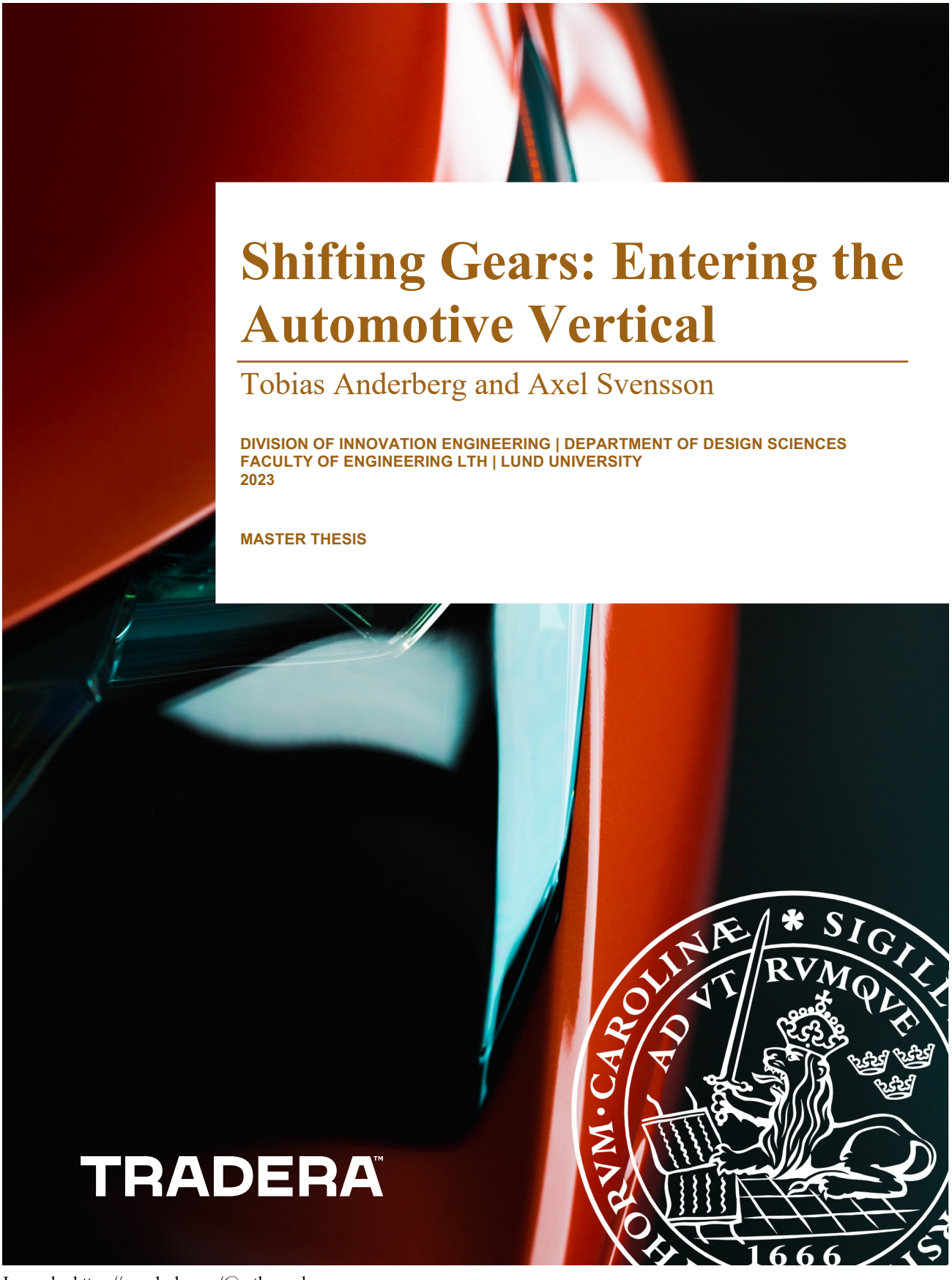


# Shifting Gears: Entering the Automotive Vertical

Tobias Anderberg and Axel Svensson

DIVISION OF INNOVATION ENGINEERING | DEPARTMENT OF DESIGN SCIENCES
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## Assessing the Viability of Tradera's Expansion into Automotive Advertising

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LUND
UNIVERSITY

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# Abstract

Tradera, Sweden's leading online marketplace for circular consumption, is considering entering the online automotive advertising market in Sweden as a new vertical to diversify its business.

This thesis aims to determine if Tradera should enter the online automotive advertising market and to propose a strategic roadmap for entry if it is determined to be beneficial. The scope of this project was threefold: 1) to assess Tradera's capabilities for undertaking the expansion, 2) to determine the most suitable approach to market entry, and 3) to investigate the effectiveness of a performance-based pricing model as a means to penetrate the market.

Through a combination of literature review, an online survey, and interviews with industry experts, the research identified and evaluated the barriers to entry and potential enablers for Tradera's entry into the market. It was found that the market is highly competitive with medium to high barriers to entry. Among several specific barriers, the research highlights three main ones: 1) the two-sided network effects of current market leader Blocket, 2) predicting the timing of the market's development as it's pushed towards transactional business models, and 3) proving tangible value with performance-based pricing without operational complexity.

To overcome these barriers, the research identified several enablers which Tradera must fulfill, including: 1) leveraging its brand recognition, association with trust, and high platform traffic, 2) offering customers the option to buy used cars either online or offline, and 3) leveraging its in-house expertise and existing infrastructure to develop an operational lead-based model from the start.

Lastly, a roadmap to launch has been defined in three phases: penetration, monetization, and reinvention. This roadmap highlights the requirements, actions, and concrete suggestions that should be executed.

**Keywords:** Online automotive advertising, performance-based pricing, classifieds, marketplaces, transactional models, monopolistic markets.

# Sammanfattning

Tradera, Sveriges ledande marknadsplats för cirkulär konsumtion på nätet, överväger att gå in på marknaden för bilannonsering på nätet i Sverige som en ny vertikal marknad för att diversifiera sin verksamhet.

Detta examensarbete syftar till att avgöra om Tradera bör gå in på marknaden för bilannonsering online och att föreslå en strategisk plan för inträdet om det bedöms vara fördelaktigt. Projektet hade tre syften: 1) att bedöma Traderas möjligheter att genomföra expansionen, 2) att bestämma det lämpligaste tillvägagångssättet för marknadsinträde och 3) att undersöka effektiviteten av en prestationsbaserad prismodell som ett sätt att penetrera marknaden.

Genom en kombination av en litteraturstudie, en online-enkät och intervjuer med branschexperter identifierades och utvärderades hindren för inträde på marknaden och potentiella möjligheter för Tradera att komma in på marknaden. Det konstaterades att marknaden är mycket konkurrensutsatt med medelhöga till höga hinder för inträde. Bland flera specifika hinder lyfter forskningen fram tre huvudsakliga hinder: 1) de tvåsidiga nätverkseffekterna hos den nuvarande marknadsledaren Blocket, 2) att förutse tidpunkten för marknadens utveckling när den pressas mot transaktionella affärsmodeller, och 3) att bevisa konkret värde med prestationsbaserad prissättning utan operativ komplexitet.

För att övervinna dessa hinder identifierade forskningen flera möjliggörare som Tradera måste uppfylla, bland annat: 1) utnyttja sitt varumärkeskännedom, association med förtroende och hög plattformstrafik, 2) erbjuda kunderna möjlighet att köpa begagnade bilar antingen online eller offline, och 3) utnyttja sin interna expertis och befintliga infrastruktur för att utveckla en operativ lead-baserad modell från start.

Slutligen har en strategisk plan för lanseringen definierats i tre faser: penetration, monetarisering och förnyelse. Denna plan belyser de krav, åtgärder och konkreta förslag som bör genomföras.

**Nyckelord:** Bilannonsering på nätet, prestationsbaserad prissättning, klassificerade annonser, marknadsplatser, transaktionsmodeller, monopolistiska marknader.

# Acknowledgements

This master thesis was conducted at the Department of Design Sciences at the Faculty of Engineering (LTH) at Lund University in collaboration with Tradera.

We'd like to express our gratitude to Tradera for inviting us to write this thesis, and specifically to Stefan Öberg, Pierre Norberg, and Björn Söderström for their insightful and valuable contribution.

Likewise, we want to thank our supervisor Lars Bengtsson, for overseeing our work and providing us with support and guidance throughout our journey.

Finally, we want to thank all the people contributing to our thesis and providing us with ever so insightful feedback. Special thanks go to Johan Palmér for his assistance in supplying us with lots of valuable data. This thesis would not have been possible without the courtesy of so many contributors.

Lund, May 2023

Tobias Anderberg & Axel Svensson

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# List of Definitions, Acronyms and Abbreviations

| *Term* | *Definition* |
|---|---|
| ***Agency model*** | A business model in car retailing that involves resellers acting as intermediaries between customers and manufacturers, earning commissions for each sold car without owning them. |
| ***BEV*** | Battery Electric Vehicle |
| ***B2X*** | A transaction model where a business sells goods or services to any entity, including businesses and consumers. |
| ***C2B2C*** | A transaction model where a consumer sells goods or services to a business, which in turn sells those goods or services to another consumer. Often used by transaction participating platforms. |
| ***C2X*** | A transaction model where a consumer sells goods or services to any entity, including businesses and other consumers. |
| ***Escrow*** | A financial arrangement in which an agent holds funds on behalf of two parties in a transaction until it is completed. |
| ***Horizontal market*** | A market where a product or service is designed to meet the needs of a wide range of industries or business sectors |
| ***OEM*** | Original Equipment Manufacturer |
| ***Parts exchange*** | Using the value of an old car as part of the payment for a new car, thus effectively selling the old car to the dealership by subtracting its value from the price of the new car. |
| ***Vertical market*** | A market comprises a group of companies and customers who are all interconnected around a specific niche. |

# 1 Introduction

*This chapter serves as an introduction to the thesis, offering a thorough background on the relevant topics and outlining the research questions and objectives of the study.*

## 1.1 Background

Over the past decades, the rapid expansion of digital technologies has transformed the way we buy and sell goods, and the commercial used-car market is no exception. Despite remaining largely traditional and centered around local dealerships, online platforms such as Swedish Blocket, UK:s AutoTrader, and Mobile.de in Germany have started bringing carsales online (Baranowski et al. 2023; Öberg & Norberg 2023). The convenience and accessibility of these platforms have established them as an important part of the car-buying journey. In Norway for example, almost three-quarters of car-buyers start by browsing online ads according to a McKinsey report (Meffert et al. 2015). When examining the Swedish market, an even greater number of people may turn to digital platforms, as Sweden repeatedly tops the Network Readiness Index (Reynoso et al. 2022). This ranking evaluates the application and impact of information and communication technology on global economies. According to interviews with individuals who have had long experience in the market, Sweden is considered to be a mature market with a high rate of adopting new innovations. Notably, Sweden stands for almost 55 percent of used car sales in the Nordics, according to Robin Suwe (2023) during Schibsted Capital Markets Day.

Wester (2020) defines online *classifieds* as digital advertising platforms that connect buyers and sellers without on-platform transactions. Platforms that do facilitate some form of on-platform transactionality, on the other hand, are labeled as a marketplace (Wester, 2020). Online classifieds are the main choice for trading vehicles online, as described in more detail in section 3.1. These platforms have been around for decades, offering car dealerships and consumers the possibility to browse and put out ads for their cars. Only in the last few years have platforms started to emerge which offer additional services (Levine & Syed 2014; Claid.ai 2022; Myers 2022). As this paper will demonstrate, the Swedish used-car market is now highly competitive, with a diverse range of actors and business models.

Consumers have a wide variety of options, ranging from more basic classified advertising websites like Blocket to full digital experiences such as Blipp.

As the used-car market seems to follow the shift towards more online-focused experiences (Meffert et al. 2015), it's increasingly important for businesses to understand the dynamics of digital platforms and the markets they operate in. Although online advertising is maturing (Chapman & Goodwin 2019), differentiation is more important than ever for horizontal platforms (i.e., platforms that offer ads across a wide range of categories) (Meffert et al. 2015). With the convenience and accessibility of online advertising platforms, it is important to explore how businesses can leverage these sites to their advantage and provide value to their customers. This motivates a need to shed light on the changing landscape of the used-car market, in order to build an information-based foundation for enabling better decision-making for businesses operating in this space.

### 1.1.1 Definition of a Used Car

A *used car* is generally referred to as a vehicle that has been previously owned by one or more individuals before being sold to a new owner. A more specific definition of a used car comes from the European Commission (n.d.). When buying a new car, VAT is paid and not refunded unless it's sold to a customer in another EU country. When buying an old car, VAT may or may not be separately mentioned on the invoice. A car is considered new for VAT purposes if it has been in use for no more than six months or driven for no more than 6000 kilometers. By contradiction, a car should therefore be deemed used if it is *older than six months or has been driven more than 6000 kilometers*.

A clear definition of a used car will help to ensure that all parties involved in the thesis are on the same page. This will prevent any confusion or misunderstandings that may arise due to different definitions for parties contributing to this thesis.

It is important to differentiate between used cars and new cars, as the sales channels for each differ significantly. New cars are usually sold through authorized resellers that are affiliated with the car manufacturer, and who offer new cars at the manufacturer's suggested retail price. Used cars, on the other hand, are sold through a larger variety of channels, including private sales, dealerships, and online classifieds and marketplaces (Arora 2023). Used-car sales involve direct transactions, both between two individuals and between individuals and professionals, and are often subject to negotiation.

### 1.1.2 A New Venture for Tradera

This project was done in collaboration with the company Tradera and supervised by Björn Söderström, Business Developer at the company. Tradera is a marketplace for circular consumption in the form of online auctions where users buy and sell second-hand products. Boasting a membership of over 3.2 million, attracting 6 million weekly visits and registering over 4 million daily active auctions, Tradera stands as the largest circular marketplace in the Nordic region as of 2022 (Tradera 2023a).

Based on initial briefings about the company, the service has gone from focusing entirely on private sellers to having a broader content, including partnerships with external brands, companies and organizations to further accelerate sustainable consumption. Initially a platform solely dedicated to auctions, Tradera has in recent years also incorporated fixed-price sales into its offerings via a "Buy-now" option for sellers. (Söderström 2023)

Consumer-to-consumer (C2C) online shopping has received widespread media attention for trustworthiness issues, particularly situations where buyers have not received the goods they have paid for (Gustafsson 2019). In an attempt to improve security, Tradera has implemented a system where buyers and sellers rate each other on a scale of one to five in different categories when making a purchase (Tradera 2023b). There is also the opportunity to leave personal comments about the transaction. Tradera recommends that buyers check the seller's previous ratings before buying. In 2016, Tradera introduced the possibility to perform identity verification with BankID to ensure that the account is used by the person who registered it (Gunnilstam 2016). Notably, Tradera received the fewest police reports of ad fraud among popular platforms during the first quarter of 2021, when looking at Region Väst (see Figure 1.1).

