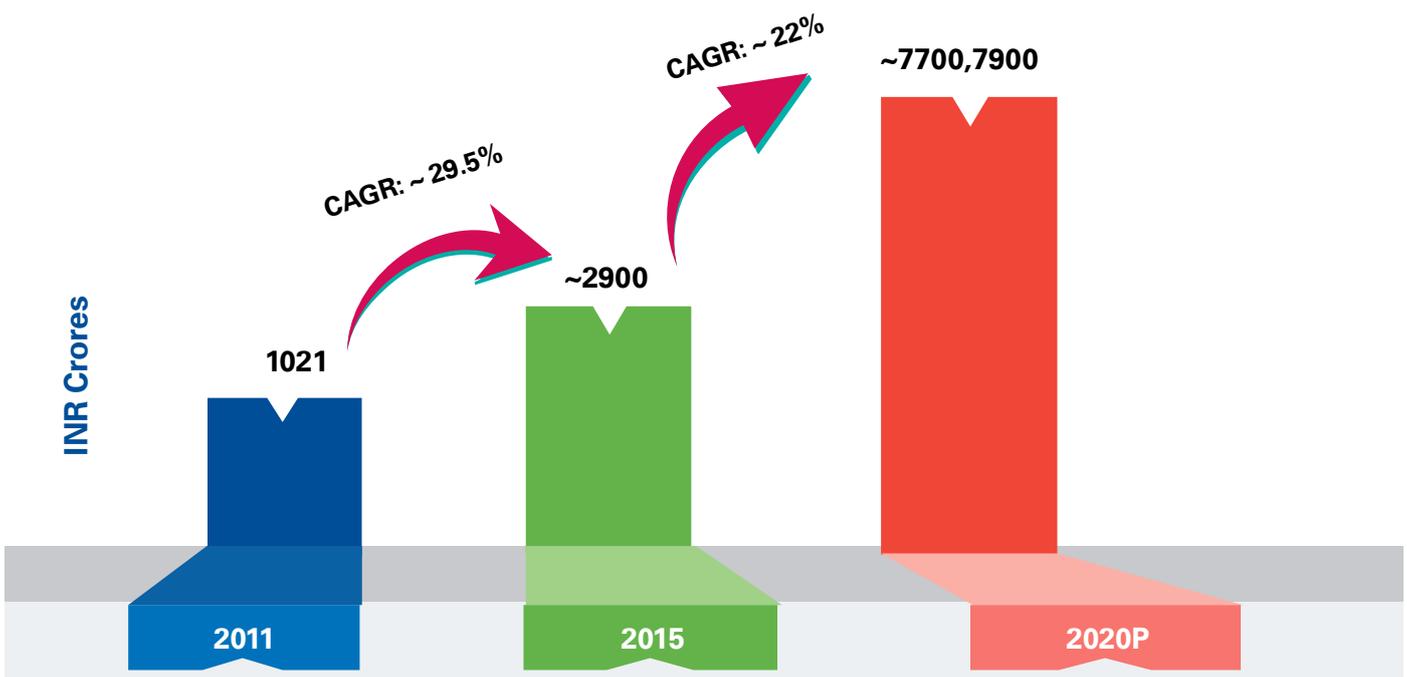
counterparts, who are expected to try and scale up with new consumers coming online.

In the backdrop of ongoing trends in the internet space and the inevitable growth of digital economy, it is expected that digital classifieds market will continue exhibiting notable growth across verticals.

In the next three years, market is likely to see steady growth in the revenues owing to adoption by online population, new online customer acquisition and educating the user about the value added by the digital classifieds.

Post three years, the market is expected to witness sound growth on a well established market presence, by focusing on integration, monetisation and management. This growth is expected to continue beyond FY 2020, with the late maturing segments including real estate, automobile and E-services.

Growth of digital classifieds in India from 2011 to 2020P



Source: KPMG in India research and analysis with detailed methodology in annexure

Growth drivers & influences for the classifieds market



Internet reaching to every corner of the country

- **~26 per cent** ^[4] Internet penetration with about **~350Mn** ^[5] internet users today
- Increasing penetration in semi-urban and rural areas provide high potential for growth
- **~650Mn** ^[6] projected users by 2020
- Could enable an increase in reach and traffic for the portal; eventually culminating in more business

- ~220Mn ^[7] smartphone users in India today
- ~500Mn ^[8] smartphones projected by 2020
- Could provide a huge boost to E-commerce by
 - Enhancing ease of use
 - Enabling access to real time user data including transaction, location, history and more

Smartphone – A thing of common man



Rising disposable income



- Disposable personal income **has increased by 130 per cent in the past 5 years and projected to increase by ~55 per cent** ^[9] by 2020
- India will keep its current rank as the **world's second largest middle class** ^[10] till 2030
- Increase in disposable income could lead to more spending on used goods, as people strive for better lifestyle

- **420 million** ^[11] population dwelled in urban geographies in 2015
- India is projected to add **300 million new urban residents** ^[12] by 2050, likely to boost consumerism and economic growth
- Rapid urbanisation, an important factor, will drive both demand and supply for the digital classifieds enabled transactions

Rapid Urbanization



Young India



- **~42 per cent** ^[13] of population between 15-40 age group
- Young population with high aspirations but lower income is a good target market for digital classifieds.
- Further, the acceptability of online channel, as compared to offline channel, is also higher in the younger demographic

Source:

[4] – United Nations estimates, Worldometers (www.Worldometers.info), September 2016

[5],[6],[7] and [8] – Digital retail in 2020: Rewriting the rules, Google-A.T.Kearney study, May 2016 and Digital Payments 2020, BCG-Google study, July 2016

[9] – Ministry of statistics and programme implementation (MOSPI), TradingEconomics (www.tradingeconomics.com), September 2016

[10] – Top 5 Emerging Markets with the Best Middle Class Potential, Euromonitor, September 2015

[11] – KPMG in India and the National Real Estate Development Council (NAREDCO), Times of India, August 2016

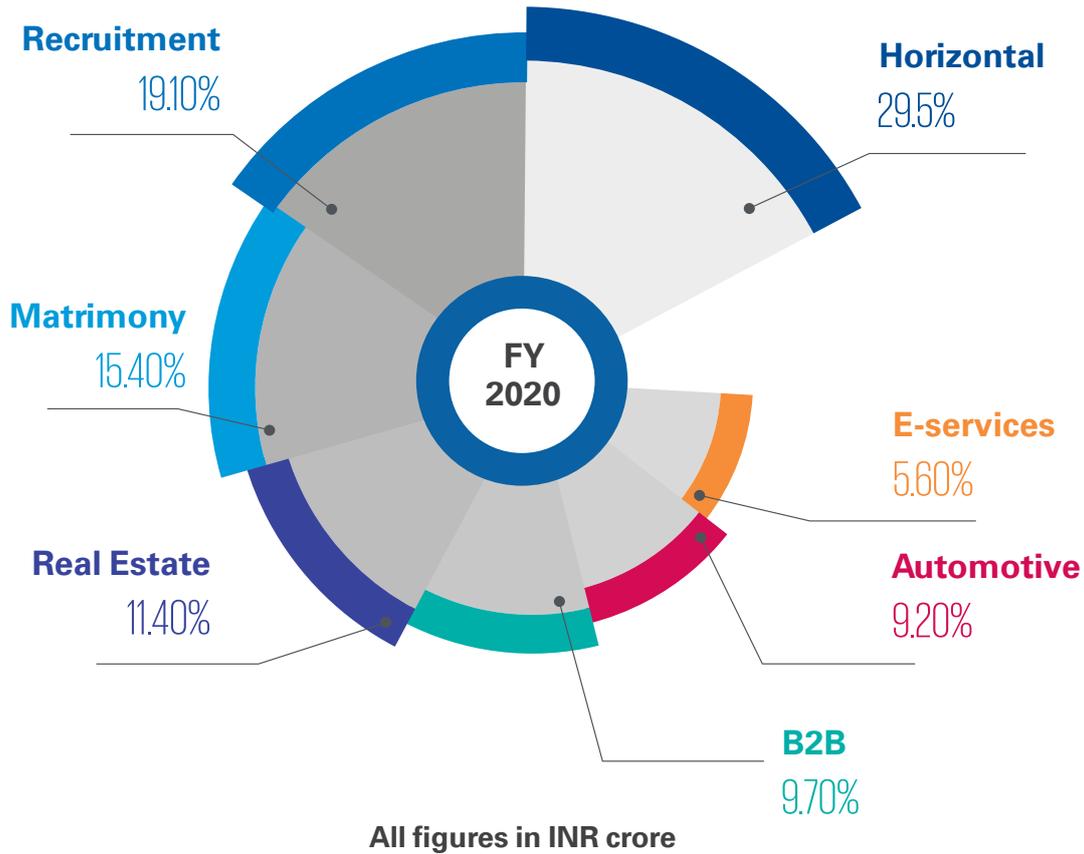
[12] – United Nations, The Economic Times, May 2016

[13] – United Nations projection, socialcops (<https://blog.socialcops.com/>), June 2016

Category level market projection

Over the last five years of digital classifieds market in India, horizontal classifieds experienced impressive growth and commanded ~ 32 per cent market share of total digital classifieds in FY 2015. Next phase of growth of digital classifieds could be driven by the nascent verticals- E-services , Real Estate and Automobiles,

which are likely to exhibit ~ 50 per cent, ~33 per cent and 36 per cent growth respectively. However, horizontal classifieds are likely to have ~ 30 per cent market share of total digital classifieds in FY 2020.



Horizontal CAGR 20%	Recruitment CAGR 16%	Matrimony CAGR 19%	Real Estate CAGR 33%	B2B CAGR 20%	Automotive CAGR 36%	E services CAGR 50%	
2300	1500	1200	900	760	730	440	2020
920	726	495	215	303	157	58	2015

Source: KPMG in India research and analysis with detailed methodology in annexure

The relatively matured verticals – Recruitment and matrimony, are expected to grow at 16 per cent and 19 per cent CAGR respectively till FY 2020. B2B is likely to grow at par with the overall digital classifieds market and command ~ 10 per cent market share of total digital

classifieds market. However, E services, Automobiles and Real Estate are likely to beat the overall anticipated growth rate phenomenally.

Growth drivers and influencers for category level online classifieds



Real Estate – Find it easy

- **Over 50 per cent** of the current Indian real estate market is **influenced by the internet** ^[14]
- Real Estate market is likely to touch **USD 180 billion** by 2020 ^[15]
- With promising level of **internet penetration, rising migration, improved smartphone adoption** along with a **bigger real estate market in 2020**, online real estate classifieds market is likely to evolve in the coming years

- **~30 per cent of population between 15-30 age group** ^[16], eligible for marriage in the next five years
- With increased acceptance and visibility, more people listing and hence better conversion rates, increased levels of validation and security checks and access to more information about prospective matches, the online matrimony vertical players will see greater business in 2020
- Emergence of online dating brings in an additional dimension to the business.

Matrimony/ dating – Find your partner!



Jobs – Find your living!



- **Demand side** – Under the **“Make in India” initiative**, government plans to improve business environment, enable manufacturing and reduce regulatory complexities in key sectors to promote local businesses
- **Manpower supply** – To further enable local business, the government of India will try to develop skilled manpower and train **40+ crore people under the new National Policy for Skill Development by 2022** ^[17]
- Further, trends like openness to job change causing reduction in switching period, increasing job specialisations creating niche requirements and dilution of regional and international borders for job locations, will lead to an increase in demand for recruitment portals
- Emergence of companies in start-up and internet enabled business

- In FY 2015, used goods market of **~ 115000 crore** ^[18] was a key influencer of horizontal classifieds market size.
- **87 per cent households stocking used goods in India**, while 45 per cent indulge in selling them ^[19]
- Proliferation of the entire digital economy and improvement of logistics coverage across India are expected to be a major booster

Used goods – Search for anything!



Source:

[14] – A pan India offline research conducted by Zinnov, 2014

[15] – National Housing Bank (NHB), The Economic Times, July 2016

[16] – Census of India, Government of India, 2011

[17] – Skill India initiative: Govt ropes in PSUs, The Indian Express, July 2015

[18] – ASSOCHAM India, Business Line, The Hindu, January 2014

[19] – OLX CRUST (Consumer Research on Used-Goods and Selling Trends) Survey for 2014-15, afaqs!, February 2015

Growth drivers and influencers for category level online classifieds



- **Used car market is ~ INR 90000 crores today** [20]
- The pre-owned car market is estimated to grow at **15 per cent CAGR** to be among the top five global automotive markets by 2020 [21]
- Additionally, the new passenger car market is likely to touch **~3.64 million units by 2019** [22] and is expected to play a pivotal role in determining the growth of online classified automobile portals in coming years
- Further, trends like high quality of vehicles, increasing 'Average useful Lifespan', banking sector offering easier finance and insurance options and increasing aspirational purchases with growing used luxury automobile segment, are likely to drive demand for automobile classifieds

- **~ 51 million SMEs** in India, of which only 10 million are technology ready [23]
- **MSME contribution to Indian GDP** expected to move from the **current 8 per cent to 15 per cent by 2020** [24]
- Further, benefits of 'Online listing' like enabling access to customer base beyond local market / reach and better information on competitors and their offerings, may drive the online B2B classifieds demand

B2B – Find the sellers and buyers!