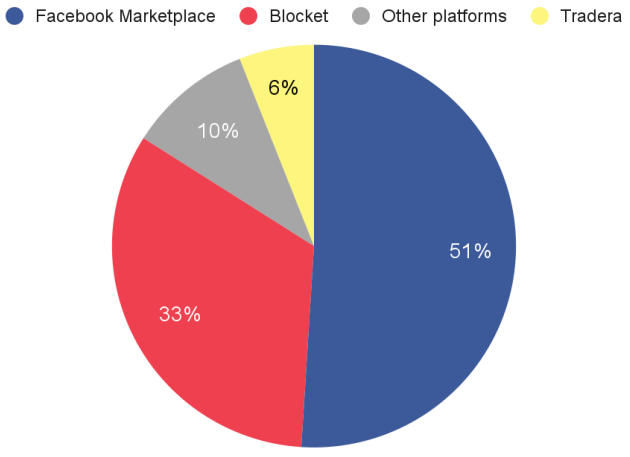


**Figure 1.1 Police reports of ad fraud per platform (Polisen Region Väst 2021).**

From debriefing the organizational capacity of Tradera in an interview with CEO Stefan Öberg, Chief Marketing Officer Pierre Ferraud Norberg and this project's supervisor Björn Söderström (2023), it has been revealed that Tradera possesses noteworthy technological expertise that can be effectively utilized to explore new opportunities. For instance, they have already implemented a solution for integrated payments on their website, which can be readily extended to accommodate larger transactions. In addition, Tradera holds a payment license which some major competitors don't (such as Blocket), enabling them to facilitate payment transactions as an intermediary between buyers and sellers. Furthermore, Tradera exhibits a strong aptitude for innovation and has the potential to develop cutting-edge features, such as 360-degree video capabilities, AI tools, and personalized technology, if desired. (ibid.; Söderström 2023)

#### *1.1.2.1 A Horizontal Expansion*

Tradera is considering the possibility of expanding into advertising cars with a classifieds model. Initial discussions with Söderström indicate that Tradera has established itself as a market leader in the smaller goods segment, thanks to its efficient business model that facilitates shipping between buyers and sellers. However, this model is less effective for high-value advertising verticals (i.e., product categories) where larger and more expensive items are being traded, such as vehicles, which require physical appointments such as inspections. Currently, Blocket is dominating this market segment with a Fs model. Expanding would require Tradera to adopt an advertising model similar to Blocket's in addition to the current auction model. This would ensure smooth sales transactions.

Öberg (2023) suggest that in developed markets (in terms of technology maturity) where online advertising is dominated by multi-category, horizontal models (such as in Sweden), expanding into vehicle trading (including cars, motorcycles, caravans, boats, etc.) can be a potentially advantageous and profitable move if done correctly. According to Johan Palmér, Key Account Manager at Vroom (2023) approximately 1.175 million used cars were traded in Sweden in 2022. Vroom is Sweden's leading authority on statistics, history, and market information in the Swedish automotive market. This indicates a significant market with potential for substantial revenue. In fact, the automotive vertical of Blocket accounts for about 67% of their total operating revenue in Sweden as of 2022, as stated in Schibsted's annual report (Schibsted 2023a). The automotive vertical represents all sales of vehicles on the site. Additionally, a widespread dissatisfaction among dealerships with current advertising platforms, such as Blocket, has been emphasized by Söderström in initial communications with the company. Tradera views the large potential for revenue in combination with the dissatisfaction among dealerships as an opportunity for new entrants (Söderström 2023).

#### *1.1.2.2 Tradera's Capabilities to Expand*

An expansion to the automotive vertical would enable both private users and professional dealerships to list their pre-owned vehicles for sale on a digital advertising platform. Successfully implementing this venture has the potential to increase profits and benefit Tradera's current product mix through spill-over effects, according to Öberg & Norberg (2023). However, it would also require a reassessment and potential revising of the current platform and brand, as well as its business and pricing models.

While Tradera has the traffic, technical prerequisites and experience to expand and develop an innovative product, it would require significant financial and operational investment and mean a big change for the organization, Norberg adds. It would inevitably draw focus from the main operations. Tradera would need to invest in learning about the car industry, establishing partnerships with dealerships and additional service providers, and reconfiguring its brand, which is currently associated with trading smaller goods. They would also need to rethink their way of monetizing the platform.

One pricing model Tradera is considering is *performance-based pricing*, which is a model that does not charge an advertising fee. Instead, payment is based on actual contacts, links, emails, or phone calls, making it a promising option for online classifieds. Given that few to none significant platforms in Sweden currently seem to utilize performance-based pricing, there is uncertainty regarding how well it would be received if deployed by Tradera. As digital advertising platforms heavily rely on a large supply of both buyers and sellers of goods, there is also uncertainty regarding the difficulty in drawing car-focused traffic from other platforms. Nevertheless, to gain a foothold in the vehicle segment, it is crucial to offer customers, including both dealerships and consumers, a more competitive offer than their competitors'. Implementing a performance-based pricing model in conjunction with a high-quality product could provide the necessary competitive advantage in this regard. However, before Tradera can decide on this expansion venture, they need more indications and evidence that the necessary requirements are in place.

## 1.2 Purpose

The purpose of this thesis is to describe and analyze the current online market for used cars, with a focus on the Swedish market and its trends. Additionally, it will evaluate Tradera's potential success in entering this market, and provide a suggested roadmap for doing so. Furthermore, it will specifically assess the viability of performance-based pricing in relation to the market entrance. More specifically, this implies (1) investigating the strategic relevance of and whether Tradera has the required capabilities to carry out this expansion with regards to market barriers, (2) analyzing the most appropriate approach to market entry, and

(3) investigating the effectiveness of a performance-based pricing model for high-value advertising verticals, compared to traditional pricing models. The goal of this research is both to propose a strategic roadmap for Tradera if it is determined that entry is beneficial, and to provide generalizable insights regarding the price model.

### 1.2.1 Research Questions

The purpose of this thesis, as described above (Section 1.2), can be synthesized into three main research questions stated below. Addressing these questions will collectively determine the final recommendation regarding Tradera's potential venture into the market. The answers to the two first questions will together form the basis of an answer to the third question, whether or not Tradera should undertake the venture. In the case that they should, the answer to question three will also involve a roadmap to how they should enter the market.

**Table 1.1 Research questions**

| | ***Research Question*** |
|---|---|
| RQ1 | What are the main barriers to entering the Swedish car market with a classifieds model? |
| RQ2 | How can a digital marketplace, such as Tradera, overcome these barriers? |
| RQ3 | Should Tradera enter, and what strategic approach might they adopt to ensure a successful entry? |

## 1.3 Delimitations

In order to limit the scope of the RQs, some restraints will be applied to the investigation. First, the thesis will primarily address the Swedish circular market for vehicle sales. The geographic markets in study will be broadly considered at first, then narrowed down to focus on entering the Swedish market.

Second, as cars constitute the primary product segment within vehicle sales in Sweden (in terms of volume and profits) (Handelsfakta 2023), the thesis will be restricted to only explore car trade. However, it is important to note that Tradera wishes to include other segments within vehicles in this new business vertical as well, segments such as motorhomes, boats and motorcycles.

Third, a delimitation is placed on the technical aspect of the platform's functionality and design. Research will be carried out from a customer perspective

regarding platform design and functionality, but the actual implementation of these functionalities and designs will not be explored in depth.

Last, this thesis builds on prior analyses already carried out by Tradera. The results of these analyses will be used throughout the investigation, but the analyses themselves will not be recreated, or questioned, unless further investigations provide new or contradicting information.

## 1.4 Thesis Structure

*Chapter 1 – Introduction*

*Chapter 2 – Methodology*

This chapter outlines the research methodology selected for the project based on its scope and objectives. It provides an overview of the process, relevant approaches, and methods utilized in the research.

*Chapter 3 – Market Overview: Current Digital Platforms and Competitive Landscape*

This chapter offers an overview of the various types of platforms that have emerged to facilitate some form of digital part of sales processes, and in particular those concerning vehicles. It also discusses different business and pricing models on such platforms. In addition, a structural overview of the Swedish market for online advertising and sales of used-cars is provided. It offers a mapping of the competitive landscape, the prevalent business models, relevant macro trends and an outlook on the future development.

*Chapter 4 – Analysis of Barriers and Enablers in the Used Car Advertising Market*

This chapter builds upon the concepts and market descriptions presented in Chapter 3 by reviewing strategic approaches to market entry and highlighting the necessary prerequisites. It examines the importance of macro trends and utilizes analytical frameworks like Porter's Five Forces and SWOT/TOWS analysis to assess relevant entry barriers and expansion enablers.

*Chapter 5 – Discussion*

This chapter discusses the results and insights obtained from the analysis, broadly following the structure of the research questions. First, the current market situation and entry barriers are discussed from the focal point of the macro analysis and Porter's Analysis. Next, enablers to overcome these types of barriers are reviewed, with respect to Tradera's internal and external capabilities, using the SWOT/TOWS hybrid analysis. The last segment covers the main risks and

corresponding mitigation strategies of the market entry, mainly extracted from interviews and following Gioia analysis.

*Chapter 6 – Conclusions and Recommendations*

This chapter presents the conclusions and recommendations of the study. It summarizes the responses to the research questions and provides a roadmap based on the final recommendation. The chapter also includes validation of the results by respondents, discussion on contributions to academia, a critical review of the results, and suggestions for further research.

*Appendix A – Gioia Analysis*

This appendix gives a rundown of the complete Gioia analysis, where the first dimension is accounted for in full and the remaining nine as concise summaries.

*Appendix B – Main Survey Findings*

This appendix presents the most relevant survey statistics and findings, along with associated insights.

*Appendix C - Interview and Survey Questions*

This appendix outlines the questions asked in the survey and the general interview guide followed when conducting interviews.

# 2 Methodology

*This chapter outlines the research methodology selected for the project based on its scope and objectives. It provides an overview of the process, relevant approaches, and methods utilized in the research.*

## 2.1 Research Strategy

In order to successfully execute a research project, it's essential to apply a suitable methodology, or *research strategy,* that aligns with the objectives of the study. A research strategy can be defined as a plan of action designed to achieve the objectives of the research project. It involves both the plan of action, or *research design*, based on a distinct research logic and rationale, and a clearly defined research problem (Denscombe 2017).

Depending on the purpose of the project, there are various general research strategies available. For this project, a mixed strategy combining two strategies presented by Höst et al. (2006), a survey and a case study, was chosen. A case study can be used for an in-depth study of a certain case, and was in this project used to study a possible market entry into the digital advertising market for cars. A survey on the other hand, can be used for compiling and describing the current situation of a studied object. During the research, a survey was used as a part of the case study, with the intention of providing a mapping of the consumer perspective of the market.

### 2.1.1 Research Design

Höst et al. (2006) presents four main approaches to a research: exploratory, descriptive, explanatory, and problem-solving research. Given that the thesis aims to provide a basis for a business decision and implementation involving a relatively new pricing model, a combination of descriptive and problem-solving approaches characterizes this project.

Descriptive research is a research approach in which collection and analysis of factual data is used to describe real world phenomena (Aityan 2022). In this project, descriptive research has been mainly applied to answer RQ1 by describing the target market and its barriers to entry. It has also been used in RQ2, both to theoretically describe the strategic approaches to entering a market, as well as other conceptual frameworks, and to describe the consumers' view on online advertising platforms. Consequently, the descriptive research provides a foundation for subsequent problem-solving research.

In contrast to descriptive research, problem-solving research aims to find a solution to an identified problem (Höst et al. 2006). In this project, it has been used to answer RQ2 and RQ3, i.e., to investigate what the enablers are for Tradera to successfully enter the market, and to design an effective market-entry approach. Specifically, it has been employed to investigate the potential benefits and drawbacks of using a performance-based pricing model, which is a new phenomenon in the researched market.

The types of data collected can vary between research approaches. Generally, collected data can be classified into two types: quantitative and qualitative. Quantitative data is in the form of numerical values which are generated through structured and specific questions. Qualitative data on the other hand takes the form of words and is generated by broader, more open-ended questions (Sekaran & Bougie 2016).

Both quantitative and qualitative data have been used throughout this project to complement each other. Interviews and articles served as the primary source of information, making qualitative data the main type of data used for all three research questions, and thus for both the descriptive and the problem-solving research. To supplement this, quantitative data was gathered via a survey aimed at mapping consumer preferences within the researched market. It was mainly used in the descriptive research applied to help answer RQ1 and RQ2 by providing an empirical picture of the consumer perspective. In RQ3, the quantitative data was also used to motivate specific requirements and activities in how to approach the market.

## 2.2 Research Process

The research process of the thesis involved four phases: plan, collect, analyze and share. However, the research process in this project was not always linear, as the researchers faced obstacles that required them to revisit and refine their approach. As a result, an iterative process was adopted that involved cycling between the phases. An overview of the process is visualized in Figure 2.1, after which the methods used for data collection and analysis are described.

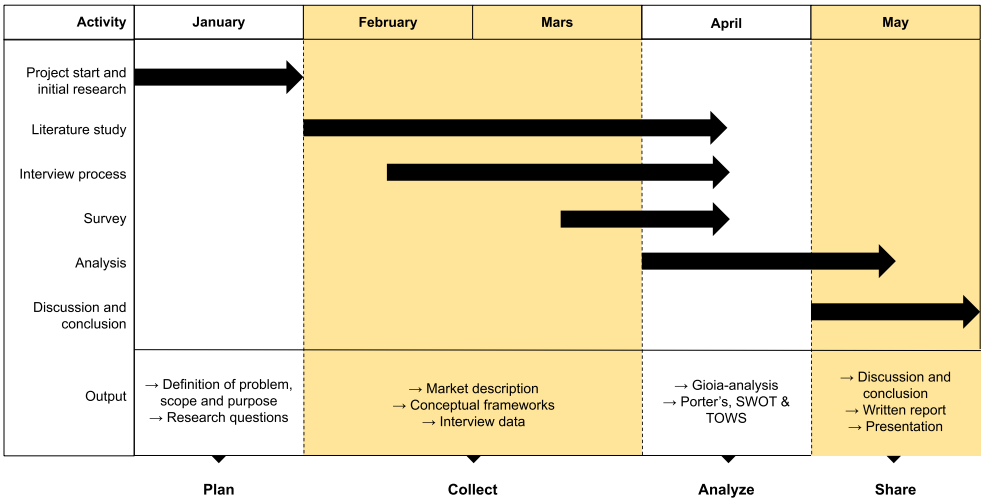


**Figure 2.1 Overview of the research process.**

## 2.2.1 Data Collection

The data collection for this thesis encompassed a comprehensive approach, including a literature review, interviews, and an online survey. These three approaches were chosen to account for the extensive scope of the investigation and the intricate nature of the market. By triangulating, the researchers sought to gain insights from both academic perspectives and firsthand experiences of stakeholders and consumers within the market being studied.

### *2.2.1.1 Literature Review*

In this master thesis, literature review was applied in two distinct ways: an initial review for gaining an understanding of the problem at hand, and an ongoing review which played a critical role in conducting the descriptive research study.

The initial literature review was performed at the outset of the project to "narrow down the broad problem and develop a clear and specific problem statement", as suggested by Sekaran and Bougie (2016, p. 51). This involved a thorough reading of articles, reports, and other relevant materials related to the researched market. By gaining an initial understanding of the problem's context, the researchers were able to define more specific research questions and form an initial research plan.

During the data collection phase of the project, an ongoing literature review was conducted in parallel with other data collection methods. This allowed the researchers to apply the knowledge acquired from the literature in their interviews and surveys. By doing so, they could ask more well-defined and specific questions.

The literature reviewed during the study included a variety of sources, such as consultancy reports, governmental reports, market intelligence reports, articles from the Harvard Business Review, academic papers, and books. The sources were acquired through searches conducted on Google, LUBsearch and Google Scholar. Google served as the primary tool for locating report-like sources from consultancies and market intelligence providers, utilizing targeted keywords like "used-car market intelligence report" and "online classifieds consultancy report." On the other hand, LUBsearch and Google Scholar was employed for retrieving academic papers and articles, employing search terms such as "performance-based pricing," "pay-per-lead pricing," and "classifieds advertising." By drawing on these sources, the research team was able to develop a comprehensive understanding of the market entry case, which provided valuable insights for the study's findings and conclusions.

#### *2.2.1.2 Interviews*

To gain a deeper understanding of the topic described by the defined research questions, interviews were conducted both internally with Tradera and externally with organizations active in used-car sales. The aim was to get as many perspectives as possible from industry experts, so a large number of potential external informants were contacted via emails requesting interviews. These were of any of the following types, with the companies granting interviews stated in parentheses:

- Representatives and digital experts within the market of online classifieds and marketplaces (Schibsted Nordic Marketplaces, Nettbil, Wayke, CarForYou, GoCar Belgium, GoCar Sweden and CarSwipe)
- Representatives from traditional car retailers (Bilia, Hedin Bil, and Holmgrens Bil)
- Experts from non-competing organizations with knowledge in car retailing (Vroom, Car.info, and a global consulting firm)

These three domains were selected to provide diverse perspectives from various stakeholders in digital car advertising. This includes competing organizations, retailers as suppliers, and impartial organizations with industry knowledge.

Interviews were selected either by researching notable and innovative companies online or by snowball sampling, which involves asking study participants to provide contacts or referrals to other potential participants (Lekvall & Wahlbin 2007).

Prior to conducting the interviews, an interview guide was created. During the interviews, conversations were recorded and transcribed upon approval by the interviewee. Although the transcriptions were not word-for-word, they captured the essence of the discussions. The interview sessions were conducted in a semi-structured way, following a framework of topics tied to the research questions. The interviewees were free to speak openly and provide additional

information on certain subjects, prioritizing detailed information. Depending on the interviewee's area of expertise, the questions in the interview guide were sometimes adjusted for a better fit. Consequently, some interviewees contributed to different areas of knowledge and different research questions than others.

Table 2.1 lists all the interviewees who were asked, their titles and organizations, as well as which research questions they contributed to describing. One interviewee and organization requested to remain anonymous in the report.

In addition to interviews, insights were gathered from participating in webinars and online presentations by industry stakeholders and experts on the topic of automotive retailing, digital models, classifieds and marketplaces. Table 2.2 shows a list of these events and speakers.

The insights and citations from the interviews and webinar speakers were later synthesized into first-order concepts around specific themes, following the Gioia methodology (described in Section 2.1.3.3.1).

**Table 2.1 List of interviewees.**

| ***Name*** | ***Title*** | ***Area of contribution*** | | |
|---|---|---|---|---|
| | | ***RQ1*** | ***RQ2*** | ***RQ3*** |
| John Skantze | Chief Strategy Officer, Nettbil | X | X | X |
| Erika Skoglund | Business Developer, Nettbil | X | X | X |
| Martin Fransson | CEO, Wayke | X | X | X |
| David Hoffman | Head of Strategy, Schibsted Nordic Marketplaces | X | X | X |
| Lorenzo Kappeler | Staff Frontend Engineer & Tech Lead, CarForYou | X | X | |
| Marc Gros | Product Manager, GoCar | X | X | |
| Wim Moyson | Sales Manager, GoCar | X | X | |
| Johan Palmér | Key Account Manager, Vroom | X | X | |
| Interviewee | Global Consulting Firm | X | X | X |
| Stefan Öberg | CEO, Tradera | X | | |
| Pierre Ferraud Norberg | CMO, Tradera | X | | |
| Björn Söderström | Business Developer, Tradera | X | | |

| | | | | |
|---|---|---|---|---|
| Mathias Loryd | Business Developer and Partner, GoCar Sweden | X | X | X |
| Ivan Boberg Jovanovic | CEO, Carswipe | X | X | X |
| Marcus Larsson | COO, Hedin Mobility Group | X | X | |
| Henrik Sandin | Online Manager, Holmgrens Bil | X | X | |
| Anders Rydheimer | Director Communication, Digital & Business Development, Bilia | X | X | X |

**Table 2.2 List of attended webinars and conferences.**

| ***Speakers*** | ***Webinar*** | ***Area of contribution*** | | |
|---|---|---|---|---|
| | | ***RQ1*** | ***RQ2*** | ***RQ3*** |
| Multiple Speakers | Blocket Webinar: Year in Review & Trend Scouting | X | X | |
| Christian Prinzell Halvorsen | Schibsted Capital Markets Day 2023 | X | | |
| Robin Suwe | Schibsted Capital Markets Day 2023 | X | X | |
| Malcolm Myers | Back to the Future of Classifieds and Marketplaces | X | X | |
| Representative from Auto Trader UK | Jefferies Summit: The Year of Transaction; A Spotlight on Automotive | X | X | |
| Representative from White Dove | Jefferies Summit: The Year of Transaction; A Spotlight on Automotive | X | | |
| Representative from Carwow | Jefferies Summit: The Year of Transaction; A Spotlight on Automotive | X | X | |

#### *2.2.1.3 Online Survey*

A survey approach is commonly used in studies that focus on the descriptive level of information (Lekwall & Wahlbin, 2007). In this study, a digital survey was conducted to capture insights and knowledge from private users in addition to the industry perspective gathered from interviews. The survey aimed to ask consumers questions regarding their previous experiences and preferences with both the buying and sales process for used cars online. Specifically, questions were asked

about general opinions regarding existing platforms, improvement measures, desired functionality in platforms, and pricing preferences.

To program the survey questions into a digital survey, the platform SurveyMonkey was used. A list of prospective survey participants was produced in the following way:

1. A spreadsheet of the most common first and surnames were extracted from Sweden's Central Bureau of Statistics (Statistiska Centralbyrån).

2. The cross-product of the 100 most common first names and surnames were produced, resulting in a list of 10,000 randomly generated names.

3. These names were then transformed into email addresses by merging the full names into strings and combining them with a domain address. For this study, the most common email domain, "@gmail.com," was used to maximize the reply rate.

4. The spreadsheet was then appended with a generic email body that described the background and goal of the study and the survey, as well as a topic text for the email. The receiver was informed about the random selection process and ensured that their answers remained anonymous.

5. A script was written with Google Apps Script to send out a selected number of emails on activation to a random selection of email addresses from the list. The email was populated with the email subject and body as well as the credentials of the sender.

After sending out the survey to 10,000 addresses (approximately 800 per day during two weeks), a total of 362 answers were collected and compiled with SurveyMonkey's analysis tool. A full account of the survey questions is presented in Appendix C.2. Additionally, a selection of the main findings of the survey is presented in Appendix B.

### 2.2.2 Quantitative Analysis

The quantitative data gathered with the survey was analyzed directly with SurveyMonkey’s analysis tool, which compiles and presents the results automatically. The questions were of two main types: checkbox- or multiple-choice type questions and open-ended questions requiring written answers. The first type constituted the survey’s primary data as they generated distributions over what respondents preferred among the provided options. The aim of the written answers was to give respondents a chance to provide additional insights from their own experiences, which would hopefully encompass options that were missed by the researchers when designing the survey.

Since distributions of answers were provided directly in the tool, little additional analysis was made other than cleaning among the responses, adjusting some of the

distributions according to insightful written answers and presenting the main findings. For example, the option “KVD Bil” in Table B.1 was incorporated retroactively by separating it from the option “Other”, on the basis that several written answers stated that they had used this platform.

### 2.2.3 Qualitative Analysis

Given the significant reliance on qualitative data in this thesis, it was crucial to compile and interpret the qualitative information in a systematic way to make sense of it. Qualitative analysis approaches, classified into four principal categories according to Höst et al. (2006), include *editing methods*. These methods involve searching for keywords in the data to establish subject categories, with the researchers' interpretation of contents and patterns forming the basis for these categories.

#### *2.2.3.1 Gioia*

An example of an editing method discussed by Höst et al. (2006) is *Grounded Theory*. Within the realm of Grounded Theory, Giovanna Magnani and Denny Gioia highlight the efficacy of The Gioia Methodology as a qualitative approach for developing a grounded theory (Magnani & Gioia 2023).

For analyzing the qualitative data gathered in this thesis, the Gioia Methodology was chosen. The methodology is based on three procedural pillars: building a data structure, developing a grounded model based on the data structure, and presenting the findings convincingly (ibid.).

Building a data structure involved developing analytic codes and categories from the information provided by the interviewees, or informants. The information was organized into a data structure with 1st-order quotes (informant centered) and 2nd-order themes (theory centered) along with aggregated dimensions. Generating the 2nd-order themes and aggregate dimensions involved a process of sorting, reducing, and aggregating 1st-order quotes (ibid.).

The following development of a grounded theory model aimed to show key relationships among the emerging concepts that explained the phenomena of interest. Finally, a visual representation of the structure was created. The representation should demonstrate the progression from raw data to terms and themes, serving as evidence of rigor in qualitative research (ibid.).

A figure demonstrating an example of the Gioia analysis conducted in this research, inspired by Gioia et al. (2012), is presented in Figure 2.2. A full presentation of the Gioia analysis can be found in Appendix A. The first dimension, *Performance-based pricing*, seen in A.1 has been presented in full detail, the others are displayed as more concise summaries.

As stated, the Gioia analysis was used for compiling and interpreting the qualitative information that was gathered from interviews and webinar speakers. The results have been presented continuously throughout the report. In chapter three, the results assisted in describing the market and its trends, mainly using Appendix A.4 to A.10. These descriptions further laid the groundworks for the identification of barriers in chapter four. The remaining results of the Gioia analysis, namely Appendix A.1 to A.3, assisted in identifying enablers in the SWOT analysis in chapter four, as well as in designing the roadmap in chapter six. Aggregated dimensions essentially worked as labels, categorizing the findings. The 2nd-order themes represented more concretely the findings within the categories, and have been used as arguments throughout the report. 1st-order quotes have been used for exemplifying and giving specific suggestions.

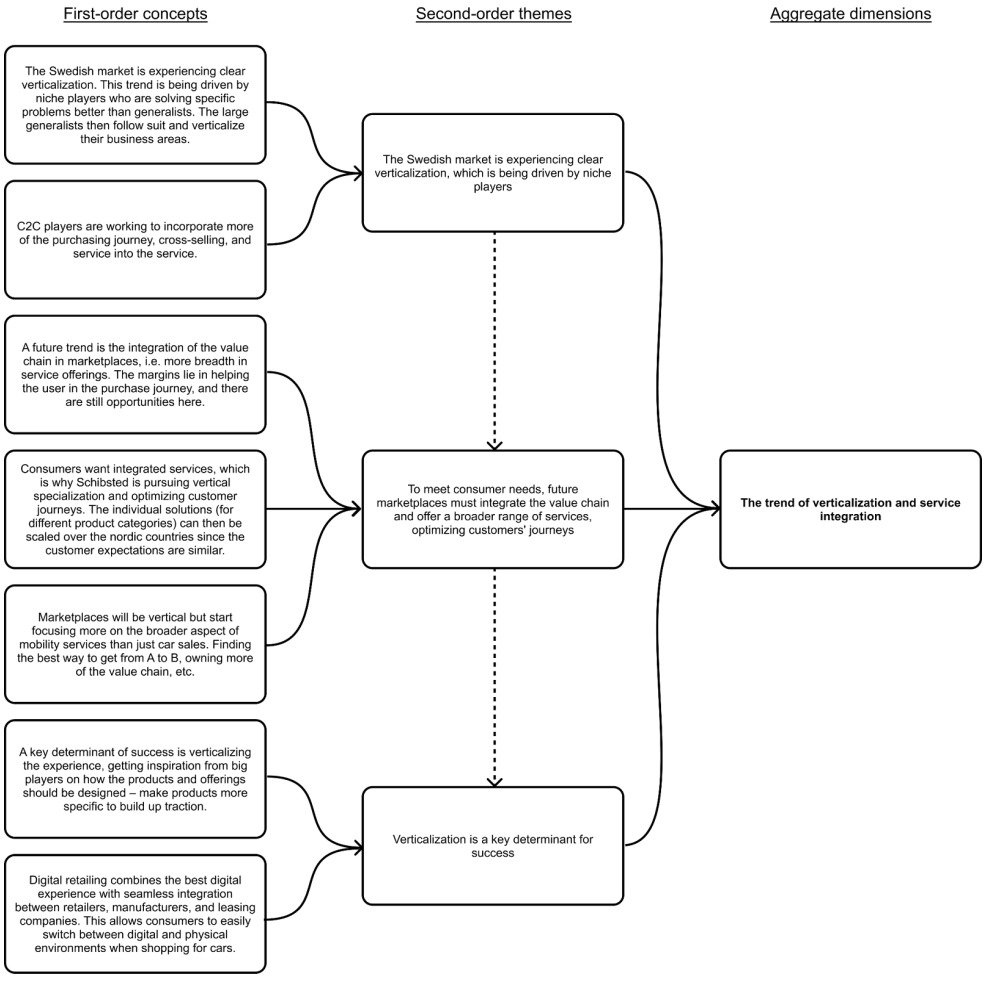


**Figure 2.2 Example of Gioia Analysis, showing the data structure within one of the generated aggregate dimensions.**

#### *2.2.3.2 Porter's Five Forces*

Porter's Five Forces analysis is a valuable tool for businesses looking to enter a new market or industry. The framework can be used to analyze competitive forces shaping the structure of all industries and partly set the rules of competition and profitability (Dobbs 2014). By assessing the competitive forces affecting the online advertising industry for cars, barriers to entry, negotiating positions within the value chain, and rivalry can be more clearly outlined. This will effectively help determine the attractiveness of the market. By understanding the level of competition, the bargaining power of suppliers and buyers, and the threat of new entrants and substitutes, Tradera can make informed decisions to remain competitive and gain market share.

Grundy (2006) discusses the interdependencies of the five forces and how they could be further developed by combining them with other strategic analysis tools, such as macro factors and growth drivers.

#### *2.2.3.3 SWOT & TOWS*

A SWOT analysis is a useful tool for assessing an organization's internal and external environment according to Namugenyi et al. (2019). It involves identifying the strengths, weaknesses, opportunities, and threats that affect the organization's performance. The purpose is to develop high-level business alignments and strategies to reach specific objectives or goals.

Namugenyi et al. (2019) explain that the first step in conducting a SWOT analysis is to define the objective, which in this case is to determine whether Tradera is well-positioned to take advantage of opportunities in the digital advertising market for cars. The second step involves identifying both internal (strengths and weaknesses) and external (opportunities and threats) factors, and summarizing the most significant and actionable ones in a 4x4 matrix form.

Assessing strengths, weaknesses, opportunities, and threats has been a common practice for companies, according to Weihrich (1982). However, this approach alone often fails to consider the need for specific strategic choices that arise from combining these factors . To address this issue, Weihrich presents the TOWS Matrix as a conceptual framework for systematically analyzing and aligning external threats and opportunities with internal weaknesses and strengths of an organization.

Weihrich explains how the SWOT analysis is developed into a TOWS analysis in a subsequent step. The activities necessary to formulate specific strategies and actions are then determined. The TOWS Matrix offers four distinct alternative strategies: SO (Strengths-Opportunities), ST (Strengths-Threats), WO (Weaknesses-Opportunities), and WT (Weaknesses-Threats) strategies (ibid.). These strategies were developed by first identifying strengths and weaknesses generated by the SWOT analysis. These were then used as enablers for capturing

opportunities and mitigating threats. A strength could be leveraged to capture an opportunity or to mitigate a threat, while a weakness could be addressed to achieve the same goal. In some cases, analyzing the internal factors revealed new opportunities and threats.