E- services – Find your requirements!



- **Rapid Urbanisation** – India is projected to add **300 million new urban residents by 2050** [25]
- Currently, there are about **460 local services startups and more than 100 home services companies** [26]
- Increasing consumerism, rising disposable income and an increase in urban population are expected to fuel the growth of the e-services sector
- Categories such as health, beauty, plumber, electricians, maid/ cooks, drivers etc. are gaining significant interest in the top 10 cities in India.

Source:

[20] and [21] – IndiaBlueBook (IBB) study, The Hindu, August 2016

[22] – ICRA report, Business Standard, June 2016

[23] – Google India aims to bring 20 million SMEs online by 2017, Forbes India, May 2015

[24] – CII - Micro, Small and Medium Enterprises Issues and Recommendations (May 2014), The new wave Indian MSME, KPMG-CII report, 2015

[25] – United Nations, The Economic Times, May 2016

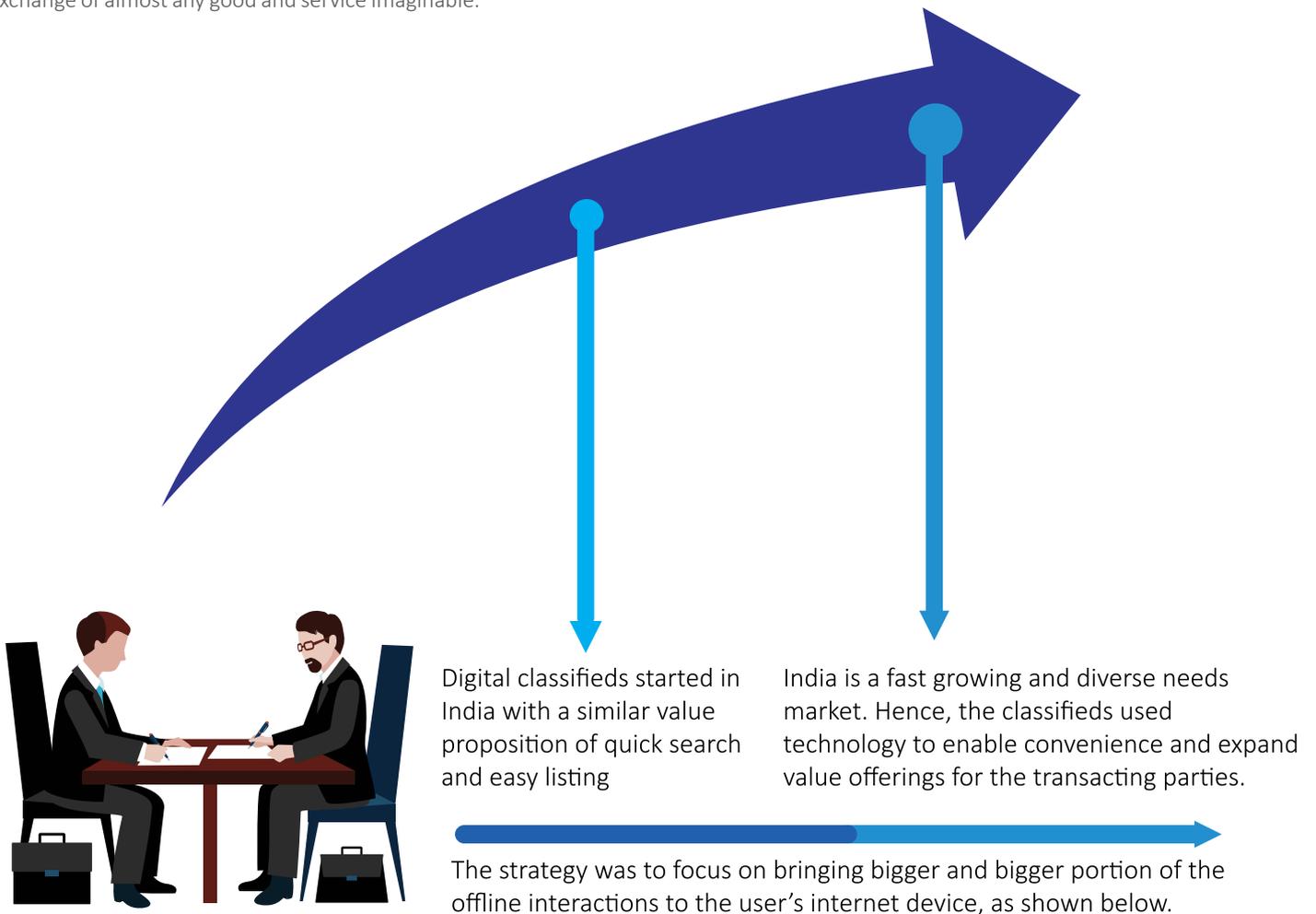
[26] – Tracxn, The Economic Times, November 2015

Industry Ecosystem



Overview of the ecosystem and associated operational elements

The classifieds have always provided a cost-effective and convenient channel for connecting an “offering entity” and an “interested entity” Classifieds have always provided a cost-effective and convenient channel for connecting an “offering entity” and an “interested entity” for exchange of almost any good and service imaginable.

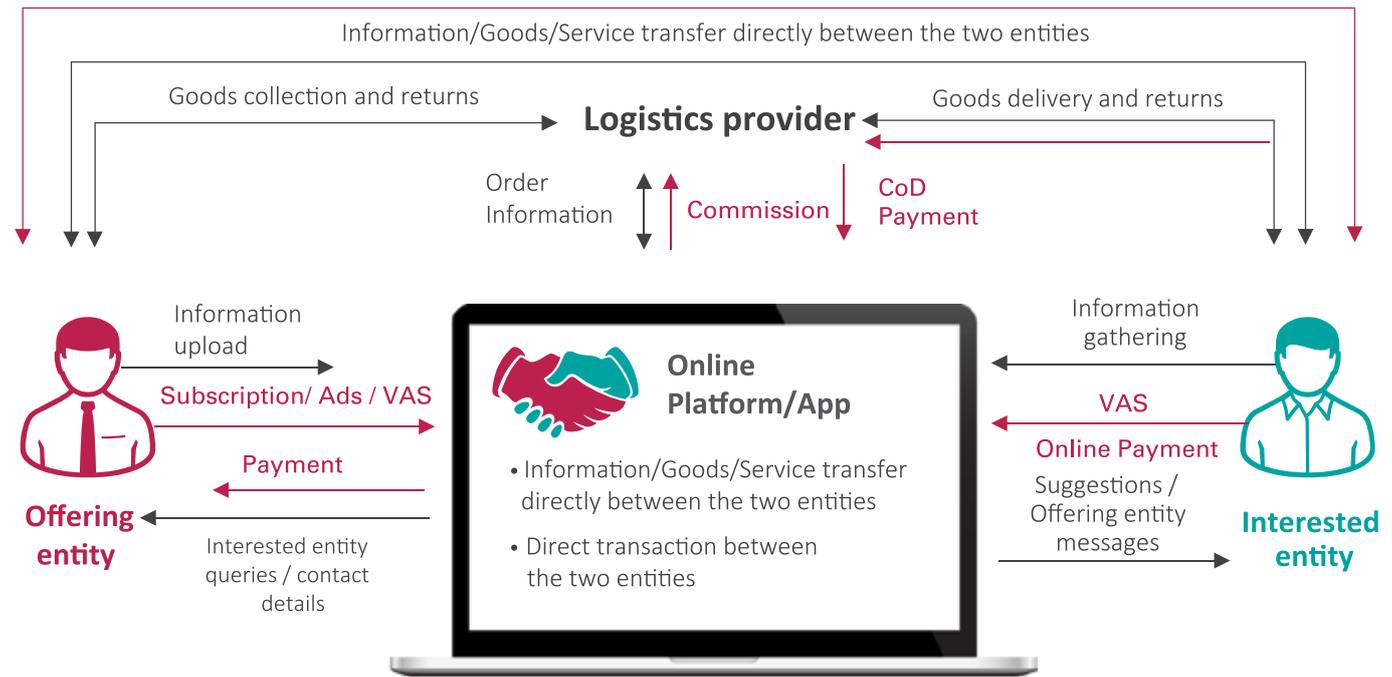


Understanding the online classified ecosystem and key interactions

In today's market, the online classified company sits at the centre of the ecosystem and usually controls the technology (website, mobile application, CRM, analytics

tools, etc.), marketing and advertisements, customer support, payment gateway and value added services (VAS).

Direct transaction between the two entities



Value added services

Horizontal

- Cataloguing
- Verification and valuation
- Pricing assistance
- Chat and bargain
- Doorstep pick and delivery
- Extended warranty

Jobs	Automotive	Matrimony / Dating	B2B	Real Estate	Services
<ul style="list-style-type: none"> • Resume Writing • Shortlisting Candidates 	<ul style="list-style-type: none"> • Valuation • Documentation • Verification 	<ul style="list-style-type: none"> • Personalized match making • Marriage services directory 	<ul style="list-style-type: none"> • Purchase assistance • Free website • Cataloguing 	<ul style="list-style-type: none"> • Verified Listings • 360 degree view and virtual tours 	<ul style="list-style-type: none"> • Online bookings • Service provider reviews

Source: KPMG in India research and analysis of key business models in India

Value added services have seen a focus ranging from resume building for job search to booking a table at the favourite restaurant on Friday night. These services are enabled either through technology or O2O (Online to Offline) network. The O2O network can be branch

network for matrimony services or mobile trained auto professionals for physical checks or cataloguing professionals for real estate listings. The VAS, though a direct cost to the digital classifieds today, are a must for differentiation in the market.

Key stakeholders of the ecosystem

Investors

- High investment in B2C and C2C segment, but low in B2B segment
- Promising growth outlook to increase the attractiveness of investment

Sellers

Sellers of good and services could be businesses or individuals



Lead buyers

- Affiliate lead generation
- Advertisements and promotions around the core product/service

Payments

- Digital transactions have grown at 50% in FY2015 ^[29]
- Digital payments user base to grow by ~4x to 300 million by 2020 ^[30]

Outlook — CAGR till 2020



M-wallets witnessed 747 million transactions in FY 2015 compared to 390 by mobile banking ^[31]



Non-cash transactions to overtake cash transactions by 2023 ^[32]

Marketing

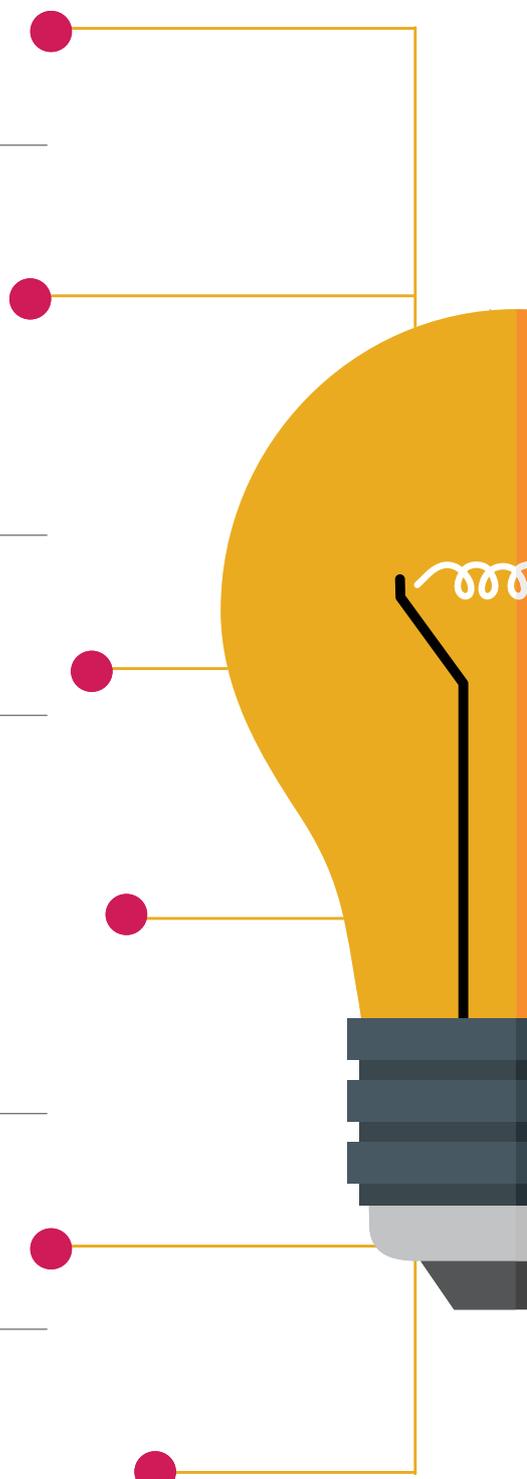
- Vernacular communication
- Focus on affiliate marketing and leads acquisitions
- Increasing digital spend - 15-30% higher spend on digital by leading horizontal classifieds ^[33]

Logistics



eCommerce logistics is expected to grow at a CAGR of 48 % till 2020 ^[34]

- Out of 26000; only 4000–5000 pin codes serviced by major LSPs ^[35]



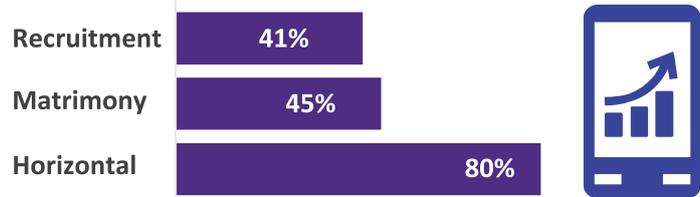
Source:

[27] – Google India aims to bring 20 million SMEs online by 2017, Forbes India, May 2015
 [28] – KPMG research and analysis of key player websites
 [29], [30], [31] and [32] – Digital Payments 2020, BCG-Google study, July 2016
 [33] – exchange4media, June 2016
 [34] and [35] – Fulfilled! – A KPMG-CII report, November 2015

Platform providers

- Notable shift towards mobile

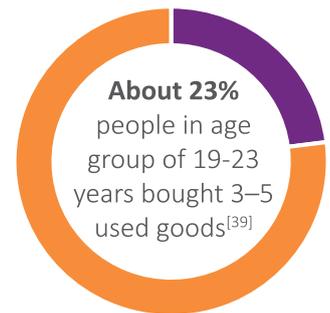
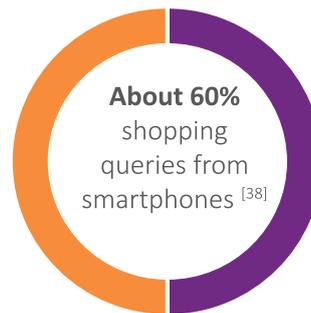
Percentage of traffic generated through mobiles ^[36]



- Rich content, Cataloguing, Data Security, location based services

Buyers

Online buyers to reach 175 million in 2020 ^[37]



Service enablers

Value added services being developed as differentiator

- Key horizontal players announcing investment in home services vertical
- Key automotive portals tie-up with leading financial services portal for Insurance

Data analytics and technology

Focus on improved features on websites and Mobile through partnerships

- Acquisition of niche players and rating portals by leading real estate digital classifieds
- Technology and analytics tie ups of digital classifieds with leading global technology providers

Regulators

Source:

[36] – Business today (November, 2015), Economic times (February, 2016) and Medianama (August, 2015)

[37] – 'Digital Retail in 2020' – A Google-A.T.Kearney study, May 2016

[38] – Internet drives mobile in India, says Google, Business Standard, February 2016

[39] – OLX Crust Survey, 2015, Digit (<http://www.digit.in/>), February 2015

Challenges faced by classifieds

1	Achieving profitably	The capital allocation of digital classifieds company has been focussed towards expansion or scaling their operations, building trust in the brand, developing sustainable technology and hiring and retaining talent. However, most of these companies other than in matrimony and recruitment are yet to hit profitability as they are yet to actively / successfully monetise their business.			
2	High customer acquisition cost	Impulsive purchases initiated by offering deals and discounts are yet to emerge across digital classifieds space unlike e-tailing. The customers, mobilised through marketing and activation activities, have a very high acquisition cost. Further, most of these portals have very high lead time between two transactions from same user. Hence, lack of recurring business from customers limits the unit economics for these portals.			
3	Fraudulent activities	<p>The inherent complex nature of operations, high dependence on technology and interaction between multiple stakeholders and third party vendors make the online classified business susceptible to fraudulence. Further, there are increasing incidence of frauds, cyber breaches and payment thefts in the industry today.</p> <table border="0"> <tr> <td data-bbox="419 826 746 1088"> Online interface and positioning <ul style="list-style-type: none"> • Fake listings • Unauthorized / blacklisted entities • Fake orders / enquiries • Limited background check of listing entities • Limited exposure to offline transactions </td> <td data-bbox="762 826 1082 1088"> Payments <ul style="list-style-type: none"> • Gateway vulnerabilities • Credit/debit card frauds • Incorrect amount deducted / refunded </td> <td data-bbox="1098 826 1497 1088"> System/network operations <ul style="list-style-type: none"> • Phishing fraud • Intrusion / cyber attacks on systems and database • Pharming • System manipulation </td> </tr> </table>	Online interface and positioning <ul style="list-style-type: none"> • Fake listings • Unauthorized / blacklisted entities • Fake orders / enquiries • Limited background check of listing entities • Limited exposure to offline transactions 	Payments <ul style="list-style-type: none"> • Gateway vulnerabilities • Credit/debit card frauds • Incorrect amount deducted / refunded 	System/network operations <ul style="list-style-type: none"> • Phishing fraud • Intrusion / cyber attacks on systems and database • Pharming • System manipulation
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4	Limited control	Online classifieds majorly act as lead generators. Hence, they have a limited control/visibility over the execution and closure of a transaction. Thus, a customer may remain a one time customer for the classifieds platform. Hence the platform misses out on the opportunity to cross sell other product/service offerings.			
5	Others	<ul style="list-style-type: none"> • High network and bandwidth dependency • Merchants' lack of online experience • Digital payment transaction failures • Dependence on telecom operators for rural penetration • Lack of customer loyalty • Low barriers to entry 			

Digital classified platform



Goods / services vendors and listing entities

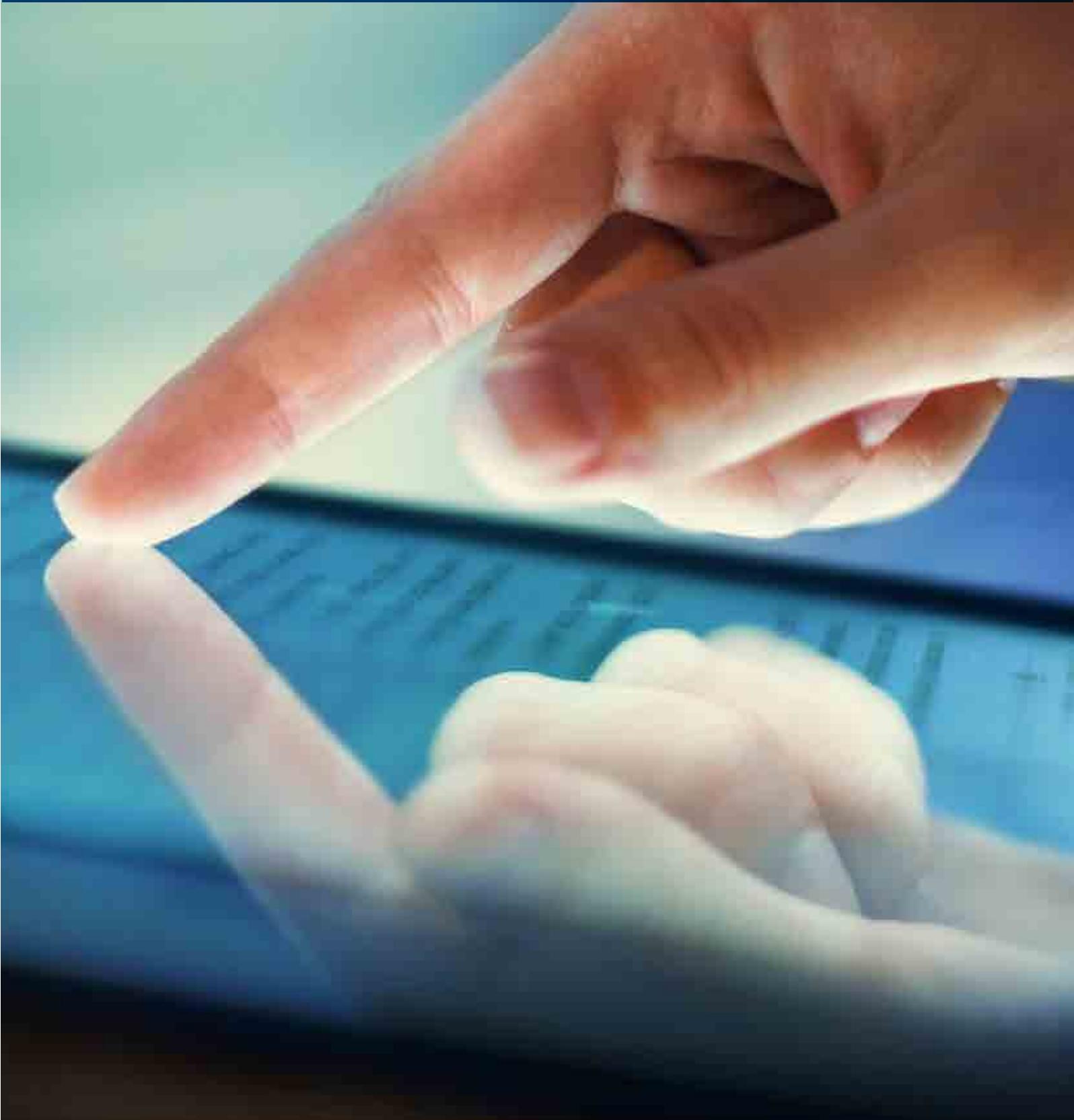
- Limited availability of technology
- Limited classifieds and technology skill sets
- Lack of expertise in peripheral activities
- Lack of standardisation/ adherence to defined SLAs
- Operational scalability to meet increased demands



Third party service providers/alliances

- Poor infrastructure in most parts of the country
- Fluctuating capacity requirements in short time
- Geographical reach and low coverage
- Limited skilled manpower
- Cost of capital is very high

Current dominant and emerging categories of classifieds



 **Horizontal classifieds**

The Indian online horizontal classifieds covers both B2C and C2C markets. The market started with the B2C classifieds going online with listing of products and services by business segments across the country. On the other hand, the C2C space was introduced to the larger audience a bit later.

Market characteristics

- More than 60 per cent of the listings for key online horizontal classifieds players come from top eight metros
- More than 70 per cent of the listings across Electronics, Automobile and Furniture categories in the C2C segment
- Mobile is the fastest growing listing / usage channel for horizontal classifieds, overtaking Voice and SMS in the B2C segment and Desktop in the C2C segment

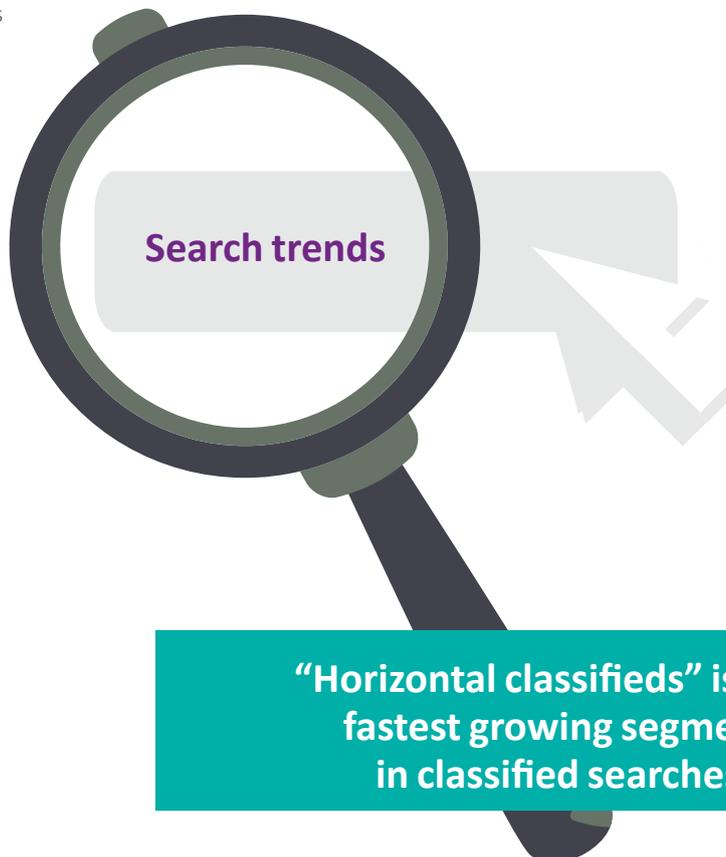
Primary research



Source: KPMG in India analysis, Google search trends 2016, Company websites / applications and Primary interactions with industry experts

Top cities searching: NCR, MMR, Bengaluru, Chennai, Pune, Kolkata, Hyderabad, Ahmedabad, Lucknow and Indore

~60 per cent of searches on mobile devices



Revenue models

The B2C models have been able to monetise business whereas, the C2C model is still seeking critical volumes. The following are the key revenue streams across the two prevalent business models:

Subscriptions / Paid listings	Advertisements	Ancillary services
<p>Free listings exist across both models</p> <p>Paid listings: Predominant in B2C model – ~ INR5000-INR7000 /month</p>	<p>Differentiated positioning / Urgency tagging on portal</p> <p>Predominant in C2C model- ~INR 200-500 based on duration of display and sub-categories</p>	<p>Doorstep delivery : Pick-up, packaging and delivery charges</p> <p>Refurbished electronics / verified cars and many more</p>

In recent times, ancillary services have been introduced as additional revenue streams primarily by horizontal players.