## 2.3 Research Quality

According to Brink (1993), ensuring the *validity* and *reliability* of research is essential for producing credible and trustworthy findings. These two factors are particularly important in qualitative research, where the researcher's subjectivity can potentially impact data interpretation and where research findings are often met with skepticism or critique from the scientific community.

Validity in research refers to the extent to which the data collected and the methods used to collect that data are accurate, honest, and appropriate for the research question being asked (Denscombe 2017). To ensure research validity, *triangulation* can be used. This method involves using multiple sources of data, approaches, investigators, and theoretical perspectives to study a single phenomenon. The data from these sources are then compared to validate their congruence. Triangulation helps overcome personal biases and deficiencies that may be present in single-investigator, single-theory or single-method studies, thus increasing research validity (Brink, H. I. L. 1993). In this study, combining data and insights from multiple sources (such as literature study, semi-informal interviews and an online survey) from different informants helped ensure the validity throughout the research.

Reliability refers to the consistency of a research instrument in producing consistent data every time it is used. A reliable research instrument is consistent in producing similar results, which is generally desirable for research purposes (Denscombe 2017). As much of the data was collected through single interviews with informants, reliability was ensured by using multiple methods of data recording. Interview notes were combined with audio recordings as recommended by Brink (1991). Another way to promote reliability was to have two observers present during the same interviews and compare the collected data.

As for online surveys, there are a few biases to keep track of in order to ensure high validity and reliability. *Sampling bias* refers to the situation where certain members of a population have a greater likelihood of being selected in a sample than others (Bhandari 2020). It can limit the generalizability of findings by being a threat to validity of the population (ibid.).

*Self-selection bias* is a potential problem in research when people choose whether or not to participate. Because those who choose to participate may be different from those who don't, it can affect the generalizability of your results. To avoid

this bias, researchers should try to recruit a representative sample of the population of interest. (Nikolopoulou 2022)

For the survey conducted in this project, the choice of Sweden's 100 most common first and last names was made for two purposes. First, to maximize the representativeness of the population within a reasonable time frame. Second, to maximize the likelihood of reaching valid email addresses. However, as Bhandari (2020) points out, limiting the selection to these names may introduce sampling bias. This is because certain segments of the population, such as younger generations and people from different national backgrounds, may have a lower probability of being included.

Furthermore, the survey is deemed by the researchers to require some effort to answer, as it contains 26 questions prompting evaluations and sometimes written answers. This may cause self-selection bias due to risks that only people with strong personal experiences or otherwise strong opinions about the subject take part and answer properly. Therefore, the data collected in the survey may be biased, particularly in terms of the number of respondents who reported buying or selling cars online, and towards those who had significantly positive or negative experiences. Wu et al. (2022) have estimated an average response rate of 44.1% in their examination of 1071 online survey response rates reported in education-related research. In comparison to this number, the response rate of 3.62% achieved in this project may be an indication that significant effort was demanded.

## 2.4 Research Ethics

According to Denscombe (2017), there are four key principles that form the basis of ethics codes. First, social researchers must protect the interests of their participants. Second, they must ensure that participation is voluntary and based on informed consent. Third, they must avoid deception and operate with scientific integrity. Finally, they must comply with the relevant laws and regulations. These ethical principles guide social researchers in conducting their investigations in a responsible and ethical manner.

Considering these expectations, guidelines were applied for managing ethical dilemmas throughout this research.

- To make sure that their responses weren't misunderstood, misrepresented, or confidential, interviewees were offered the ability to read over the transcripts of their interviews.

- Participants of the study were given the option to remain anonymous, and were required to give their informed consent to participate and be recorded.
- All participants of the survey study were informed about the intended use of the data, and no personal data was stored from the informants.

# 3 Market Overview: Current Digital Platforms and Competitive Landscape

*This chapter offers an overview of the various types of platforms that have emerged to facilitate some form of digital part of sales processes, and in particular those concerning vehicles. It also discusses different business and pricing models on such platforms. In addition, a structural overview of the Swedish market for online advertising and sales of used-cars is provided. It offers a mapping of the competitive landscape, the prevalent business models and an outlook on the future.*

## 3.1 Online Classifieds vs. Marketplaces

Online classifieds are platforms that typically offer a wide range of items for sale by simply connecting buyers and sellers online, where the transaction is being completed elsewhere (Wester 2020). Online classified advertising has emerged from traditional newsprint and is believed to offer advertisers greater advantages in terms of cost, wider coverage, and convenience compared to newspaper classifieds (Fang et al. 2017; Meffert et al. 2015). Some of the most common product categories found on online classifieds include second-hand items (such as furniture or electronics), real-estate, services (such as cleaning, renovation and transportation) or vehicles (Fang et al. 2017; Meffert et al. 2015).

By contrast, online *marketplaces* facilitate some form of transaction via technology enablement by moving down the value chain, i.e., payment gateway, service fulfillment, etc. (Wester 2020). These differ from classifieds, which typically do not offer such services and simply list items for sale (Öberg & Norberg 2023). Simply put, classifieds are platforms that connect buyers and sellers online while marketplaces in addition enable on-platform transactions through technology (Wester 2020). The key differences between the two types of platforms have been outlined in Table 3.1 below. While the terms are sometimes used interchangeably, this report will use this distinction throughout.

Online auctions are, as the name suggests, a subcategory of marketplaces that allow buyers and sellers to bid on items, with the highest bidder winning the auction (Öberg & Norberg 2023). They mirror traditional auctions and usually involve multiple bidder participation (Rouse 2012). Online auctions, such as Tradera or Ebay, feature a variety of categories, including collectibles (such as antiques, stamps, or toys), art, fashion, and technology.

This suggests that the product categories offered are often more niche and specialized compared to classifieds.

**Table 3.1 Rundown of key differences between classifieds and marketplaces (Claid.ai 2022).**

| Classifieds | Marketplaces |
|---|---|
| Advertise various products, properties or services | Enable end-to-end purchasing (including shipping) |
| Provides information about the listings | Offer built-in payment system and seamless communication between trading parties |
| Provide contact information of the sellers to the buyers. | Offer return, exchange and financial services |
| Examples include: Blocket, Craigslist and Facebook Marketplace | Examples include: Tradera, Nettbil and Carswipe |

### 3.1.1 Horizontal and vertical models

Online classifieds or marketplaces can generally be categorized into two distinct business models that have evolved over time: horizontal and vertical models (Meffert et al. 2015; Skjøtt-Larsen et al. 2003).

A *horizontal model* offers advertisements across a wide range of products or services, common to all industries (Skjøtt-Larsen et al. 2003). It is exemplified by platforms such as Ebay, Blocket or Norwegian counterpart FINN, according to Meffert et al. (2015). The authors add that horizontal platforms tend to have several advantages including a large customer base, a wide range of products, and competitive listing prices. At the same time, they face tough competition and tend to lack specialization in their respective category. The *vertical model*, on the other hand, specializes in a single industry or product category (Meffert et al 2015; Skjøtt-Larsen et al. 2003), such as real estate, or in case of this thesis, cars (Meffert et al. 2015). These have advantages in the form of a targeted audience, a specialized product offering with more services integrated, and a higher level of customer loyalty (Interviewee O. 2023). However, they may have a smaller customer base and less variety in their product offerings (Meffert et al. 2015). In the horizontal-vertical taxonomy, Tradera will in this report be regarded as a horizontal marketplace since users are able to list virtually anything across a broad range of product categories. (Meffert et al. 2015)

Meffert et al., (2015) reveals that the evolution of both models differs in their rate of market penetration and degree of dominance across geo markets (see Figure 3.1). In Sweden, the market has resembled Norway's with a dominant generalist

(Blocket/FINN) that's been holding leading positions in several verticals (Interviewee H. 2023).

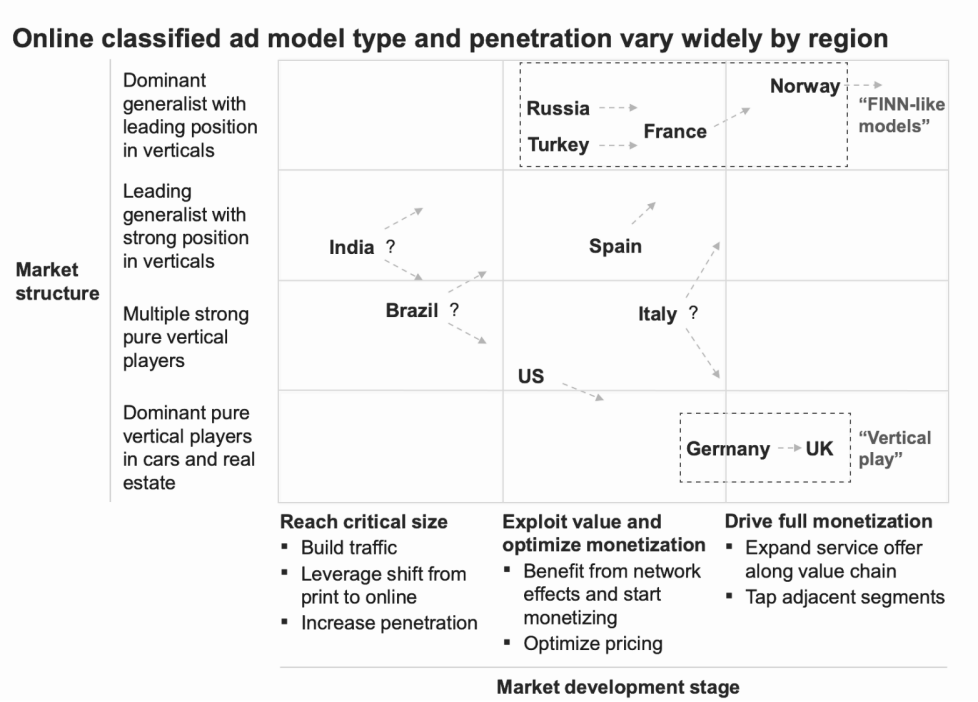


**Figure 3.1 Market structure and development stage of classifieds in different geo markets (Meffert et al. 2015).**

Although the Gioia analysis has revealed that the Nordic market has reached a mature development stage (see Appendix A.5 *Shift Towards Transactional Models with B2C and C2B Channels*), Interviewee C (2023) is convinced that Sweden has made the most progress. This notion is supported by the *Network Readiness Index* (Reynoso et al. 2022). According to the 2022 ranking, Sweden holds the top 3 spot in the Network Readiness Index. This index ranks the tech-enablement of 131 economies based on criteria such as technology, people, governance, and impact. Sweden performs well in all areas, with notable achievements in favorable e-commerce legislation (ranked 1 globally), local online content availability (ranked 1 globally), internet shopping (ranked 4 globally), and emerging technology adoption (ranked 5 globally).

## 3.2 Common Pricing Models in Online Advertising

This chapter focuses on exploring the various pricing mechanisms used in online advertising.

### 3.2.1 Commission-based Pricing

*Commission-based pricing* is a type of pricing model in online advertising where advertisers pay a commission or percentage of the total transaction amount to the advertising network or platform that displays the ad. This type of pricing is a prevailing revenue model for modern marketplaces, and usually involves facilitating payments between customers and providers. The key advantage of this model is that providers are only charged once they derive value from the marketplace, making it appealing to them. From the marketplace's perspective, this commission-based approach is typically the most profitable as it captures a portion of the total value flowing through the platform. (Makkonen 2023)

### 3.2.2 Listing-based Pricing

One of the most common and traditional pricing models used by online classifieds and marketplaces is *listing-based pricing,* a model where sellers pay a flat fee to list their products or services on the platform. Listing-based pricing is often used by horizontal platforms, which have a large and diverse range of products or services. To sustain a listing fee-based model, a large volume of listings is often necessary, and the platform may struggle to prove its value to providers since paying the fee doesn't guarantee item sales. (ibid.)

### 3.2.3 Subscription-based Pricing

A *subscription-based pricing* model involves customers paying regular fees, typically on a monthly basis, for a service or product (ibid.). In the digital advertising setting, Interviewee O (2023) revealed that subscription-based pricing is mostly utilized as a variation of listing-based pricing. In this model, advertisers pay a monthly or yearly fee for a contract which provides them with access to a certain number of listings during the specified time period. The fee usually varies depending on the length of the subscription, the number of listings during the time period, the quality of the listings, as well as other features or benefits in the subscription. Among the interviewed actors, only one reported using a subscription-based pricing model (Interviewee O, 2023).

### 3.2.4 Performance-based Pricing

Affiliate marketing is the process by which an affiliate earns a commission for marketing another person's or company's products (BigCommerce 2023). *Performance-based pricing* is a strategy within affiliate marketing programs in which the platform charges a fee based on actual performance metrics, according to (Duffy Agency 2023). These metrics can be successful transactions or conversions that occur as a result of contact made through the platform.

According to Harvard Business School professor Benson Shapiro (2002), performance-based pricing has two major advantages: First, the model aligns the platform's revenue with the success of its advertisers, as the platform only earns money when a buyer and seller successfully connect and make a transaction. This means that the seller, in this case the platform, does not undercharge the buyer (lister). It also means an assurance that the listers won't overpay for advertising. (ibid.)

Secondly, Shapiro adds that a simple contractual arrangement may not require much communication between buyers and sellers. In this context, the buyer is the advertiser and the seller is the advertising platform. On the other hand, performance-based pricing forces the parties to understand each other's objectives, limitations, and compromises, and to discuss these issues in detail. This leads to better communication between the buyer and seller, and gives each party the chance to present their objectives and explain their issues.

Performance-based pricing also has its drawbacks. It shifts both the cost and price risk to the seller since neither is established before the deal is made, according to Shapiro. This can be a disadvantage compared to fixed pricing models, where the profit for the advertising platform is established beforehand. Furthermore, performance-based pricing is not ideal for sellers who need short-term cash flow since the price can only be determined after delivery, and often not until after usage of the product and/or service, leading to delayed payment. (Shapiro 2002)

Performance-based pricing is commonly used in business-to-business settings and can take many forms:

- **Cost per click (CPC)** is a performance-based pricing model where the advertiser pays for each click (interaction) by a user, typically in search engine advertisement to another website. This model allows advertisers to control costs by only paying for actual engagement with their ads and setting a budget for their campaigns. (Rzemieniak 2015)
- **Cost per mille (CPM)** is a model in online advertising where the advertiser pays for 1,000 ad views, regardless of clicks. CPM is used for brand awareness campaigns and allows advertisers to reach a large audience, but the cost can be higher compared to performance-based models like CPC or CPA. (ibid.)

- **Cost per action (CPA)** is a model in online advertising where the advertiser pays for specific actions taken by a user, such as a purchase or form submission, instead of impressions or clicks. This helps control advertising costs and only pay for actual results. (ibid.) Some commonly used forms of CPA include cost per acquisition or sign-up, cost per purchase or *cost per lead* (Hu et al. 2016).
- **Cost per lead (CPL)** is a model where the advertiser pays for a specific and tangible expression of interest from a consumer, referred to as a *lead* (Rzemieniak 2015; Microsoft 2022). Leads can of course vary in terms of expression and quality. Gartner Marketing Glossary (2023) refers to a *qualified lead* as a lead in which a person who has shown interest in the advertiser's product or service has provided additional information indicating intent to buy. Such information can be contact information, like email addresses and phone numbers, or background checks, credit reports, etc. (Rzemieniak 2015). Essentially all details which verifies the person's identity and ability to pay are considered to make the lead more qualified. Signals of interest towards a seller's products are considered to be the most important indicators of a prospect's genuine purchase intentions (Järvinen & Taiminen 2016).

A performance-based pricing approach offers the platform an opportunity to monetize its user base without relying solely on listing fees or subscription fees (Plummer et al. 2007), which in turn could result in a higher listing volume.

According to Rogers (2003), trialability and observable results are two of the main factors that influence adoption of an innovation in diffusion theory. Implementing a performance-based pricing strategy, instead of depending on listing-based fees, can increase trialability by eliminating the barrier of a base price. This method also provides observable and tangible metrics for measuring success in a buyer-seller relationship.

## 3.3 Evolution of Digital Business Models for Car Retailing

Local dealerships have traditionally dominated the market for used commercial vehicles. As for private selling, the market for classified ads was dominated by newspapers, providing advertisers with cheap small-type notices under specific categories (Meffert et al. 2015). In the 1990s and 2000s, online classifieds such as Germany's mobile.de and France's Leboncoin first appeared (Baranowski et al. 2023). At the same time, the nordic market saw the launch of similar websites such as Finn (Norway) and Blocket (Sweden) (Blocket, n.d.; Bidne, 2021).

Since then, some of these sites have expanded to include subscriptions and direct online car purchases, according to Baronowski et al. (2023). True digital retailers, on the other hand, didn't start to appear until the late 2010s. These include companies like Carvago, Cazoo or Blipp, which offer a complete digital sales experience, including virtual seat trials, free delivery, vehicle checks, warranties, and optional extra services and guarantees. The industry is now digitizing rapidly, largely because of customer demands for more transparency and less hassle, as well as expectations of a omnichannel-based, personalized experience (Baronowski et al. 2023; McKinsey & Company 2020). While traditional dealerships still dominate the market, further described in section 3.5.1, it's expected that digital car sales will continue to grow in popularity, particularly as more people become comfortable with online shopping (Mohr et al., 2014). The authors further state that the key is to change the dealer network into a profitable, modern, multiformat sales channel that combines online opportunities with traditional strengths.

### 3.3.1 The Trend of Verticalization and Service Integration

Gioia Analysis of interview insights (Appendix A.4 *The Trend of Verticalization and Service Integration*) and literature (Levine & Syed 2014; Inampudi et al. 2019; Baranowski et al. 2023) agree that there has been a recent shift towards verticalization in online car trading. This trend is characterized by a narrower focus on the specific sector and a wider service offering along the value chain (Meffert et al. 2015), which reflects a shift towards end-to-end capabilities.

Some believe that the shift to online marketplaces will take time and that the classifieds market is not expected to undergo dramatic changes (Appendix A.5 *Shift Towards Transactional Models with B2C and C2B Channels*). Additionally, they argue that classifieds should focus on their place in the ecosystem as pure search platforms (Appendix A.3 *Keeping Dealerships by Creating Lasting Value and Satisfaction*). However, Baranowski et al. (2023) emphasize the significant revenue opportunities for online players in the used car market, even in a worst-case scenario for online marketplaces.

The verticalization trend is being driven by niche players who can solve specific problems better than the generalists. Consequently, the large generalists have had to follow suit and verticalize their business areas, such as Blocket Fordon, with their user base as a force to defend themselves (Appendix A.4 *The Trend of Verticalization and Service Integration*). Interviewee H (2023) emphasized Auto1 and prominent dealership Riddermarks Bil as two major players that have driven verticalization in Sweden, significantly impacting the market and user behavior. Auto1 verticalized through early involvement of digital solutions and test centers, while Riddermarks Bil was able to spot the digital transformation early and have become strong in sourcing cars and taking necessary risks.

### 3.3.2 Shift Towards Transactional Models

An important part of verticalizing and integrating services is facilitating payment (Interviewee H. 2023). In recent years, there has been a shift towards *transactional models* in the online classifieds industry, according to an article by Levine & Syed (2014). Transactional models are platforms that facilitate transactions directly, often with built-in payment tools. This is in contrast to discovery-based classifieds models and is more similar to marketplaces (as described in Section 3.1). Levine & Syed argues that transactional platforms can significantly disrupt incumbent classifieds by aggregating available supply more effectively through free listings, improving the buyer-seller experience, and protecting buyers from having to trust sellers. Transactional marketplaces essentially make money when an item sells, so they tend to focus more holistically on the buyer and seller experience (Levine & Syed 2014), earning from customer success .

According to Christian Printzell Halvorsen (2023) at his presentation at Schibsted Capital Markets Day, transactional models have the potential to reach a much larger addressable market through higher take-rates and a broader target audience. This tendency can be seen in the launch of transaction-based product offerings by even traditional classified and discovery-based platforms. In the Nordics, Schibsted have leveraged their strong C2C position for transitioning to transactional products in C2X or B2X, allowing growth opportunities through transaction fees and partner commissions (such as insurance or financing). The shift towards transaction-based models offers significant added value for dealers and end consumers, according to Robin Suwe (2023). Also, it provides a stronger pathway to monetization for the platform, enabling it to take increased ownership over the transaction and value chain. In the mobility vertical, Schibsted recently acquired Nettbil and AutoVex to support dealers in finding the right inventory hassle-free and for consumers to sell their cars. Suwe adds that the underlying industry trends indicate that consumers want convenient and efficient car sales while dealers need to source more specialized inventory. At the same time, the price gap between new and used cars is closing, and there is a long-term shift from C2C to C2B transactions.

According to Claid.ai (2022), eCommerce today is all about convenience. Online marketplaces with transactional models offer end-to-end shopping, where buyers can find, order, pay, and have products delivered all in one place. As a response, many classifieds have started to implement numerous features that embrace the transactional business models (Claid.ai 2022; Baronowski et al. 2023). According to Myers (2022), these include value-adding features that incentivize sales (such as financing options, insurance, smooth payment systems or delivery). Such features are described in more detail in Section 3.4. Myers, supported by Interviewee F. (2023), suggests that even though completely digital businesses are not going to dominate transactions anytime soon – they have been dominating consumers'

perceptions of what they expect to get from an online transaction. Myers asserts that classifieds platforms must adopt transactional advancements to keep up with the eCommerce industry's expectations. Failure to do so could result in significant loss of business.

For a marketplace to be able to facilitate a transactional business model, the utilization of an *escrow* arrangement is key, as it makes it possible to know when a transaction has been made (Interviewee H, 2023). An escrow arrangement is when a third party, known as the escrow agent, holds funds on behalf of the two parties involved in the transaction until it is completed (Britannica 2023). Interviewee G (2023) added that another way to facilitate a transactional model is to enter the transaction and assume short-term ownership of the car at a certain stage in the process. In this way, both parties are essentially only dealing with the marketplace and not with each other. However, escrow is usually preferred as taking on ownership comes with significant additional responsibilities for the intermediary (Interviewee G, 2023).

## 3.4 Categorization of Existing Models in the Used Car Market

To provide an overview of the competitive landscape in the Swedish used-car advertising market, it is essential to begin by mapping out the current prevailing types of models. This section presents a general segmentation based on the discussed business models so far.

According to Baronowski et al. (2023), the used car market can be segmented into four main categories based on the level of transaction ownership (or transactionality) for their respective retailing models: *classified advertisements*, *value-added service providers, transaction participants*, and *car retailers*:

**Classified advertisements**, described in Section 3.1, consist of used car search sites where users are able to browse through vehicle listings offered by both private sellers (peer-to-peer) and professional dealerships. Buyers and sellers are able to interact through various communication channels offered but the actual transaction is completed outside the platform.

**Value-added service providers** include car appraisal, comparison services, car financing and online communities (Baranowski et al. 2023). These can be offered as separate services by niche businesses or integrated into sales or advertising platforms. Examples include Car.info, a platform which provides car appraisals, statistical comparisons of cars, and more (Bonde 2023). Another example is the Swedish startup Phyron, that offers AI-powered videos for car advertisements (Phyron 2023).

**Transaction participants**, as defined by Baronowski et al. (2023), play a role in facilitating the transaction between parties involved in a vehicle trade, without necessarily owning the items being traded. These participants are typically referred to as vehicle marketplaces and primarily function as C2B or B2C platforms.

During his presentation, Malcolm Myers (2022), founder, and CEO of European Internet Ventures explains how the automotive industry has witnessed the evolution of several transactional models from non-classified players in recent years. In response, progressive classifieds have cherry-picked the best ideas from these models and implemented them.

For C2B transactions, there are two main models according to Myers. The first one is the *Instant Cash Offers*, where the seller is presented with a fixed offer based on some car appraisal tool. The second one is *Direct Offers from Dealers*, where the platform arranges for a number of selected dealers to make the seller an offer through a mini-bidding situation.

Myers highlights three main services in B2C. The first is *Commission Sharing Models*, which includes lead-based pricing models that have been successfully implemented by companies like Heycar (described later). The second is *In-house Digital Dealers*, where companies source, refurbish, and sell cars digitally. The third and last is the *E-commerce Overlay Model*, which is utilized by classifieds like AutoScout24 to offer a selection of cars with click-to-buy options. Although they do not actually own the cars, AutoScout24 buys the car from the dealer once it has been ordered, refurbishes it, and delivers it to the buyer over a couple of weeks.

**Car retailers** pursue direct car sales and hold ownership of the marketed vehicle. Car retailers can be further categorized into four main types of players according to Hanoulle (2021). Traditional physical dealerships are either franchised (resellers) or non-franchised (independent dealerships). The remaining two categories have emerged lately, and include online retailers and new retailers. Online retailers conduct the majority of their sales process online, with examples like UK-based Cazoo. New retailers are established players in the value chain that have expanded to sell vehicles directly, primarily online. This category includes leasers, rental companies, and auction platforms. (Hanoulle 2021)

Figure 3.2 illustrates the various business models on an axis of transaction ownership with example providers from the Nordic market mentioned throughout this report. Baronwoski et al., predict that the European used-car market will increasingly shift towards online sales, and that classifieds will gain greater transactional ownership. This prediction is also supported by the Gioia analysis (A.5 *Shift Towards Transactional Models with B2C and C2B Channels*).

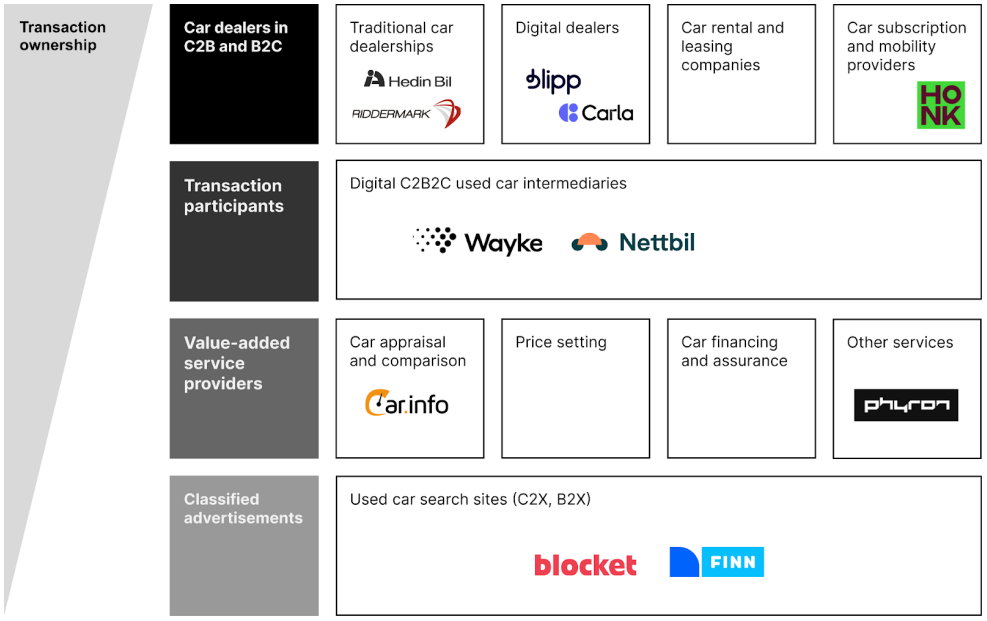


**Figure 3.2 Existing models evaluated based on transaction ownership (Baranowski et al. 2023).**

## 3.5 Market and Competitive Landscape

The following sections aim to provide a description of the market and competitive landscape of digital advertising for used cars, starting from a European perspective and narrowing down to the Swedish market.

### 3.5.1 The European Used-car Market

The market for used cars in Europe is overall comparable to the market for new cars, with a total volume of 429 billion euros in 2021, according to Baranowski et al. (2023). Around 44% of the 32 million used cars sold in Europe in 2021 were sold privately through C2C transactions, while 56% were sold by professional retailers in B2C. These typically concentrate on more expensive, newer models of vehicles (ibid.). Within the B2C channel, Hanoulle (2021) states that traditional retailers account for 99% of transactions, with online retailers and new retailers having a <1% share. This displays how relevant traditional retailers still are in used-car sales in Europe. Moreover, the top 20 of the traditional retailers only stand for about 6% of the used-car trades, showing how fragmented the market still is.

Prominent online used-car advertising platforms in Europe include Auto1 Group, AutoScout24, Mobile.de, Auto Trader, and Leboncoin. Auto1 Group claims to be Europe's leading digital automotive platform for buying and selling used cars online (AUTO1 Group 2023). AutoScout24 has also established a strong presence across multiple European countries (AutoScout24 2020). Auto Trader is the UK's largest digital automotive advertising platform (Auto Trader Group plc 2023), while Leboncoin dominates the French market (Adevinta 2023). Schibsted owns the leading car advertising platforms in all the Nordic countries (Printzell Halvorsen 2023).

From the focus of this study, two additional noteworthy European platforms emerged during research: Carwow and Heycar. The following two sections provide a brief overview of these companies and what can be learned from them.

#### *3.5.1.1 Carwow*

As presented by the representative from Carwow during Jefferies Summit (2023), the company operates in the UK, Germany, and Spain, specializing in brand new cars where they hold a leading market position in all three countries. Three key aspects making Carwow stand out was identified during the webinar:

First, its unique lead-based pricing model where they charge advertisers approximately £28 per lead. This distinct approach has contributed to their success and distinguishes them from other players in the market.

Second, recognizing the demand for used cars among users, Carwow expanded into this market to benefit both customers and dealerships. While aiming to become a strong second player in used cars, their primary focus remains maintaining their top position in new cars. They claim to not directly compete with Auto Trader but instead to only meet a demand for more leads among dealerships.

Third, Carwow collaborates with Original Equipment Manufacturers (OEMs), earning revenue from manufacturers like Tesla and Polestar who utilize their platform for acquiring leads. Customers can compare cars on Carwow and then visit OEMs' websites to complete their purchases. Carwow also offers effective marketing products for OEMs to promote their brands.