In the B2C focussed models, subscription, more specifically paid listing packages, contribute majority of the revenue. Paid listings, as a percentage of the total listings, are very low for the horizontal classifieds and hence provide a huge scope for growth in future. This market can be explored with more flexible, personal and customisable packages.

In the C2C centric models advertisements contribute more than 70 per cent of the revenue. With over 30+ million listings spread over 170+ sub-categories, the paid advertisements provide

differentiated positioning and a higher probability of conversion. The C2C market, in a developing country like India, is characterised with low involvement and low value transactions. Hence, even with large volumes, monetisation remains a key issue.

Hence, key players have started focusing on enabling online transactions by developing parallel ecosystems like payment, logistics, refurbishment etc.. Such diversification / alliances add further revenue streams like resale margins, logistics service charges and payment gateway charges. It also enables horizontal classifieds to establish customer connect, track real time transactions and consumer behaviour for analytics and lead generation.

Potential future revenue streams

Adoption by MSMEs	The MSMEs of the country tend to avoid adopting for paid packages as they perceive limited value realisation opportunity today. Hence, there is an opportunity to monetise this segment by designing special/ customized packages and tuning value proposition for this segment. Such direct exposure to benefits would mobilise the segment for Tier-2 and below markets
Data monetisation	Huge prospects, especially in the B2C segment is an area of data analytics. It will lead to efficient utilization of huge volumes of data being collected to cross sell goods and services to customers, predict needs/ requirements and generate sales trends and insights reports
One stop platform	The horizontal classifieds market is on its way to monetise traffic volumes by introducing additional paid services to its online platform such as bill payment, ticket booking, etc.



Key Trends

Extensive marketing

Large spends on advertising and marketing in order to build a brand, mobilize market and establish trust in the market

Expanding markets

Launch of vernacular adaptations, mobile app synergies and increased offline network to drive rapid adoption beyond Tier- I and II cities

One stop solution

Enabling disruptive VAS through technology, partnerships or offline network and bringing new services across industries to one portal



Establish offline presence

Emphasis on offline on - field sales force, especially in B2C classifieds, to acquire, on - board, train and manage paid packages

Alliances and partnerships

Increase in strategic and business alliances to help bring synergies across the ecosystem and enable cross sell businesses

Inorganic growth

Vertical focused consolidation to help build on the vertical strengths in a quicker and cost efficient manner



Matrimony / dating classifieds

Matrimony websites have been a part of India, a market known for traditional system of arranged marriages. The responsibility of matchmaking transfers from self to parents to family to agents to religious institutions to newspaper classifieds and finally online portals

Market characteristics

- A diverse market with community and region specific requirements
- Mobile based access is existent for a large part of the user base
- The online matrimony profile is skewed towards 18-35 years old working class male users

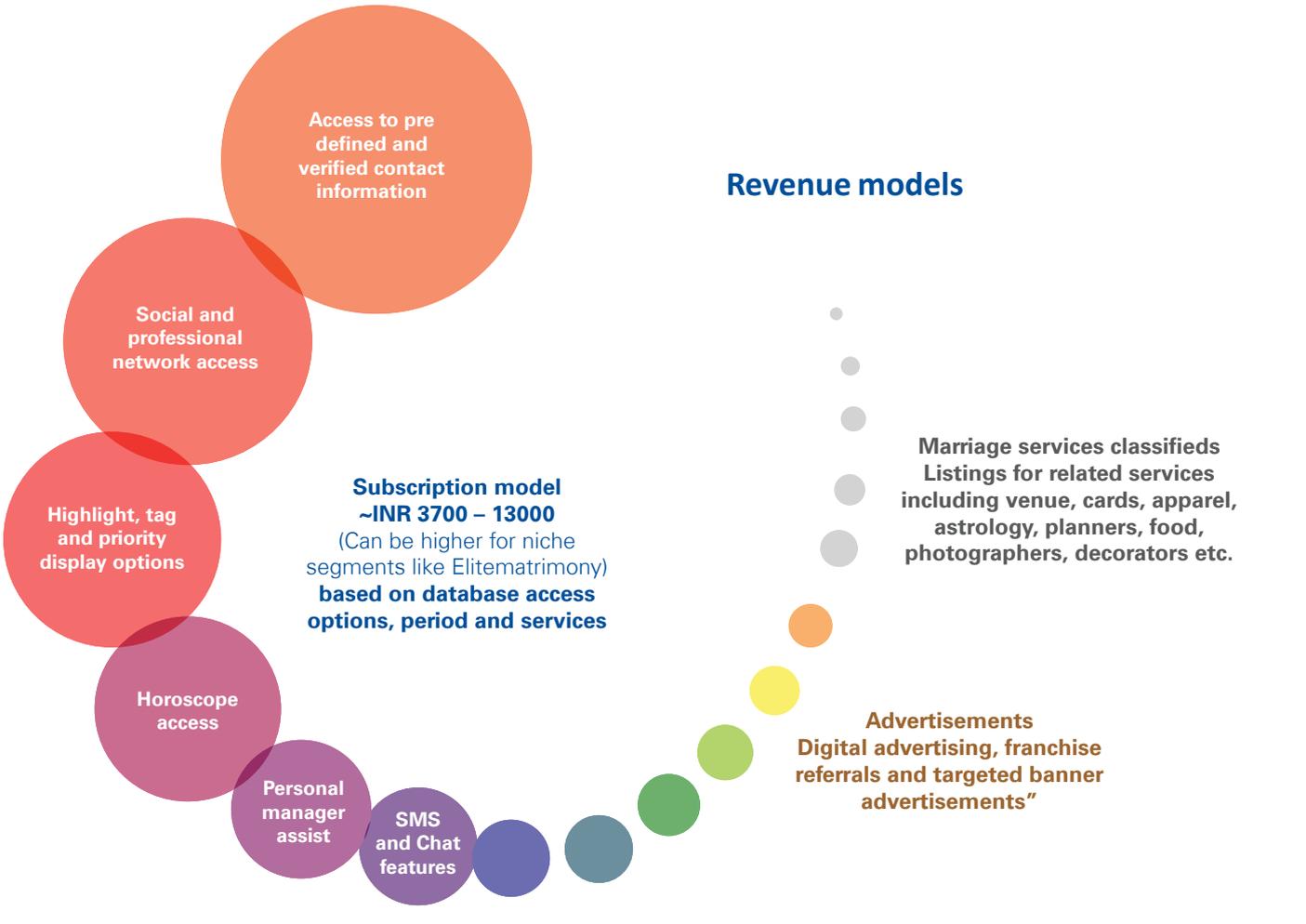
Source: KPMG in India analysis, Google search trends 2016, Company websites / applications and Primary interactions with industry experts

With one-fifth of the wealth accumulated by an average Indian in lifetime being spent on a child’s wedding, matchmaking and matrimony services industry offer huge market potential.

The online matrimony classifieds is largely divided into paid and unpaid business models, whereby most players provide basic

listings under the unpaid model. The unpaid model covers basic options of viewing other profiles and ‘send interest’ feature.

However, to gain access to contact information, players charge a pre-defined price in form of paid subscription packages. In order to mobilise the market and improve usage, key players introduced monthly subscription options.



The new subscription options were well paired with differentiated value added services and provided customising options based on individual needs. The subscription model today, constitutes about 95 per cent of the matchmaking classifieds revenue with monthly packages dominating the subscription options.

The other revenue streams include advertisements and marriage services classifieds. Advertisements constitute a small share of the revenue and is powered by allied matchmaking wedding activities.

The marriage services classifieds is the new and upcoming diversification introduced by old players in order to increase the wallet share from existing user base.

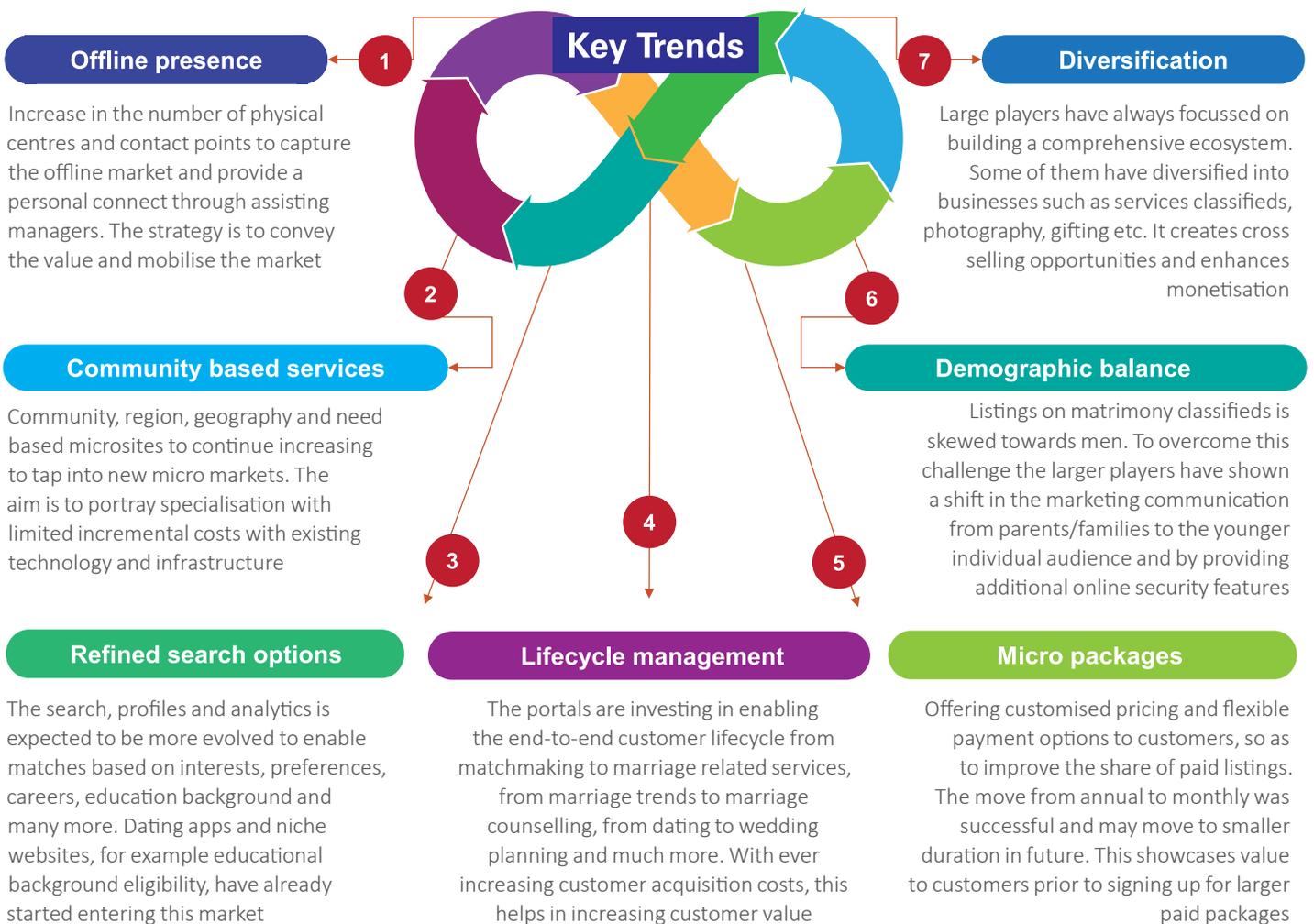
Potential future revenue streams

Alliance model

The wedding services industry in India is slowly moving towards a structured form and hence providing an immense opportunity for players in the matchmaking space to monetise. These players can utilise their existing large user base and analytics to generate leads for related service providers

Dating application

In the past three years, India has become one of the largest Asian market for dating classifieds. The matrimony players acknowledge the acceptance of such dating applications by the urban youth and hence have launched their own or invested in existing dating classifieds. The monetisation, though in early stages today, shows an attractive potential with existing business line



Real Estate classifieds

Indian real estate digital classifieds market started evolving in mid 2000s and has now achieved high acceptance amongst the customers. Although a few players dominate the market, a lot of newer players are still entering with differentiated value proposition and innovative products

Market characteristics

- The residential and commercial listings dominate as compared to industrial listings
- Highly focussed on the Tier-I and II towns of the country
- Listings by individuals are still small compared to listings by brokers and builders, showing a huge growth potential in the C2C segment
- Online portals are the prominent of source information for international customers, a potentially high value segment

Primary research

76 per cent mentioned online as most preferred source to search information

'Trust' and 'quality of listings' is driving the use of e-classified on Real Estate

40 per cent are willing to pay for legal verification & property check

Source: KPMG in India analysis, Google search trends 2016, Company websites / applications and Primary interactions with industry experts

Top searched for cities: NCR, Bangalore, Mumbai, Chennai, Pune

Top growing cities: Pune, Ahmedabad, Chandigarh, Kochi, Coimbatore, Indore, Jaipur

1 in 4 searches from outside India, largest countries as sources for searches on Indian real estate: US, UK, Australia, Canada, UAE, Saudi Arabia



Revenue models

Advertisement

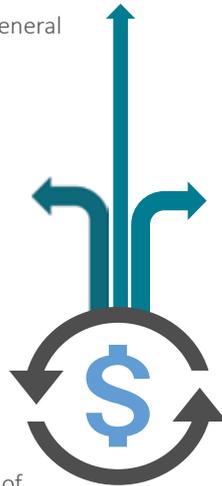
- Revenue models vary from player to player
- Provides the highest visibility and hence the highest revenue generator for the portals
- Most customers are smaller builders and real estate agents with lower inclination towards purchase of costly subscription packages

Subscription based models

- The prices vary from:
 - ~INR 700 to INR 6000 for single listing for individuals
 - ~INR 600 to INR 12000 for builders and real estate agents
- The cost of a subscription package varies based on general features like:
 - Number of listings allowed
 - Validity of listings
 - Active period of listing
 - Type of rich content available,
 - Preferential visibility on the page

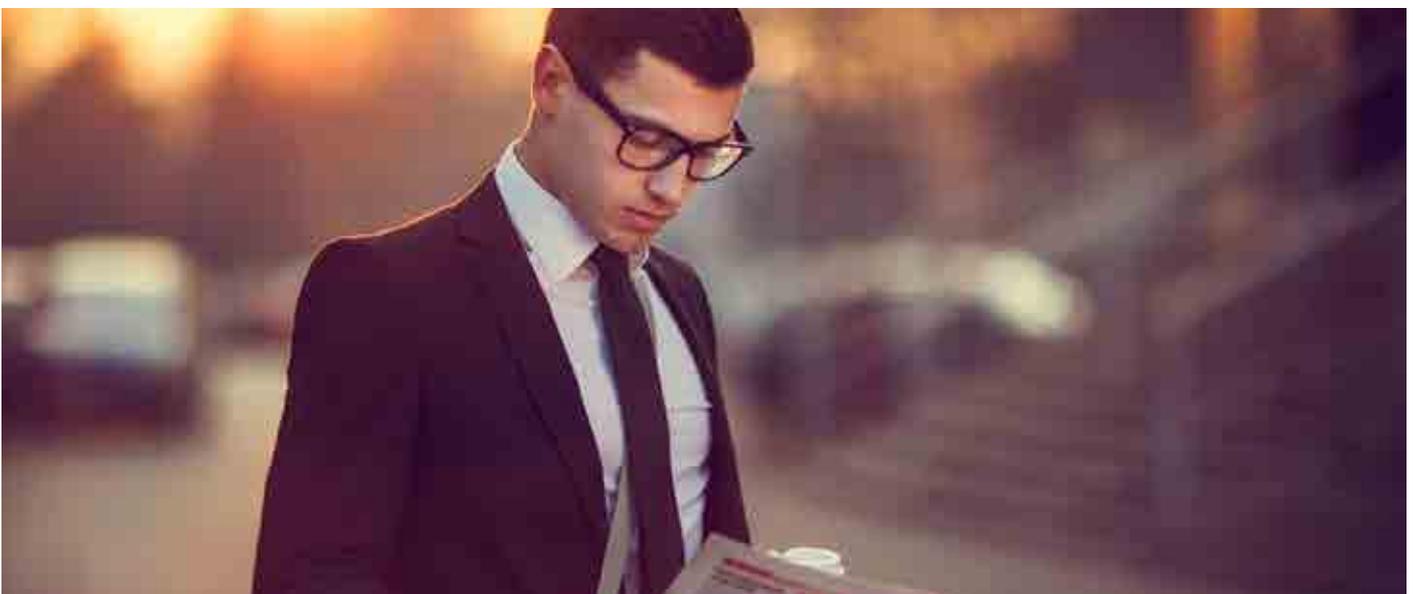
And value-added features like:

- Visibility on affiliates' portal/page
- Verified listing
- Targeted campaign for the listing
- Costly and complex packages lead to a lower uptake of subscription packages
- Many one time / transactional users exist for whom the paid packages don't serve the requirements



Lead generation based mode

- Direct lead selling plans for residential or commercial properties to builders/agents based on the requirements posted by customers
- Leads are sold in bulk and pricing is based on a per lead / bundle basis
- Average price per lead: ~INR 100-300
- Quality of leads is a big concern as the conversion is very low and hence sold in bundles
- Portals have been increasingly using analytics to be able to match the requirements with relevant properties and enable a better conversion



Potential future revenue streams

Customisation in subscription plans may lead to better value realisation for customers and improved adoption

Better analytics would allow portals to showcase the value proposition of buying paid packages to small users

Investing in verification of conversion propensity for the leads before selling them would lead to better value since customers could pay more for leads with higher conversion ratio

Key trends

Do it all

- Players could aim to become an “online dealer” for customers to increase their time on site and improve customer experience by providing technology-enabled services
- Value-added services like expert advice, financing support, agreements drafting, interior designing, furniture, packing and relocating assistance etc. may be added by key players along with the basic offerings



Residential and commercial to continue growing

- Rising individual disposable income, migration for work and studies, increasing availability of loans, initiatives like Smart cities and continued dependence on offline communication for industrial properties could ensure that residential and commercial real estate continues to dominate the online market

(In)credible

- Cases of duplicate listings, incorrect information and illicit practices by agents and builders are rising
- Portals are expected to increase trust, credibility and accountability via background checks of projects, builders and agents; scanning and weeding out of duplicate listings, etc.



Analyze and visualize the future



- Focus could be on analytics to provide market intelligence and information to the customers
 - Region-wise price trends, developer review analysis, market growth, etc.
- Technology enablement, including next age technologies like virtual walkthroughs, drone based views, 360 degree views etc. to encourage customers to transact online

Going niche

- Going forward, the portals will have to take into consideration the niche segments to get a larger share of the market and get more people online
- Portals may get into segments like luxury homes, short term rentals, only rentals, only buying, etc. with disruptive and well differentiated offerings
- Small players catering to the high demand in job hubs like Bengaluru, Mumbai, etc. have started serving niche markets and eating into the share of larger players



Lucrative Market

- Major online horizontal classified and retail players may look to focus on this segment due to large market size, fragmented present state and opportunity of obtaining higher share of customer wallet



Recruitment classifieds

Indian online recruitment classifieds started in the late 1990s and have evolved significantly by simplifying the hiring process, both for recruiters and job seekers. With increasing penetration of internet and need for such services in non-metro locations, the sector is poised for high growth in the future

Market characteristics

- More than 50 per cent of the traffic comes from mobile, including both mobile site and application
- Most players have adopted a mix of B2B and B2C revenue models
- The IT/ITES, infrastructure and BFSI sectors dominate the business on these portals
- Bengaluru, Mumbai, NCR and Hyderabad are highest growth markets

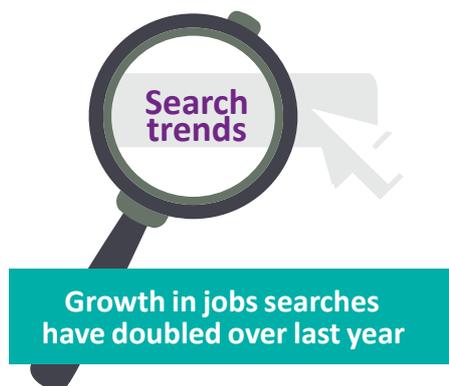
Primary research

74per cent mentioned online as most preferred source to search information

'Wide range of options' and 'quality of listings' are key segment drivers

Vertical brands are accessed more than the horizontal brands

Source: KPMG in India analysis, Google search trends 2016, Company websites / applications and Primary interactions with industry experts



Every second search on smartphones. While on desktop, searches typically peak on Monday and Tuesday, in between noon and 4

More than 60% growth in searches for resume samples and interview preparation

IT and Sales/Marketing jobs continue to be the fastest growing at roughly 50% YoY

Revenue models

Job Seekers

- Form significantly lower portion of total revenues due to the transactional nature of the demand
- Value added services to job seekers include
 - Resume writing and evaluation
 - Cover letter assistance
 - E-Courses and certifications
 - Career guidance services
 - Video based resumes
 - Personality development / Image consulting
 - Career astrology
- Subscription prices vary from INR 500-4000 for different packages
- Prices vary based on
 - Priority visibility
 - Early jobs notifications
 - Premium connections with recruiters
 - Subscription validity
 - Subscription to mail and SMS notifications services
 - Value added services

Companies

- Majority of revenues come from companies subscribing to various packages based on their requirements
 - Resume database access
 - Resume shortlisting and services
 - Value-added services
- Resume access: INR 7000-80000 based on validity
- Job postings: INR 1000-40000 based on validity and number of job postings
- Packages with email access, reports download and all other value added services: INR 15000-50000
- Value-added services:
 - Recruitment planning
 - Employer branding and microsities
 - Campus hiring, primary screening, assessment tools and referral management
 - Background checking services

Potential future revenue streams

Analytics based value addition to the job seekers would increase the sales of services

Partnership with educational institutions and alumni networks to support student placements through existing operations and technology

End to end customer lifecycle management: If the portals can control the complete lifecycle from shortlisting to interviews to selection/ on-boarding assistance to learning and development/ long term career assistance, they can realise better revenues from the successful candidates/ recruiters

Key trends

Small towns: the way forward

- Growth of job seekers and educational institutions in tier II and III cities and smaller towns
- Government impetus on manufacturing sector and skill development programmes to drive growth in these geographies
- High growth of IT/BPO sector in non-metro cities like Jaipur, Chandigarh, Vadodara, Coimbatore, Kochi, Trivandrum etc. requiring local talents



Going mobile

- With high traffic coming from mobile and smartphones in potential target areas of tier II and III cities, mobile solutions are the way for future growth
- Mobile website and applications with differentiating features expected for recruiters, who are the major contributors to revenues

That's my Brand!

- Important for companies to create a recruiter brand to attract talent. Recruitment portals can provide this service via brand building activities like advertisements, social media activation, offline events etc.