#### *3.5.1.2 Heycar*

Heycar is a leading hybrid lead and e-commerce company providing a platform for sales of high-quality used cars in five European markets, as described by BCG Digital Ventures (2022). By employing a hybrid model, they have created a customer journey for both online or offline, something which BCG Digital Ventures states is setting Heycar apart in the market for digital car advertising. Three key aspects distinguishing Heycar emerged:

First, Heycar initially launched with the belief that addressing consumer frictions, such as lack of trust, would set them apart in the market. They have since then

successfully positioned themselves as a trusted platform, emphasizing consumer trust and seamless experiences (ibid.). Second, Heycar is backed by renowned OEMs and global investors like VW Group, Mercedes-Benz Group, and Renault Group. “By working with global manufacturers, we quickly gained customers’ trust with attractive brand offers and additional services.”, as stated by Florian Schlieper, previous HeyCar Group CEO. This has made them into one of Europe's most strongly supported automotive partner platforms (ibid.).

Third, Heycar introduced a unique lead-based pricing model to address a classifieds system they believed was outdated. Offering prices ranging from €17.90 to €26 per usable lead, this commission-free approach has attracted dealers from all brands. The simplified billing process based on generated leads has strengthened dealer relationships, resulting in increased satisfaction and streamlined operations. “Our lead-based and commission-free model is attractive to dealers and makes us stand out”, as stated by Schlieper. (ibid.)

### 3.5.2 The Swedish Used-car Market

The interview with Palmér (2023) revealed that Vroom classifies the used-car market in Sweden into two segments: vehicles between six months and 10 years old, and those over 10 years old. Note that this segmentation aligns with the previous definition of a used car presented in section 1.1.1, although a simplified version as Vroom simply considers a car used if it is older than six months. The segmentation is based on the observation that professional dealerships mainly trade in cars that are less than a decade old. Palmér has further contributed with Vroom’s estimations of used-car sales volumes in Sweden in the years 2021 and 2022. These estimates are based on re-registration data taken from the Swedish National Transport Agency, Transportstyrelsen. According to these estimates, there were 1.175 million used-car transactions in total in Sweden in 2022, out of which 476 thousand belonged to the younger segment. Compared to 2021, this marks a decline of 13.7% for the total volume, and 19.1% when looking only at the younger segment. In fact, Palmér (2023) stated that, in terms of volume, 2022 was the first time in over 10 years that the used-car sales didn’t increase year on year. Additionally, the first quarter of 2023 showed sales volumes slightly lower than 2022, indicating a weak 2023 as well (Palmér, 2023).

Furthermore, Palmér (2023) also indicated that 57% of the total used cars traded were C2X, meaning they changed hands from a consumer to either a consumer or a professional dealership. Professionals further accounted for 40% of the transactions (B2X), either in business-to-business or business-to-consumer sales. Figure 3.3 provides additional evidence of this distribution, showing B2X's dominance within the younger segment, while C2X accounts for the majority of the overall transactions.

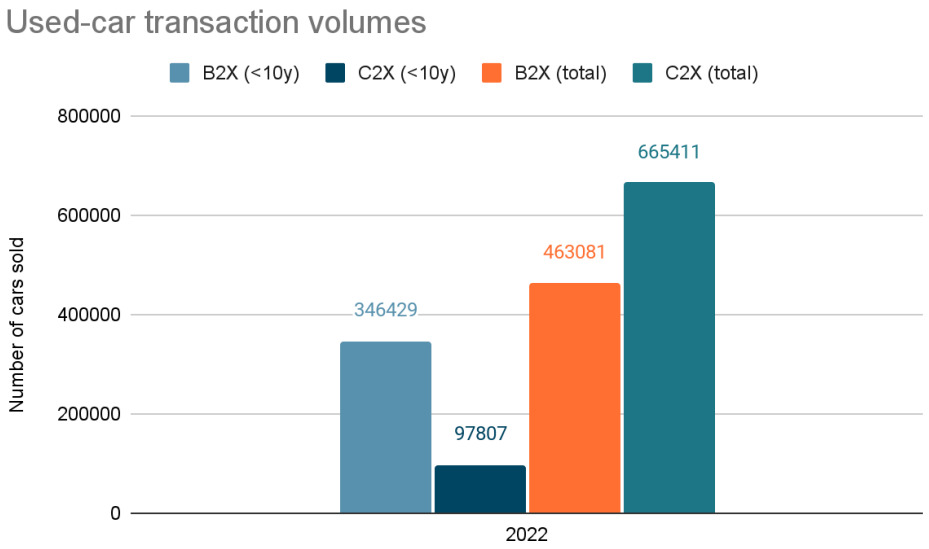


**Figure 3.3 The amount of used cars sold in Sweden divided by sales channels (B2X and C2X), for both used cars younger than ten years old and in total (Palmér 2023). Note that all cars are still older than six months.**

#### *3.5.2.1 Sweden's Digital Impact: An Analysis of the Network Readiness Index*

The Network Readiness Index ranks 131 economies, which collectively account for almost 95 percent of global gross domestic product (GDP) based on dimensions of technology, people, governance and impact. From a second position in 2021, Sweden reaffirms its place in the the top 10 among tech-enabled countries, following in a third place after the United States and Singapore. They maintain a strong overall performance in all areas of network readiness, with notably high achievements in favorable e-commerce legislation (rank 1 globally), availability of local online content (rank 1 globally), internet shopping (rank 4 globally), and adoption of emerging technologies (rank 5 globally). (Reynoso et al. 2022)

The notion of high digital readiness was supported by expert opinions during the interviews. They stated that Sweden is an ideal testing market for new business models, as it is both mature and open to innovation. These conclusions can be found in Appendix A.5 *Shift Towards Transactional Models with B2C and C2B Channels.*

#### *3.5.2.2 Description of the Competitive Landscape*

Although similar to the rest of Europe, the Swedish used-car market stands out as one of the most mature, innovative, and competitive markets, as previously discussed. Numerous digital players and diverse business models have emerged to

capture value in car trading, as highlighted in Appendix A.5 *Shift Towards Transactional Models with B2C and C2B Channels*.

After speaking with several representatives from competing platforms in the automotive space, it became clear that Schibsted's Blocket is the dominant player in the market for new vehicles in Sweden. They hold a near-monopoly position in both C2C and B2C car sales, with over 300,000 car transactions per year (Blocket n.d.b). Additionally, more than 2,500 dealerships actively advertise on the platform (ibid.), which attracts 5 million visitors per week (Blocket n.d.a). Blocket is a horizontal classifieds platform with other categories such as jobs, real estate, and consumer goods. However, thanks to being part of the innovative and proactive Schibsted group, the Nordic leader in marketplaces, Blocket is focused on continued verticalization. (Printzell Halvorsen 2023; Suwe 2023)

Facebook Marketplace is another major horizontal online classifieds in Sweden where cars are being sold. In fact, Facebook Marketplace and Blocket are the only online horizontal platforms in Sweden the researchers have been able to find which do.

Facebook Marketplace's existence in the classifieds space is noteworthy for several reasons. Chapman et al. (2021) highlight that Facebook's entry poses a significant and widely recognized threat to traditional classified business models. This can be attributed to the strengths that Facebook can leverage. The platform boasts a sizable user base, and its functionality is generally highly regarded. Additionally, posting listings on Facebook Marketplace is often free for consumers and cheaper for professionals compared to traditional classified sites. However, Chapman et al. (2021) do not consider Facebook's inventory depth and quality as consistently strong. Services available to sellers and lead quality tend to lag behind leaders in professional categories like property, auto, and jobs. While the Facebook brand is widely known, there are also instances where it faces cultural resistance, such as lack of trust, creating barriers to adoption. (ibid.)

Other sites where consumers can search for cars in Sweden are vertical, car-dedicated platforms. The past few years have also seen the emergence of innovative new players offering a range of solutions to capture market share.

Table 3.2 provides a comprehensive list of the most important players in the digital used-car market, along with brief descriptions of their characteristics. All of these players are originally digital actors, reflecting the growing trend towards digitalization in the industry. The data on the number of ads online, presented in the table, is extracted from the advertising platform of each player.

Table 3.3 presents the major traditional retailers trading with used cars in Sweden. While these retailers have all begun to incorporate more digital advertising into their business strategies, their level of digitalization varies. Some will remain in need of digital advertising partners, while others have the potential to become increasingly strong competitors in the online advertising space (Interviewee C,

2023). In any case, they are significant players in the market and cannot be overlooked. The data on the number of physical locations, shown in the table, is extracted from the advertising platform of each dealership.

**Table 3.2 Overview of the Swedish digital players active in used-car trading and advertising.**

| Player | Type | Description | Facilitated sales channels | Nr of ads online (Sweden) |
|---|---|---|---|---|
| **AutoUncle** | Classified advertisement | Used-car search site with some value-added services | B2C | 128,000 |
| **Blocket** | Classified advertisement | Horizontal classifieds platform with a strong car vertical, and with several value-added services | C2C and B2C | 122,000 |
| **Bytbil** | Classified advertisement | Vehicle search site connecting retailers with consumers, with some value-added services | B2C | 72,000 |
| **Bilweb** | Classified advertisement and transaction participant | Vehicle search site, with some value-added services, and digital C2B provider | B2C and C2B | 54,000 |
| **Wayke** | Transaction participant | Car search site with transaction enablement, and digital C2B provider | B2C and C2B | 36,000 |
| **Auto1** | Digital dealership | International B2B dealership | B2B | 18,000 |
| **Carhero** | Digital dealership | Digital dealership in B2C. Part of Auto1 Group | B2C | 436 |
| **Carswipe** | Transaction participant | End-to-end used-car intermediary | C2B, C2C and B2C | 290 |
| **Carla** | Digital dealership | Digital dealership in the electric-car niche | B2C and C2B | 241 |
| **Blipp** | Transaction participant | End-to-end used-car intermediary | B2C, C2C and C2B | 233 |
| **Facebook Marketplace** | Classified advertisement | Basic horizontal classifieds platform | C2C | Unable to see categorized numbers |
| **Cardrop** | Transaction participant | Digital C2B provider | C2B | Not applicable |
| **Gocar** | Transaction participant | Digital C2B provider | C2B | Not applicable |

| | | | |
|---|---|---|---|
| **Viköperdinbil (VKDB)** | Transaction participant | Digital C2B provider, procuring cars to partner Auto1. Part of Auto1 Group | C2B Not applicable |

**Table 3.3 List of the main car retailers trading with used cars in Sweden.**

| Retailer | Type | Physical locations (Sweden) | # of ads online |
|---|---|---|---|
| Riddermark | Dealership | 14 | 3,600 |
| Hedin Bil | Dealership | 118 | 2,750 |
| Bilia | Dealership | 132 | 1,800 |
| Kamux | Dealership | 24 | 1,350 |
| Holmgrens Bil | Dealership | 13 | 600 |
| KVD Bil | Dealership | 12 | 450 |
| Bilmånsson | Dealership | 6 | 310 |
| Möller Bil | Reseller | 47 | 310 |
| Din Bil | Reseller | 60 | 420 |

# 4 Analysis of Barriers and Enablers in the Used Car Advertising Market

*This chapter builds upon the concepts and market descriptions presented in Chapter 3 by reviewing strategic approaches to market entry and highlighting the necessary prerequisites. It examines the importance of macro trends and utilizes analytical frameworks like Porter's Five Forces and SWOT/TOWS analysis to assess relevant entry barriers and expansion enablers.*

## 4.1 Macro Trends Affecting the Used-car Market

From the Gioia analysis, five aggregate dimensions emerged that concern macro trends affecting the Swedish digital advertising market for cars. These may have potential for shaping the market's development and include:

- Digitalization leading to new go-to-market strategies for OEMs (Appendix A.6 *OEMs Embracing the Agency Model Brings New Powerful Players into the Used-car Market*)
- Global disruptions in car production supply chains (Appendix A.7 *Structural Undersupply of Young Cars Affects Used-car Sales Activity*)
- Shift towards alternative ownership forms in the Nordics (Appendix A.8 *Shift Towards Alternate Ownership Forms*)
- Economic recession leading to tighter household budgets (Appendix A.9 *Effects of the Economic Recession*)
- Sustainability leading to electrification (Appendix A.10 *Electrification as a Megatrend*)

In the following sections, each trend is introduced based on input from interviewees and information gathered from articles and reports. A discussion of their relevance for digital advertising players involved in the used-car sales industry is also presented.

### 4.1.1 Digitalization Leading to New Go-to-market Strategies for OEMs

In recent years, Heuser et al. (2023) have noted that established OEMs, including premium brands such as Mercedes-Benz and mass-market brands like Volkswagen, have adopted a direct-to-consumer sales model for certain markets and product lines. Customers can purchase new cars directly from the manufacturer, either through a dealership, boutique-style stores or online. Regardless of the purchase channel, Heuser et al. explains how the manufacturer-set retail price (MSRP) is the only price available, as negotiations with dealers are no longer permitted. According to analysis by Landgrebe et al. (2021), various OEMs already provide mature online stores in emerging markets such as Europe, the US and China with Tesla providing the leading practice in all assessed markets .

This shift towards direct-to-consumer sales enables OEMs to realize higher price points, as dealerships are bound to the MSRP and can no longer undercut each other (Heuser et al., 2023). Furthermore, online sales channels come with lower sales costs than those of dealerships. With the help of digital technologies, Holtgrave et al. (2021) argue that OEMs are also able to capture, own, and use the data crucial for building strong relationships with end customers. Analysis has shown that automakers can increase margins by up to 3 percentage points by selling directly to consumers (Holtgrave et al., 2021).

Direct sales enable manufacturers to address the challenges posed by third-party platforms by allowing them to negotiate terms from a more powerful position and create competitive offerings, according to Holtgrave et al. (2021). However, for many manufacturers, an alternative *agency model* may be a more effective solution. In this approach, the manufacturer assumes the role of the retailer while the dealer retains its position as the physical touchpoint with the customer (Holtgrave et al., 2021). In the purest form of the agency model, Holtgrave et al. (2021) mean that the dealer-turned-agent receives a commission on each sale without owning any stock or individually setting prices.

According to the Gioia analysis (Appendix A.6 *OEMs Embracing the Agency Model Brings New Powerful Players into the Used-car Market*), the new go-to-market strategies for OEMs have raised concerns among dealerships, as they fear being caught between OEMs and customers. The agency model implemented by OEMs is expected to increasingly cause major changes for dealerships and resellers. As OEMs gain more power, dealerships are increasingly finding themselves in a difficult position between suppliers and customers.

The representative from Carwow (2023) and several interviewees also expressed that OEMs are expanding their presence in the direct-to-consumer online market, posing a threat to online classified platforms that also aim to expand and integrate new services within this space (Interviewee C. 2023; Interviewee F. 2023;

Interviewee O, 2023). As OEMs venture into this territory, they may compete directly with existing online classifieds and marketplaces.

Specifically, the agency model has the potential to have a direct impact on the used-car market (A.6 *OEMs Embracing the Agency Model Brings New Powerful Players into the Used-car Market*). OEMs are now interested in establishing a connection with used-car sales, as they will eventually have to handle these vehicles through parts exchanges (using old car's value towards new car payment) or lease returns. Should OEMs with a strong digital presence decide to facilitate used-car sales themselves, it could lead to a significant reduction in dealerships' inventory. Consequently, the supply of cars for advertising platforms operating in the used-car space may be affected. Even though dealerships and resellers could be involved in the agency model (Interviewee E. 2023), the advertising platforms' relevance is posed to be affected.

### 4.1.2 Global Disruptions in Car Production Supply Chains

A combination of the war in Ukraine, semiconductor shortages, new emission standards, and pandemic shutdowns has caused global disruptions in car production supply chains during the last three to four years, according to Gioia analysis (Appendix A.7: *Structural Undersupply of Young Cars Affects Used-car Sales Activity*). This has led to fewer new cars than normal being delivered from OEMs, resulting in a structural undersupply of young cars and large backlogs at manufacturers.

The cumulative production is expected to be more than 10 million units behind pre-shortage expectations, according to Baranowski et al. (2023). Additionally, the authors state that there may be repeated battery shortages for electric vehicle production, limiting European electric vehicle output. The undersupply of cars lead to higher prices for both new and used cars, even in the economic downturn. Used car prices surged 9% to 12% between 2019 and 2021, with residual values of used cars increasing faster than the list prices for new cars (Baranowski et al. 2023).

According to interviewees' outlook, the supply chain disruptions are starting to alleviate in 2023 and are expected to disappear altogether over the next few years (Appendix A.7: *Structural Undersupply of Young Cars Affects Used-car Sales Activity*). Baranowski (2023) also predicts that it will take some time for manufacturers to catch up with the structural undersupply, even if continuing disruptions are not likely.

The structural undersupply of cars means lower activity on the used-car market since people keep their old cars for longer while waiting out the delivery problems (Palmér, 2023). Listing volumes of cars on Blocket have for example been subject

to market volatility, as expressed by Suwe (2023), indicating the implications for the used-car market.

Increased levels of deliveries in the coming years to release the large backlogs at manufacturers could result in a higher number of used cars entering the market. Otherwise, the lower activity will remain until the last three to four years' "missing" inflow of cars have been circled out, as predicted by the representative from Carwow (2023).

### 4.1.3 Shift Towards Alternative Ownership Forms in the Nordics

Industry experts agree that Sweden is an excellent market for technology due to its maturity, innovation, and high competitiveness. This was identified as a second-order theme in the Gioia Analysis (Appendix A.5 *Shift Towards Transactional Models with B2C and C2B Channels*). Sweden's high placement in the Network Readiness Index, which is discussed in Section 3.1.1, supports this assessment. The same dimension in the Gioia analysis further indicates that Sweden is an ideal place to test new models due to its flexibility and high rate of adoption and diffusion of innovation. The market is likely more open to experimenting with new ownership models and transactional services than most European markets. Palmér (2023) has provided data from Vroom on leasing in Sweden, claiming that the ownership model has been growing steadily during the last 10 years, with an average growth rate of 27% per year. In 2022, about 55% of all new privately registered cars were leased instead of purchased. This ownership form has also proved to have high levels of loyalty according to Palmér. In addition, subscription models and mobility-based services such as car-sharing are emerging.

According to Interviewee C (2023), subscription models can be seen as a form of "all-inclusive" private leasing, generally with higher prices due to increased convenience and flexibility. Car-sharing on the other hand allows people to rent cars from a carpool for short periods of time, often by the hour or minute (Interviewee C, 2023). A report by Heineke et al. (2022) on European car-sharing states that car-sharing as a mobility service is growing, however with a low growth rate so far. Interviewees have further expressed that aggressive political undertakings aiming to remove cars from the streets inside cities drives the increased popularity of car-sharing (Appendix A.8 *Shift Towards Alternate Ownership Forms*).

Schibsted has identified flexible forms of vehicle ownership as one of its three Value Creation Levers and is currently expanding into this area (Printzell Halvorsen 2023). To test the waters, the Norwegian media group has launched its new subscription service HONK in Sweden, which represents an supplemental ownership model (Schibsted 2023b). By exploring new positions such as this,

Schibsted is strategically positioning itself for growth and innovation in the digital advertising environment.

The Gioia analysis revealed that the future of the Nordic car market is expected to shift towards these types of services rather than traditional vehicle ownership, leading to less potential buyers and sellers of used cars (Appendix A.8 *Shift Towards Alternate Ownership Forms*). However, interviewees more or less unanimously believe that the length of time required for behavioral evolutions, such as those related to ownership models, is easily underestimated.

### 4.1.4 Economic Recession Leading to Tighter Household Budgets

According to Neil Winton (2022), the year of 2023 is anticipated to bring forth a recession, which will introduce several challenges to the demand side of the economy. These challenges include high inflation, a decline in consumer confidence, stretched household budgets, and tighter monetary policy. These factors collectively create headwinds that affect various industries, including the automotive sector. (Winton 2022)

The representative from Carwow (2023) has expressed that the new-car market in general is a cyclical, macro driven market. New-car sales may therefore experience turbulence under these circumstances. However, Interviewee F. (2023), an automotive expert from a global consulting firm, predicts that the market for used cars will display greater resilience and attractiveness for key industry players such as car dealers, omnichannel platforms, automotive manufacturers, marketplaces, and investors. Baranowski et al. (2023) also states that the used car market tends to stay relatively stable, especially during recessions, as many people rely on their cars for commuting to work and when visiting family. Many would rather sacrifice other purchases than give up their means of transportation. Baronowski et al. adds that customers of new cars may also switch to used cars if their older vehicles cannot be maintained financially and they are no longer able to afford new cars.

So while the market for used cars is expected to remain stable with regards to an economic downturn, it is important to note that consumer preferences and demand may undergo shifts during this period, as highlighted by interviewees (Appendix A.9 *Effects of the Economic Recession*). For instance, Palmér stated that leasing, which was a very popular choice just a year ago, is losing its appeal due to increasing costs driven by higher interest rates. As a result, demand for leasing as a form of ownership is decreasing, which may cause a shift toward purchasing used cars (Johan Palmér, 2023).

### 4.1.5 Sustainability Leading to Electrification

Pushed by the EU and growing awareness for sustainability, there is a significant shift toward battery-electric cars (BEVs) in Europe (Baranowski et al. 2023). The Nordics are at the forefront of the electrification trend, where early BEV adoption markets, such as Norway and Sweden, have demonstrated a clear increase in electric car sales activities (Suwe 2023).

Palmér (2023) stated that the electrification also has resulted in a dramatic growth in the number of BEV manufacturers and models available on the market. This has led to a wider range of prices for electric vehicles, meaning more availability of affordable options. Furthermore, Tesla has introduced several global price reductions in 2022 and 2023 (Korosec 2023), which Palmér expects will cause significant ripples throughout the whole automotive industry. Not only is Tesla gaining more ground in terms of market share, this price cut has started to trigger similar actions by other car manufacturers, leading to changes in the pricing of BEVs and other types of vehicles (Palmér, 2023).

Baranowski et al. (2023) assesses that the increased amount of BEVs in the car fleet will be positive on the used-car market overall. The reason being that electric vehicles in particular seem related to higher turnover speed as BEV owners seem to change cars more frequently (Baranowski et al., 2023). Some switch to BEVs earlier than they would normally have bought a new car, while BEV owners seem to replace their cars more frequently to avail themselves of new and advanced features, such as faster charging and newer battery technologies. These effects outweigh the smaller opposing effect of traditional car owners holding on longer to their combustion engine cars, waiting for BEVs to become more mature and affordable (Baranowski et al., 2023).

The increased number of manufacturers and affordability of BEVs are causing major uncertainty in the market, according to Gioia analysis. The shift to EVs is a major disruption to the automotive industry and has implications for the competitive landscape, its infrastructure and sales models. (Appendix A.10 *Electrification as a Megatrend*)

### 4.1.6 Summary of the Macro Trends' Implications for Digital Car-advertising Platforms

These five macro trends have potential to shape the development of the used-car market, and in particular the online advertising space. A summary over the potential consequences for players active or interested in this space, as discussed in the previous sections, are provided in Table 4.1.

**Table 4.1 Summary of the macro trends' significance for car-advertising platforms.**

| Trend | Description | Relevance for used-car advertising platforms |
|---|---|---|
| Digitalization leading to new go-to-market strategies for OEMs | OEMs are adopting direct-to-consumer sales models via various channels, such as online sales or boutique-style stores. Alternatively, the agency model allows the reseller to retain its position as the physical touchpoint with the customer, instead receiving commissions on each sale without owning stock or individually setting prices. Although these strategies mainly concern new-car sales, used cars are likely to be incorporated as well. | The entry of OEMs into the direct-to-consumer space is a potential threat to car advertising platforms. First, this move has the capacity to weaken dealerships' positions, thus creating uncertainty for advertising platforms' primary customers. Second, OEMs are increasingly involved in building relationships directly with end customers, potentially diminishing the relevance for third-party platforms. |
| Global disruptions in Car production supply chains | Global disruptions in car production supply chains, caused by various factors, have led to a structural undersupply of both new and used cars. | The undersupply of cars means reduced activity in the used-car market, making it a challenging time to enter. Competitors are fighting for a smaller volume of cars than usual, intensifying the competition. |
| Shift Towards Alternative Ownership Forms in the Nordics | The Swedish market is an ideal testing ground for new ownership models and transactional services. Car leasing, subscription models, and car-sharing services have slowly started to gain traction. | The growth of alternative ownership forms represents a potential future threat to car advertising platforms that are not well-positioned for this shift. Failure to adapt may lead to a loss of competitiveness in the evolving market landscape. |
| Economic recession leading to tighter household budgets | The economic recession brings challenges to the demand side of the economy. While the new-car market generally is macro-driven, used-car sales tend to remain stable as people rely on their cars. Additionally, new-car buyers and leasers may switch to more affordable used cars. | While posing challenges, economic downturns could lead to increased demand for used cars compared to leasing and new cars, potentially benefiting car advertising platforms focused on the used-car market. |
| Sustainability Leading to Electrification | Sustainability efforts have prompted a significant shift towards battery-electric cars in Europe, with the Nordics leading the way. This has resulted in a wider range of electric vehicle options at different price points. | Electrification is a major disruption in the automotive industry. The higher turnover speed of electric vehicles is beneficial for advertising platforms, but the emergence of new actors and sales models is causing major uncertainties. |

## 4.2 Monopolistic Markets

As stated in the description of the competitive landscape in section 3.5.2.2, Blocket holds a near-monopoly position in both C2C and B2C car sales in Sweden. For this reason, a review of monopolistic markets and how to tackle them is considered relevant for any actor interested in entering this space. For this reason, this section aims to describe monopolistic markets, their impact, drivers, and strategies to combat them. These concepts are illustrated through the lens of the Swedish classifieds market.

### 4.2.1 Impact and Drivers for Monopolistic Markets

A *monopoly* is a market structure where a single seller or producer assumes a dominant position in an industry or a sector, leaving no reasonable substitute for consumers. This lack of competition often leads to higher prices and reduced output. Additionally, monopolies can restrict entry to the market, preventing potential competitors from entering and threatening the monopolist's profits. As a result, monopolies are often subject to regulation to protect consumers and promote competition. (Hayes 2022)

In most markets, users can easily switch between or use multiple platforms, which increases the possibility of different platforms coexisting and competing with each other. However, a sector inquiry of five selected digital markets conducted by the Swedish Competition Authority (SCA) in 2021 shows that platforms have incentives to tip the market in their favor (Eriksson et al. 2021). This means they try to move away from competition and towards a monopoly equilibrium, for example by locking in their users and making it difficult for them to switch to competing platforms.

#### *4.2.1.1 Network Effects*

The benefit of using a platform often increases when there are numerous other users on the platform. This phenomenon is known as *network effects*.

Network effects can be direct, meaning that the benefit of a product or service to a user is influenced by other users in the same group. A peer-to-peer online marketplace, for instance, would be highly ineffective without other users buying or listing items for sale. Network effects can also be indirect, meaning that the benefit to a user is influenced by users in another user group. For instance, the more car dealerships that list their inventory on the platform, the more appealing it becomes for car buyers to use the platform, and vice versa.

Network effects can lead to business growth by expanding the customer base, market share, and overall value proposition of the product, resulting in increased profits (Reddy 2018). However, this can also result in a situation where a dominant

platform becomes the only choice for buyers and sellers, leading to reduced competition and potential harm to consumers. (Eriksson et al. 2021)

#### *4.2.1.2 Intermediation Power*

According to Eriksson et al., (2021), several international expert panels describe how a platform can become an unavoidable partner to business users wishing to reach certain customers. The position as intermediator between business users and customers may allow the platform to charge high fees or otherwise apply less favorable terms towards business users. This characteristic has been referred to as *intermediation power*. As digitalization continues, transactions intermediated by platforms have become an increasingly important source of income for many business users. This has increased the risk of growing intermediation power in digital markets.

The strength of a platform's intermediation power towards business users increases as the actual or potential competition for customers weakens. This may lead to larger risks of the platform acting in a way that limits competition. The degree of intermediation power is particularly high when customers, due to factors such as lock-in effects, network effects, costs, or habit, use only one platform. In such situations, business users may face difficulty reaching individual customers through means other than the platform they are currently using. Therefore, platforms may have incentives to lock their customers into their platform and make switching to another platform more difficult, raising the barriers of entry in their markets. (ibid.)

### 4.2.2 How the Swedish Classifieds Market is Monopolistic

Classifieds are sometimes viewed as a winner-takes-all space with market leaders benefiting from *economic moats* (Chen 2020). The moat describes a business's ability to uphold its competitive advantages over other businesses in order to protect its long-term profits and market share (Gallant 2022). In the Swedish online advertisement market, Blocket's two-sided network effect serves as its economic moat. For instance, buyers prefer to visit the platform with the most comprehensive listing of classifieds. At the same time, sellers prefer to advertise on the site that attracts the most user traffic. Ultimately, Blocket's position of market leadership helps create a positive feedback loop for its business, which fends off rivalry.

In turn, this weakened competition for customers has given Blocket significant intermediation power and a lock-in effect towards dealerships and resellers which has made it possible to steadily raise the barriers of entry due to high switching costs.

### 4.2.3 Strategies to Challenge Monopolies

#### *4.2.3.1 Three fundamental approaches for cracking well-guarded markets*

According to Bryce and Dyer (2007), entering well-guarded markets can be achieved through a combination of three fundamental approaches: *leveraging existing assets, reconfiguring the value chain,* and *creating niches*.

Leveraging existing assets involves using present resources to lower the cost of entering new markets. In a marketplace context, this could mean building on an existing web infrastructure or partnering with established dealerships or car manufacturers to combine their assets and resources.

Reconfiguring the value chain entails changing the activities or sequence of activities performed to create a new value chain. An example of this could be creating a value chain where used cars are sold directly from OEMs or leasing companies, bypassing the intermediate dealership. This theory is supported by Maxwell and Kominers (2021), who in their article highlight enabling new suppliers to enter the market as important for companies in unlocking disruptive potential.

Lastly, creating niches involves developing offerings that target a specific segment of customers, such as those looking for eco-friendly or electric vehicles, or offering premium features at a price that only some customers are willing to pay. By establishing a secure beachhead in a specific niche, a new entrant could potentially move into mainstream markets from a position of strength.

#### *4.2.3.2 Indirect Assault*

Indirect assault is a common theme in successful business strategies, as coined by Bryce and Dyer (2007). Rather than engaging in direct competition with established players, companies focus on weaker points in the market. This may involve developing new products or services that meet unmet needs or providing superior customer service. Companies can also partner with complementary businesses to expand their offerings and reach new customers.

Combination strategies are more effective when they are indirect, but the level of indirectness depends on the context, such as the entrant and industry.

## 4.3 Porter’s Five Forces Analysis of the Market

The following section discusses the application of Porter's Five Forces framework, as described in Section 2.1.3.2, to the online advertising industry for cars, with focus on the potential expansion of Tradera. The strength of each force has been assessed and rated on a scale from low to moderate to high, based on the market in question.