Growing geographical spread of employers, candidates and lack of infrastructures in non-metro centers create a need for enhancement in technology

Technology push

- Online support for web based assessment, interviews, certifications tests, online courses and data analytics

Niche propositions

- Established players and new players may enter niche segments with differentiated offerings
- Small players catering to niche markets like students/alumni of tier I colleges, startup hiring ecosystem and seekers available to join the companies immediately
- New companies may focus only on one sector with high end recruitments only for middle management
- Dedicated micro portals for e-commerce and emerging sectors such as fin-tech, small and payment banks



Social network

- Portals could need to focus on social media integration to: tap into the huge user base; enhance marketing effectiveness and generate more content/background candidate information
- Leading recruitment portal tie-up's with global social networking giants point towards the trend
- Indulgence of the leading professional network portal will be a partnership opportunity or a threat in near future

 **Automotive classifieds**

Market characteristics

- 65 per cent of Indian consumers use internet to research before purchasing a car
- Hatchbacks, with more than 50 per cent of listings, dominate the re-sale/used car online market
- The listings are primarily sourced from pre-owned car dealers
- The average ticket size of cars listed ranges from INR 3 lakh – INR 4 lakh

Source: KPMG in India analysis, Google search trends 2016, Company websites / applications and Primary interactions with industry experts

The online automobile classifieds market is increasingly gaining traction fuelled by service quality, trust, convenience and ease of information availability. At inception, the market was fragmented with many players testing innovative models, differentiated technology, offline network and rich content. However, in recent times the market has consolidated to offer a better blend of services and technology on one platform, limiting the competition to two or three players. The market is largely divided in two parts:

Revenue models

The platforms act as a rich source of information, such as pricing, reviews, specifications etc. and enable booking test drives in select cases

The platforms provide location-based listings of used cars across segments with a range of value-added services

Value proposition

Advertising: Digital

Advertisements remain the primary source of income driven by OEMs and other ecosystem members. The pricing is based on the user base and online traffic

Subscription: Bundled services for a defined period

The subscription model, primary source of revenue, is a fixed or flexible set of services for dealers for a pre defined period of time. It includes ‘premium listing’ and ‘top of search’ options

New Cars



Used Cars



Lead generation: Bundles (Per 100 leads)

Lead generation relies on collated customer information, filtered for quality and uniqueness; sold to OEM’s on negotiated rates

Pay by sale: Higher of fixed fee or 1-2 per cent of GTV

To help dealers realise direct value for dealers a ‘Pay by sale’ was implemented. The natural challenge was to track transactions which occur 90 per cent offline. It is very difficult to monetise it to its 100 per cent potential with limited offline presence

Key insight

In recent times, the quality of leads has gone down and it poses a monetisation challenge due to limited technology and offline presence to verify leads

The big portals also provide an ‘auction module’ for financial institutions to liquidate bad assets. The portals charge on a subscription and commission model

Potential future revenue streams

Cross sales

With the automobile ecosystem growing, the online platforms have an opportunity to integrate with adjacent businesses and monetise through cross sales/lead generation

Data analytics and CRM

Players also have the opportunity to effectively analyse data collected, capture different stages of customer lifecycle and monetise with service offerings like insurance renewal, service reminder etc.

Auxiliary services

The C2C segment needs to be enabled for sustainable growth and hence introducing new revenue opportunities like cataloguing, third party inspections and certifications and 'Pay by sale' commissions

Key trends

Building a widespread physical presence through partner dealerships / franchises to enable inspections, certifications and warranty servicing. This is likely to result in increase in monetisation, mobilisation of new markets, sustainable business expansion and better control

Investment in analytics, technology, partnerships and offline field force to build an authentic ecosystem that runs on accurate listings, dealer feedback and customer ratings

In a quest to bring more of the offline transaction online, alliances like new launch booking through OEM, finance through online aggregators, accessories through offline sellers etc. are likely to continue to evolve to include new car purchases, leasing, servicing and many more options

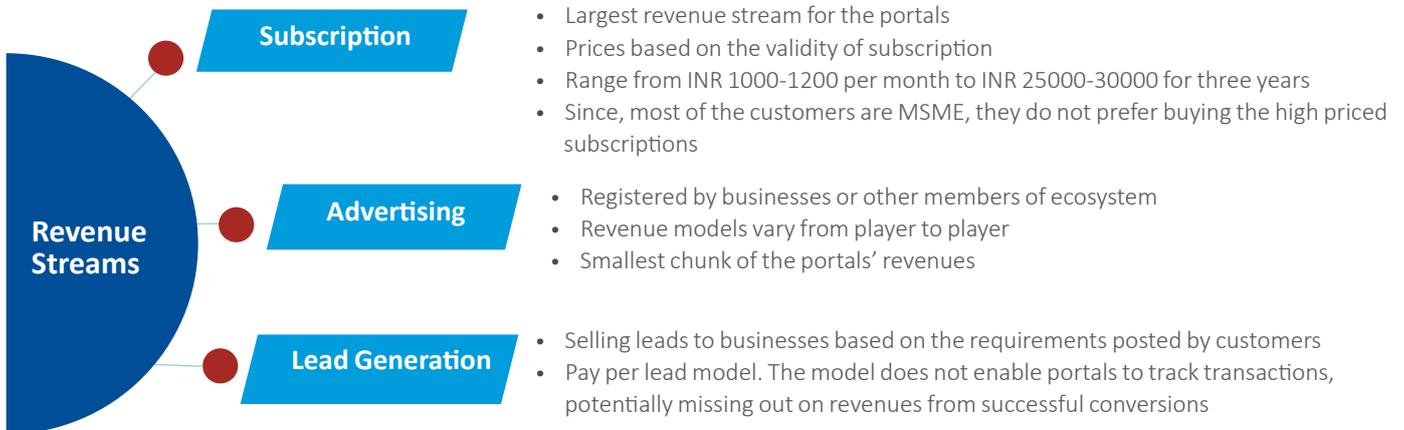


Work with technology for introduction of new user interface features like virtual test drives, 3D views, 360 degree view, lead management systems, digital brochures, expert views and much more

Used car market is bigger than new car market and is expected to grow at 15 per cent Y-o-Y. But, majority is sold through smaller dealers without any warranties. Online companies may use their brand and reach to organise this market with next phase in Tier-2 and 3 towns. It could help them improve volumes and become a part of the 'ready to burst' used car opportunity

Conclusion: The online automobile classifieds market in India is moving from a content based enabler to a transaction based platform by consolidating an array of services and building a comprehensive ecosystem for buyers and sellers alike

B2B classifieds



Potential future revenue streams



Portals can move towards becoming a one stop shop for fulfilling customer orders and provide an integrated software solution for both offline and online operations management for MSMEs



Collaborate with banks and trading companies to provide future market outlooks / trends on goods with volatile prices to MSMEs. This could help customers plan sourcing / sales better and improve profitability

Key trends

Growing with the customer

- Majority of the customers are MSMEs and hence their growth is most important for the portals. Established players could invest to financially support the smaller suppliers in order to create a loyal user base and eventually drive traffic for their websites
- The key players may further invest in analytics and supply chain management tools for MSMEs in order to show a better value proposition of paid subscriptions and hence drive monetisation

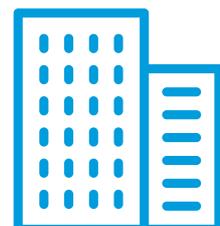


An integrated experience

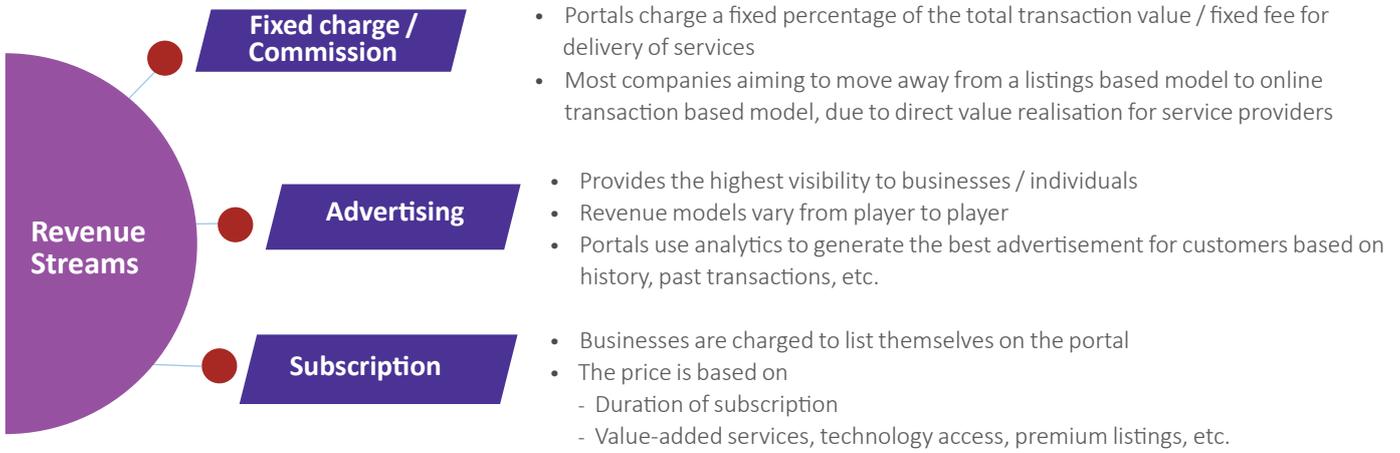
- Leverage existing network and integrate with a marketplace that provides search, purchase, payments, data security, customer support, logistics and order management for the high demand products and verified sellers. Such, integration helps B2B players analyse real time transactions and increase avenues of monetisation

Enable trade

- Traditional trading with international markets has been complex and expensive for Indian MSMEs. Hence, with technology as a medium, the key players can bring services like payment security, trade financing, forex services, logistics support and buyer leads to the desktop / mobile of the MSME and enable more business



 **E-services classifieds**



Potential future revenue streams

Training and standardisation: Key players can further monetise their existing registered restaurant / service provider base by launching training and certification programmes. Such, programmes could be a win-win partnership, as the certificates are expected to help vendors generate more business and the online portal will be able to develop standard services and control customer service quality

Loyalty programmes: Key players can further monetise their existing traffic and promote online booking / transaction by launching concepts of free “Reward points” on every transaction. It is expected to further help in improving the customer lifetime value

Partnership with B2B classifieds: Key players can further expand the customer support and partner with the leading B2B portals to enable efficient procurement of hardware and technology requirements for both customer servicing and customer requirements

Key trends



One stop shop

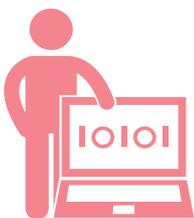
- The players may look to become a one stop shop for different services in a category; market may move towards consolidation and tie-ups as larger player look to expand the portfolio
- Acquisition of smaller players by large players in both ‘Food’ and ‘Home services’ segments

Collaborations and new verticals

- Horizontal classifieds and e-tailers may look to tie up with the services portals to get a share of the large services market and enhance their portfolio
- Tie-ups with smaller technology players to enhance online value added services and analytics



Growth through data analytics

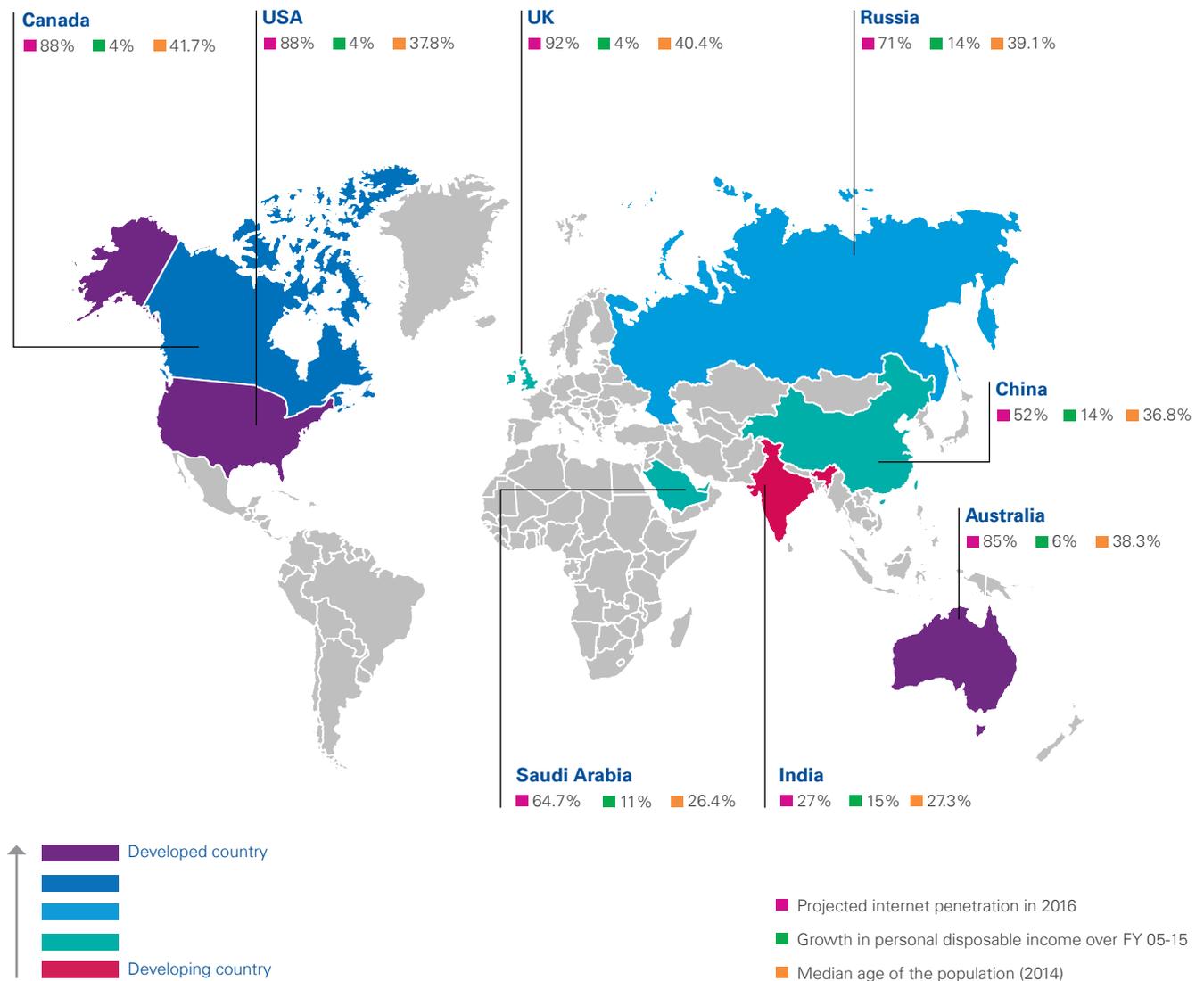


- Since the service levels and experiences vary from person to person; review, ratings play a very important role in the selection of a service provider. The portals may invest in analytics to provide the best inputs to the users.
- Since smartphones are driving most of the traffic, high investment in application features and technology may be expected in future.

Around the globe



An introduction to global markets



Source: KPMG in India analysis, Internet Live Stats, Economic Intelligence Unit (EIU) Research Estimate and CIA (The World Factbook),

Growth in internet penetration proves to have a huge impact on the strategies applied by the key players. At low levels of penetration, even marginal growth in internet penetration could result in huge growth due to the total untapped potential of the market. Hence, the strategy adopted is more towards bringing customers from offline channels on to the platform. Key indices cited by these players are the unique visitors, customer base and hits on the page. In countries with high penetration, critical mass of customers has already been achieved, hence, various monetisation strategies are implemented.

The increase in disposable income also proves to be another huge driver to predict what segments of the market could see activity. Apart from the evergreen segments like matrimony and jobs, increase in affordability leads to the higher income group looking at purchasing houses and reducing the cycle time for automobiles whereas lower income groups look to purchase second hand goods.

Median age helps determine the characteristics of the customers that are on the platform. Higher age groups look at purchasing houses or selling automobiles. Factors that increase convenience for a small fee are enjoyed. Lower age groups look at cycling products to buy the latest in technology. It also helps in understanding the rate of adoption of classifieds as lower age groups are more interested in trying the online options.

The India story

Unlocking the potential of the entire 1.3 billion^[40] population by bringing them online seems to be priority for players across all sectors and is complimented by ecosystem initiatives. Major players are trying to increase the adoption of online solutions over offline ones.

At the same time, small players are trying to carve a niche to cater to specific audiences and speed up adoption amongst classifieds users. The low median age can explain the popularity of second hand goods among horizontal players and high disposable income growth can explain the improving monetization-led high revenue growths in recent times.



Select case studies across the globe



United States of America

A leading horizontal classifieds player

- An estimated market share of 70-80 per cent
- Presence across multiple categories including recruitment, housing, personals, used goods and e-services

A leading real estate classifieds player

- Clear dominance with one of the largest living database of 110+ million U.S. homes
- Acquisition of more than 10 companies, serving niche markets, in last five years

- Established online portals, with volume-focussed strategy in a developed market, have started suffering with fraudulent and criminal activities. Hence, fast growing players in developing markets like India, should start focusing on verification processes and ratings systems to avoid difficulties post mass engagement.
- With aggressive acquisitions across the vertical market, a few key players have created a unique bouquet of value propositions to cover entire spectrum of local needs. Such acquisitions provide market expertise and a loyal user base, that otherwise, could have taken considerable period to build. Indian players could look at similar market consolidation to acquire new value propositions and emerge as a platform for all demands.



China

A leading horizontal classifieds player

- An estimated market share of >70per cent
- Merged with one of the biggest competitor and acquired platforms across key verticals (mentioned below)
- A leading portal in C2C used car trading platform, with ability to track offline transactions creates cross sell avenues like finance, insurance, etc.
- Valued at ~ USD 1 billion, leading O2O local service platform provides training and enables process standardisation for local businesses
- A leader in the secondary home sale market, building holistic packages for buyers through services on the horizontal portal

- The major players coming together, across horizontal and vertical businesses, to drive monetisation through monopolistic position and enable new business opportunities via cross selling of goods and services
- While classifieds leads as a revenue source today, future growth is expected to be driven by O2O services. The O2O services not only drive revenue but also support in enhancing the backend operations including verification of properties, certification of automobiles, quality monitoring of service providers and much more.

Key case studies across the globe



United Kingdom

A leading automotive classified

A leading property classified

- Launched as a magazine, evolution has been a key trend over time.
- A few years after launch, the company set up a mobile site and a year later it created separate mobile offerings for different handset configurations to enhance customer experience
- It has ridden the digital marketing wave since its inception, gaining a market share of around 77 per cent , while focussing on the organic way throughout

- Unique among other prominent markets, a few vertical players have grown predominantly on the strength of product, service offerings and marketing, while keeping acquisitions to a minimum. One of the key strategies was the constant evolution of service and value proposition proactively as well as reactively over time.
- The vertical players dominate the market by building loyalty through differentiating market experience and positioning themselves as a 'One stop shop' for all customer needs.



Middle East

A leading horizontal classifieds player

A leading automotive classifieds player

- Covers key markets in the middle eastern region
- Present in 19 countries with vernacular options across regions
- It rewards sellers for positive comments and feedback to enable credible listings and business
- The rewards include free top of page listing, star profiles, etc.

- The local vernacular adaptation, unmatched user mobile application and coverage across categories have helped the key horizontal players gauge high volumes in a short period of time in a market highly dominated by smartphone users
- Contrary to the strategy of other markets in setting internal checks and filters on sellers, a few players have adopted the method of gauging customer feedback and rewarding high ratings for sellers. The differentiated positioning as a reward creates a strong incentive for sellers to populate advertisements with accurate descriptions and maintain high standards of conduct with the customers.

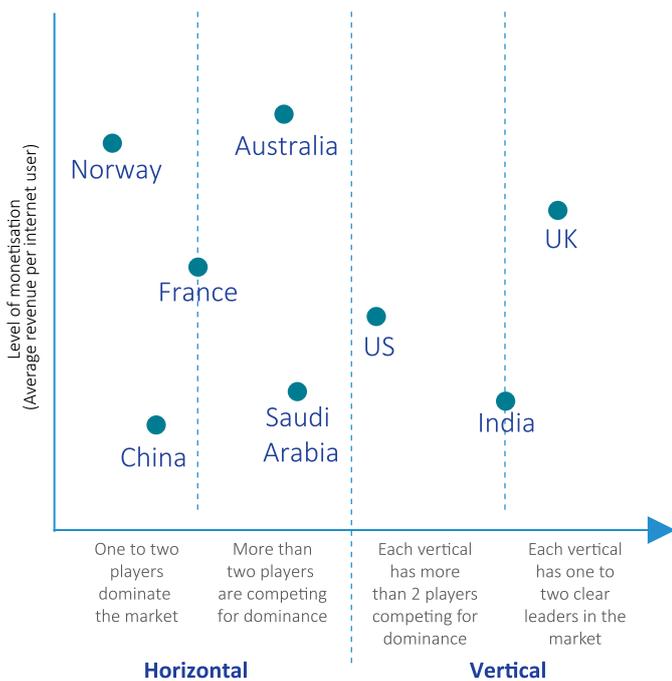
How does the Indian market compare with the globe?

The global digital classifieds market proves that there is no one size fit all. Several countries exhibit variations in market structure and monetisation levels amongst themselves in the backdrop of homogeneous market conditions.

UK is a vertical dominated market with clear market leaders in each vertical category. UK, with high levels of monetisation, seems to be reaping the payoffs of a well established and trusted market.

China, however, is a horizontal dominated market with an alliance commanding a majority of the market share. Due to a fast paced and inorganic growth to domination, it lacks stability and faces stiff competition from smaller players with niche value proposition and creating a bar in terms of monetisation. This horizontal domination is expected to improve existing business monetisation and further create cross sell revenue opportunities.

Growth of digital classifieds in India from 2011 to 2020P



Source: KPMG in India analysis

Key digital classifieds players in Saudi Arabia have been able to successfully penetrate and monetise the market, in a short period of time, due to a large expatriate base and impressive internet penetration levels. The geography plays host to multiple well established vertical and horizontal players. A lot of vertical players offer innovative technology enabled services to entice the customers, whereas, the co-existing horizontal players are trying to monetise volumes.

The United States holds an interesting position in this spectrum of digital classifieds as it has strong general classifieds along with dominating vertical players across key categories. Although the market started off with a considerable horizontal dominance, limited category level specialisation and increasing reports of fraudulent cases exposed both the vertical and horizontal space for new domestic and international players. Today, both horizontal and vertical players hold comparable market space. The market, though one of the oldest, has encountered lack of active monetisation by a few big players and hence has achieved only moderate levels of monetisation.

The India story

The Indian market has relatively matured verticals, like Matrimony and Recruitment, which have been able to champion specialisation and monetise portals more successfully as opposed to their horizontal counterparts. Such well established players with fast growing new verticals have caused the present market structure to be tending towards the “Vertical” side of the axis.

The categories, as individual sub markets, have two to three players serving the mass markets and a few small players trying to serve niche demands.

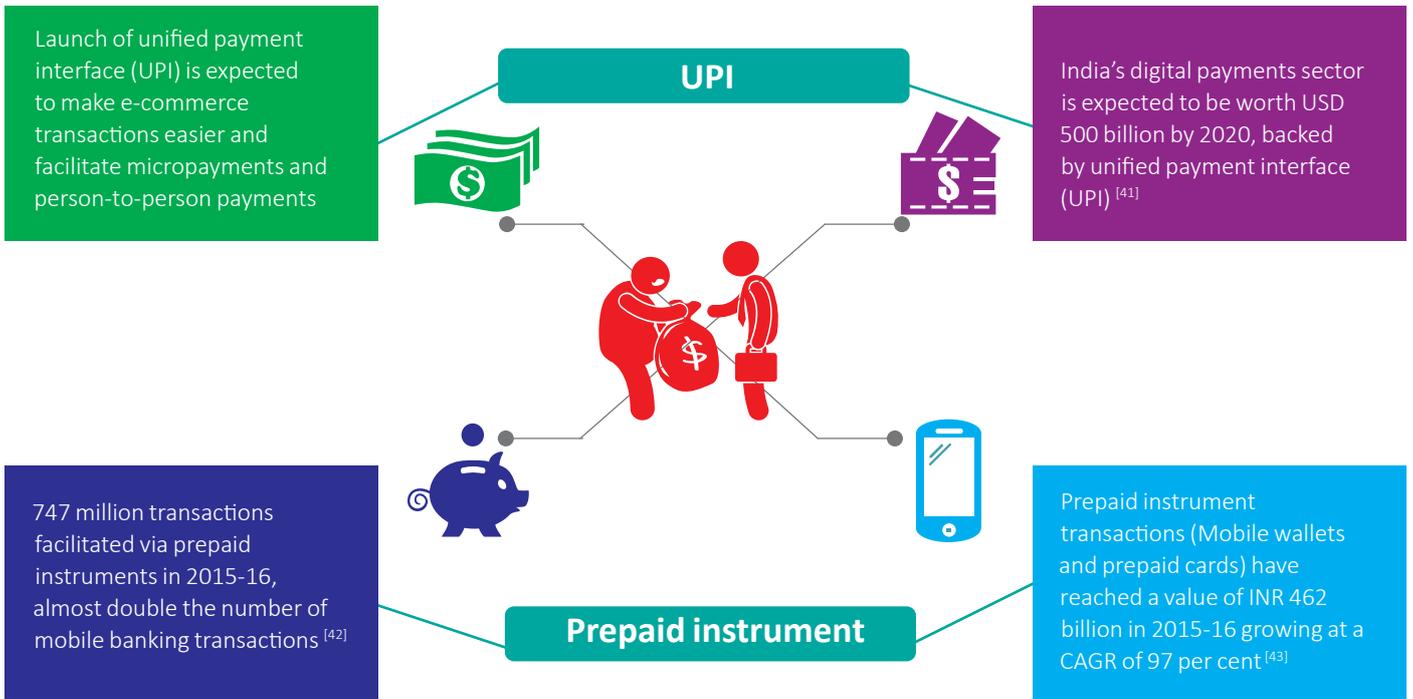
On the other axis, the relatively low “Level of monetization” can be attributed to comparatively low levels of internet penetration, somewhat low level of maturity and dynamic nature of the market.



Future of digital classifieds in India



Online payments to enable business growth



With the evolution of E-commerce in the country, the payment ecosystem has been developing innovative products to enable online transactions and reduce cash burden on the economy. The new payment initiatives are expected to secure transactions, enable mobile payments and promote micro online transactions. Such a payment ecosystem, if successful, could

- empower easy online transactions, enable transaction level tracking and promote transactional revenue streams
- make subscription and advertisement payments convenient through online channel. Hence, providing an opportunity of enhanced monetisation with leaner offline presence

Source: [41], [42] & [43] – Digital Payments 2020, BCG-Google study, July 2016

Classifieds 2020



The e-commerce customer - Convergence of E-tailing, E-services and digital classifieds

The classifieds, over time, have tried and tested various charge-out models to maximise monetisation. The easiest to sell is the “Pay per transaction” model due to the benefit of direct monetary realisation by the good and service provider. Hence, the digital classifieds, in order to maximise utilization of existing user/data base, started indulging in either sale of goods or booking of services. For a few, the strategy was further enforced by the government relaxation of 100per cent FDI in marketplace model.

Further, a few digital classifieds have integrated across E-tailing and E-services portals to enable cross-sell business. For example, a leading C2C portal partnered with a leading E-tailing portal for sale of used electronics before purchase of new products.

Such developments have brought the E-tailing (mostly marketplace model), E-services and digital classifieds businesses to enable E-commerce as a whole and enable improvement in revenue

realisation. Though very nascent, it has been successful and shows promising potential in the future.

The future lies in ‘knowing the customer’ and ‘smart technologies’, which could enable these businesses to work in robust harmony with each other and improve the lifetime value of a customer. Hence, a few key horizontal classifieds have already started investing in these technologies to track a customer through his/her mobile device.

The vision is to have a reminder of due service of an automobile with nearby service providers sorted by standardised quotes or flower buying options on Valentine’s Day with recommendation of the nearby restaurant booking options based on the user’s tastes and preferences.



Mobile continues to create buzz

India is at par with the U.S. in number of smartphones users with ~220 million users in August 2016 and expected to grow to ~500 million users in 2020^[44]. At the same time, the internet population is expected to grow from ~350 million users to ~650 million users^[45]. Hence, the next wave of internet boom is likely be driven by the increasing adoption of affordable smartphone devices amongst the masses, present across Tier-II and below semi-urban and rural areas. This outlook is reflected from the trends in 2015 wherein three out of four smartphones shipped to India were priced less than INR 10,000^[46]. In a developing country of 1.3 billion, ~986 million already have a wireless telecom subscription^[47]. Hence, with rising disposable income, reducing cost of smartphones and improving technology the migration is expected to be easy and definite.

With the introduction of technologies such as 4G and 5G at affordable rates and the projected omnipresence by 2020, smartphone is expected to become the preferred point of internet access for the majority. With regard to the traffic pattern on digital

classifieds, the rapidly growing share of mobile traffic on these portals is testimony to the anticipated outlook of clear domination of mobile traffic by 2020. The key horizontal classifieds attracted ~80 per cent of the traffic via mobile. The same trends found an echo in the Matrimony and Recruitment classifieds with ~45 per cent and ~40 per cent mobile traffic in 2015^[48].

Hence, digital classified companies may have to invest on the mobile users and platforms to drive sustainable growth. These companies are expected to design supreme yet light mobile interface, provide all services through mobile websites and applications, capture and analyse mobile usage data and enable mobile transactions.

Source: [44], [45]– Digital retail in 2020: Rewriting the rules, Google-A.T.Kearney study, May 2016 and Digital Payments 2020, BCG-Google study, July 2016
[46]- India Mobile Handsets Market by CyberMedia Research (CMR), dna(<http://www.dnaindia.com/>), January 2016

[47] - Telecom Regulatory Authority of India (TRAI), IBEF (<http://www.ibef.org/>), July 2016

[48] – Business today (November, 2015), Economic times (February, 2016) and Medianama (August, 2015)

Classifieds 2020



Transition in the classifieds industry: Offline to Online

The classifieds, as a business, is driven by the interconnected cycle of number of listings and number of visitors. The launch of digital classifieds with free-to-user model has fuelled rapid adoption in the background of fast digital growth and enabled a shift in power from print publishers to digital classifieds in the recent past.

This led to an upheaval among traditional media publishers and caused leading companies to redefine their business strategies and embrace the new customer reach channels. Further, the low cost of the digital classifieds space and customisable advertisement options, led to easy acceptance of classifieds amongst the ~51 million SMEs (FY 2015) ^[49] powerhouse of the country.

Hence, India has witnessed a remarkable adoption of digital classifieds amongst the users despite limited penetration of Internet in India. In 2015, digital classifieds contributed 25-30 per cent to total classifieds market of India^[50].

By virtue of the inherent advantages of digital classifieds business model, including low costs, better positioning and targeted advertisements and guarantee of large user base are likely to continue to drive the migration from offline to online channel. Further, the focus in the past has been on building a critical mass on online platforms and hence the future holds a high potential monetisation opportunity. Hence in 2020, the online platforms are expected to be almost at par with the offline channels in terms of revenue.



Online to Offline services (O2O)

The offline transaction, though a direct cost for players today, plays a very strategic role in enabling business for digital classifieds. The transaction may vary from used goods pickup and delivery for transactions on horizontal classifieds to product verification and certification for automobile classifieds, from seller onboarding for B2B classifieds to offline matchmaking centres for matrimony classifieds and from property cataloguing for real estate classifieds to applicant screening support for recruitment portals.

The operationalisation of such offline transactions has been primarily through third party alliances and partnerships in majority of the cases in India. The initial testing phase and limited volumes have been the key reasons for the partnership strategy.

The inherent risks of security and limited penetration of digital classifieds market will keep the offline services a must-have for the players in near future. Further, the upcoming segment of E-services

is expected to be heavily dependent of the O2O model. The O2O model for E-services will not only have verification and on-boarding of vendors but could further evolve over time to include service quality standardisation, process training and reducing turnaround time (TAT).

Though enabled by technology, E-commerce for unorganised markets in developing countries is likely to have an equal role of the O2O services. They could be enabled by third party partnerships for verticals in the initial stages of development and related diversification for more mature verticals.

Source: [49] – Google India aims to bring 20 million SMEs online by 2017, Forbes India, May 2015

[50] – KPMG analysis and primary interactions with industry leaders

Classifieds 2020



The power of customisation and localisation

India is one of the most vernacular countries in the world, with the non – English speaking population at ~88 per cent^[51] of the overall population. India has over 780 regional languages of which 22 are recognised by the constitution as official languages of the country.

Of the overall internet population today, 45-50 per cent^[52] people are consuming content in local languages. Further, according to IAMAI, enabling local language content on the Internet is expected to lead to a growth of ~39 per cent^[53] in the current Internet user base, mostly from the rural users. This creates an opportunity for the digital classifieds players to tap this high potential user base.

Further, localisation is an emerging trend in digital classifieds which rests on the basis that users are more likely to enter into transactions with other users in the same geographical area rather than users in different geographical locations.

Hence, there may be an increased focus by digital classifieds on enabling vernacular interactions. They are expected to invest in language specific interfaces, easy regional language content development, smart translation technologies, language specific advertisements and vernacular customer support.



Differentiation is the key: The technology mantra

In the Indian E-commerce story, technology has played a pivotal role in changing consumer behaviour. Hence, digital classifieds could have to leverage this power of technology to develop a

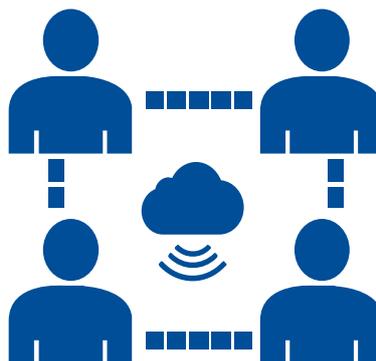
sustainable business in a market defined by diverse needs and demands. The key investments in technology, in the coming years to 2020, are expected to be around the following essentials:

Security and data privacy:

Customer information protection, payment security, authentic listings and credible users to be key necessities in the run up to 2020. The future could have automated filters and cleaners based on time, feedback and transactions tracking

Last mile communication:

Last mile communication of customized promotions in the user's current platform would lead to increased span of attention from the customer, enhanced customer experience and better conversion ratio



Social media integration:

Apart from a large user base and supreme user information, social media platforms help classifieds develop a community. A community for promotions, feedback and customer engagement

Value Added Services:

Online services supplemented by new technologies (such as 3D technology, virtual reality, digital brochures etc.) that bring features of the offline ecosystem to the users machine. These add a feeling of familiarity, hence, boost adoption.

Source: [51] and [52] – Internet and Mobile Association of India and market research firm IMRB International, June 2015

[53] – Internet and Mobile Association of India, February 2016

Classifieds 2020



Future market structure: Fragmentation vs consolidation

A look at the global markets shows a need for becoming a one-stop shop for online users to command market dominance. This has been achieved by aggressive acquisitions in developing markets like China and organic growth by in-house specialisation in developed markets like the U.K.

In India, the digital classifieds market 2020 is set to achieve a more structured oligopolistic outlook, as opposed to the current fragmented structure. The current market has been showing increasing signs of consolidation through inorganic mergers and acquisitions. The key reasons for inorganic path include:

Strategic: The strategic intent of players to simply capture a large existing user base, quickly command dominance and drive

monetisation. Larger players have in the past taken a step in this direction by acquiring smaller players in the market

Operational: Another key reason is to achieve specialisation in specific verticals, as this seems like a quicker and cost efficient way to achieve operational efficiency.

This trend could continue in the future and lead to domination by two or three large players in each category. Further, in such a fast paced market, these consolidations may spill over to other categories in Indian E-commerce to build an effective and efficient ecosystem for users in the future.



Who is the protagonist - advertisements

The digital classifieds market has seen huge spends on advertising with over 70 per cent of the costs being marketing costs. This trend is likely to continue till key players emerge in the market. The key strategy in advertisements seems to be around educating customers, endorsing value propositions and publicising ongoing promotions. However, the focus is always around a protagonist based on online consumer behaviour and user demography. In the future, the protagonist at the centre of advertisement strategy for various verticals could be:

Horizontal: The horizontal digital classifieds space may have to focus on increasing listings or increasing number of visitors on the portal. In the future, the B2C space is likely to concentrate its advertisement efforts on attracting more visitors to enable transactions, whereas the C2C space is likely to concentrate its communications to increase the number of listings by focusing on easy listings and technology support for the sellers

Matrimony: The gender ratio in India is skewed at 943 females for every 1000 males^[54] and is forecasted to remain similar in future. Further, the proportion of listings on the web portals are also dominated by male profiles. Hence, women are most likely to continue to be the focus of marketing communications. Further, in the future the communication are expected to also focus on individuals rather than parents as the individuals are gradually becoming more involved in the decision making.

Jobs: The major source of revenue for online job portals i.e. 90-95 per cent is contributed by recruiter services^[55], therefore marketing communications are expected to be focussed on job applicants to drive them to register on the portals.

Real estate: The real estate digital classifieds space is still in the early stages of growth and the listings are dominated by builders and brokers. Further, with newer technology based services such as 360 degree view, listing convenience, subscription management etc., the focus is likely to be on educating individual users. Therefore, the advertisements are more likely to be focussed on the individuals on both the buying and selling side. It could help reduce the resistance of online real estate transactions by individual users.

E-services: The e-services space is fairly small in the Indian market and is currently focussed on increasing its visitor traffic while on-boarding service providers offline. Hence, marketing communication efforts is majorly concentrated towards promoting usage of online channels amongst the internet population and may continue with the same fervour. Further, the advertisements may be around enabling online transactions through promotional offers and discounts.

Source: [54] – Indiaonlinepages.com (<http://www.indiaonlinepages.com/>)

[55] – KPMG analysis and primary interactions with industry experts



Glossary

Term	Definition
B2B	Business to business
B2C	Business to consumer
C2C	Consumer to consumer
CAGR	Compound annual growth rate
CoD	Cash on delivery
CRM	Customer relationship management
E-commerce	Electronic commerce
E-services	Electronic services
E-tailing	Electronic retailing
FY	Financial year
GDP	Gross Domestic Product
GST	Goods and services tax
GTV	Gross transaction value
IAMAI	Internet and Mobile Association of India
LSP	Logistic service provider
M-wallet	Mobile wallet
MMR	Mumbai Metropolitan Region
MSME	Micro, Small and Medium Enterprises
NCR	National Capital Region
O2O	Online to offline
OEM	Original equipment manufacturer
PPP	Purchasing power parity
SLA	Service level agreement
SME	Small and Medium Enterprises
TCS	Tax Collected at Source
TV	Television
VAS	Value added service

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