### 4.3.1 Application

**Threat of New Entrants – Low-Moderate**: *The degree to which new competitors can enter the market and disrupt existing businesses.*

While the Swedish market's high maturity and innovativeness make it an attractive space for experimenting with new models (Appendix A.5: *Shift Towards Transactional Models with B2C and C2B Channels*; Reynoso et al. 2022) Schibsted's Blocket has established a dominant position advertising cars online, making it challenging for new players to gain traction, as discussed in Section 3.5.2.2 and 4.2.2. Although several new players (Table 3.2) have emerged in the past decade, Blocket's near-monopolistic market position remains. This is evidenced by the fact that most people (70 percent of buyers and 78 percent of sellers) still use Blocket, as shown from the survey in Figure B.1. Although anyone could potentially enter the market, substantial capital, proprietary technology, and supply networks would likely be required. Interviews suggest, however, that a strong brand awareness and established user base could significantly lower the barriers to entry (Appendix A.2 *Success Factors in Marketing and Customer Acquisition*).

Considering the potential for new entrants from other industries or geographies, it is unlikely that pan-European models will pose a significant threat to the Nordic market. Interviewees have indicated that pan-European models are not expected to pose a significant threat, as the Nordic market will likely maintain its focus on local and national levels (Appendix A.5 *Shift Towards Transactional Models with B2C and C2B Channels*). Schibsted, for instance, is keeping their different national brands (Blocket, FINN, Tori and Dba), instead of consolidating them into one Nordic brand (Printzell Halvorsen 2023). Additionally, the new go-to-market strategies for OEMs, as discussed in Section 4.1.1, lead to implications in two ways as they are entering. First, they are reducing inventory available to dealerships. Second, they are becoming more active in the direct-to-consumer market and may compete directly with established platforms. As mentioned in section 3.5.2.2, dealerships are also increasing their online presence and expanding into the direct-to-consumer space. Based on this reasoning, the threat of new entrants is considered to be **low to moderate**.

**Bargaining Power of Suppliers – Moderate**: *The degree to which suppliers can raise prices or reduce quality of goods or services.*

Listers, who are also known as advertisers, should be considered suppliers in the context of online classifieds and marketplaces. They are essentially suppliers of inventory to the platform, and the platform itself connects them with potential buyers. As such, listers don’t have the power to raise prices in any way relevant to the advertising platform, only to the buyers browsing on the platform. Instead, their bargaining power derives from their choice to withdraw from advertising on the platform. As discussed in Section 4.2.2 however, Blocket’s economic moat

gives them significant bargaining power and lock-in effect against dealerships and resellers, since they prefer to advertise on the site that attracts the most customers. This thesis was supported during interviews with car dealerships. Interviewee E (2023) expressed being dependent on Blocket, and Interviewee A stated that there is no alternative. As a result, less bargaining power is left in the hands of the dealerships as they have no choice to withdraw and choose another platform. Interviewees have for example expressed that dealerships currently are dependent on Blocket's intermediation power discussed in Section 4.2.1.2, even though they are dissatisfied with aspects of the platform (Appendix A.3 *Keeping Dealerships by Creating Lasting Value and Satisfaction*).

The entry of a new platform capable of delivering value to dealerships, for instance through the attainment of a sizable user base, has the capacity to strengthen the bargaining power of dealerships. This is due to the possibility of reducing their reliance on the existing market leader, as a new alternative becomes available. Since dealerships make up for more than 70 percent of vehicles currently listed on Blocket (Blocket 2023), a combined effort could raise the bargaining power by establishing different market circumstances. Rogers (2003) suggests that the factors of trialability and observable results can provide value for dealerships early on, as discussed in Section 3.2.4. Based on this reasoning, the bargaining power of suppliers is considered to be **moderate**.

**Bargaining Power of Buyers – Moderate-High**: *The degree to which buyers can negotiate prices or demand better quality of goods or services.*

Though listers generate revenue for the platform, they are not the buyers in the context of this Porter's Five Forces analysis. The analysis focuses on competitive forces that impact the ability of the platform to attract and retain customers. In this context, buyers would be individuals or professionals who are using the advertisement platform to search for a vehicle and potentially make a purchase.

As demonstrated in Section 3.5.2, there are numerous potential buyers in this market who have access to several platforms (as listed in Section 3.5.2.2) and can readily compare prices and features across multiple options (Bonde 2023). Still, buyers prefer to visit the site with the most comprehensive listing of items, according to survey answers in Table B.5. Almost 52% of respondents in the survey consider a *wider range of vehicles than other platforms* as one of the most important factors in the choice of platform. The network effects of Blocket in online car trade, discussed in Section 4.2.2, have established them in a top-of-mind position among consumers, and may lead to buyers demanding more from a new service if they are to migrate from the currently used one. Difficulty in breaking up this top-of-mind position by changing customer behavior might pose one of the biggest threats for challengers.

Furthermore, security, user-friendliness and advanced search tools also stand out as important factors from the customer survey. Hence, a site may need to fulfill

these requirements in order to lower the bargaining power of buyers. Based on this reasoning, the bargaining power of buyers is considered to be **high**.

**Threat of Substitutes – Moderate**: *The degree to which alternative products or services can replace existing products or services.*

In a broad sense, buying a used car enables mobility, allowing you to get from point A to point B, as mentioned by Interviewee O. (2023). Other forms of mobility enablement than having an own car include non-car-based mobility and access to cars via car sharing services. None of these pose a realistic threat because most people still rely on cars, as discussed in Section 4.1.4. Furthermore, car-sharing services need time to significantly break through, as discussed in Section 4.1.3.

Having an own car can be done by buying or via subscription-based contracts, such as those discussed in Section 3.5.3.3. With the results of the current high-interest economic environment, discussed in Section 4.1.4, there should currently be weak threats from these forms of substitutes.

Furthermore, there are several alternatives to buying used cars through a classifieds platform, including purchasing in a direct visit at a dealership or buying a new car. However, the lower prices of used cars and the convenience of online shopping make it a popular option for many buyers. The main threat to online classifieds is the shift towards transactional models for C2B and B2C in Nordic markets (CMD, 2023) along with OEMs adopting agency models, as discussed in Section 4.1.1. These threats, combined with limited alternative substitutes accompanied with high switching costs, motivates a **moderate** threat of substitutes.

**Intensity of Rivalry – High**: *The degree to which existing competitors are competing with each other.*

The used car advertising market in Sweden is highly competitive, with several established players, such as Blocket, Bytbil and Wayke, listed in Section 3.5.2.2. Blocket is the dominant player, with a strong brand, large financial resources and the superior user base by far, posing a major threat for other competitors. As discussed in Section 4.2.2, their two-sided network effect gives them an economic moat which creates a considerable power to fend off rivalry. As a result, Blocket has gradually increased the listing price without improving significantly on service (Appendix A.3: *Keeping Dealerships by Creating Lasting Value and Satisfaction).* The intensity of competition in the market is further driven by a number of factors:

1. The normally growing market is currently experiencing a decrease in sales volume, which can be attributed to the supply chain disruptions discussed in Section 4.1.2 and highlighted by the interviewees (see Appendix A.7: *Structural Undersupply of Young Cars Affects Used-car Sales Activity*). Hence, existing players are currently competing for a lower sales volume than before.

2. The emergence of new actors trying to digitalize and facilitate the whole car purchasing journey in recent years has increased the number of players in the market, see Section 3.5.2.2. Although it is happening at a slow pace, the market for buying and selling used cars now offers more options, including end-to-end solutions (see Appendix A.5: *Shift Towards Transactional Models with B2C and C2B Channels*). This has created a more differentiated market landscape. Additionally, the entering OEMs, discussed in Section 4.1.1, are further stirring up the rivalry (Appendix A.6: *OEMs Embracing the Agency Model Brings New Powerful Players into the Used-car Market*).

3. Dealerships are fighting back against the emerging digitalizing players, who essentially are entering their space, by increasingly embracing online sales through their own digital channels (Appendix A.3 *Keeping Dealerships by Creating Lasting Value and Satisfaction*). In particular, Interviewee C (2023) expects large dealerships with tech capabilities to expand further into the online advertising market. These dealerships will rather compete with than be the customers of the classifieds and marketplaces.

While advertising platforms may differ in terms of product offerings, many of their fundamental features, such as pricing models and basic value-adding services (such as price comparison or financing options), are quite similar (see Table 3.2 for an overview). This similarity in pricing models and basic value-adding services offered by the advertising platforms creates a level playing field for the players, leading to intense competition. Moreover, the challenge of gaining market share, discussed in Section 4.2.2) forces the smaller players to constantly innovate and improve their offerings, further fueling the rivalry among them. These factors lead to a **high** intensity of rivalry in the market.

### 4.3.2 Analysis Summary

**Table 4.2 Summary of the Porter's Five Forces Analysis**

| Force | Rating | Explanation | |
|---|---|---|---|
| | | **Weakening factors** | **Driving factors** |
| Threat of New Entrants | Low - Moderate | Network effects of Blocket increase demands on entries | Market is ideal for testing innovation. Brand awareness and existing user base may work as a door for entering. OEMs may pose threats in the future. |

| | | | |
|---|---|---|---|
| Bargaining Power of Suppliers | Moderate | Blocket’s network effects cause lock-in for supplying dealerships. | Suppliers are dissatisfied with Blocket and prone to explore new options with high trialability |
| Bargaining Power of Buyers | Moderate - High | Blocket's network effects create challenges in migrating buyers, especially since changing consumer behavior is difficult. | Large numbers of buyers and low switching costs between platforms. |
| Threat of Substitutes | Moderate | Few substitutes available with high switching costs. | Shift towards transactional models for C2B and B2C, and OEMs adopting agency models. |
| Intensity of Rivalry | High | Blocket raising prices without improving the service. | Highly competitive market, with a dominating market leader in Blocket and many smaller innovative, rivaling players fighting for abnormally low volumes. OEMs and dealerships are expanding into the online advertising market. |

## 4.4 SWOT Analysis of Tradera

The identified threats and opportunities are based on the results from the Porter’s Five Forces analysis, along with additional results from the Gioia analysis. The strengths and weaknesses have primarily been identified using findings from the Gioia analysis as well, with reference to internal communication with Tradera discussed in Section 1.1.2.1 and 1.1.2.2 (Öberg & Norberg 2023; Söderström 2023). A few opportunities, such as the market's lucrativeness and the possibility of upselling, were also mentioned here.

Below is an application of the SWOT analysis and subsequent TOWS flip in the context of Traderas position entering the digital advertising market for used cars. Section 1.1.2.2 discusses the strengths and weaknesses of Tradera, which were further analyzed during weekly council meetings with Söderström (2023).

### 4.4.1 SWOT Matrix

| Strengths | Weaknesses |
|---|---|
| **S1**: Established and trustworthy brand and reputation among online advertising platforms<br><br>**S2**: Large user base in the form of more than two million active customers<br><br>**S3**: Possesses extensive knowledge regarding user profiles<br><br>**S4**: Experienced team with knowledge of online marketplace dynamics and high tech competence from many years in the industry<br><br>**S5**: Existing technology and web infrastructure to build upon | **W1**: Limited experience in the automotive industry and online car advertising specifically<br><br>**W2**: Current business model and platform not fit for classified advertising and car sales → May require significant investment in technology and infrastructure to properly support a new product line<br><br>**W3**: Tradera's brand is associated with trading smaller goods rather than cars and other vehicles<br><br>**W4**: No existing connections or partnerships with additional service providers |
| **Opportunities** | **Threats** |
| **O1**: Market opportunity for highly integrated transactional models in mobility services in B2C and C2B (Appendix A.5; *Shift Towards Transactional Models with B2C and C2B Channels*)<br><br>**O2**: Growing interest for performance-based pricing models in online advertising (Appendix A.1: *Performance-based Pricing*)<br><br>**O3**: Widespread discontent among dealerships with the current market leader Blocket (Appendix A.3: *Keeping Dealerships by Creating Lasting Value and Satisfaction*; Öberg & Norberg 2023)<br><br>**O4**: Vehicle advertising is a lucrative opportunity for horizontal platforms (Schibsted 2023a; Öberg & Norberg 2023)<br><br>**O5**: Possible profitable adjacent markets for spare parts, financing and insurance (Table B.7 Survey Findings 7; Öberg & Norberg 2023)<br><br>**O6**: Sweden is coming up as an ideal market for testing new models since it's a mature, innovative, and competitive market (Appendix A.5: *Shift Towards Transactional Models with B2C and C2B Channels*) | **T1**: Established players in the car advertising market, mainly Blocket, have a strong foothold in the market and may be difficult to compete with (Table B.1 Survey Findings 1)<br><br>**T2**: Transactional models, led by competitors, becoming more popular in the market (Appendix A.5: *Shift Towards Transactional Models with B2C and C2B Channels*; Suwe 2023)<br><br>**T3**: Several challenges associated with performance-based pricing, including complexity, lack of clarity, ensuring qualified leads, difficulty in budgeting, and uncertainty for car dealers (Appendix A.1: *Performance-based Pricing*)<br><br>**T4**: Investments cost associated with a new vertical in terms of tech infrastructure and marketing (Appendix A.2: *Success Factors in Marketing and Customer Acquisition*)<br><br>**T5**: Changing user behavior is difficult, which makes building a user base costly (Appendix A.2: *Success Factors in Marketing and Customer Acquisition*)<br><br>**T6**: OEMs entering the B2C market with disruptive business models (Appendix A.6: *Embracing the Agency Model Brings New Powerful Players into the Used-car Market*) |

**Figure 4.1 SWOT Matrix.**

### 4.4.2 Flipping the SWOT Matrix into a TOWS

#### *4.4.2.1 Strengths-Opportunities (SO)*

SO strategies entail leveraging internal strengths to capitalize on external opportunities.

- SO1: Leverage the established and trustworthy brand and reputation in online advertising (S1) to capitalize on the lucrative opportunity for vehicle advertising (O4).
- SO2: Tradera's existing user base and traffic (S2) can be used for cross-selling and upselling of spare parts, financing and insurance to existing user base (O5).
- SO3: Utilize in-house competence (S4) to build an outstanding model for performance-based pricing (O2), attracting unhappy dealers (O3) with superior cost-to-benefit ratio.

#### *4.4.2.2 Strengths-Threats (ST)*

ST strategies utilize internal strengths to mitigate external threats.

- ST1: Tradera can leverage its established and trustworthy brand, as well as its current user base (S1+S2), to gain market share from early adopters and compete with Blocket and other well-established players. This approach allows Tradera to avoid spending excessive amounts of money on marketing (T4).
- ST2: The existing technology and web infrastructure (S5) can be utilized to launch the new product line with lower investments and tech-ops costs (software and infrastructure costs, personnel costs, security and compliance costs etc) (T4).
- ST3: Tradera can use its experienced team and tech/marketplace know-how (S4) to develop innovative solutions that address the challenges associated with performance-based pricing (T3).

#### *4.4.2.3 Weaknesses-Opportunities (WO)*

WO strategies involve addressing internal weaknesses to take advantage of external opportunities.

- WO1: Address the limited experience in the automotive industry (W1) by partnering with established dealerships (O3) or hiring experienced professionals. This will provide the necessary expertise to develop and implement effective strategies for the new product line.
- WO2: Tradera can use the market opportunity for highly integrated transactional models (O1) in mobility services to differentiate itself from common classifieds (W2)

- WO3: Launch an automobile vertical as a sub-brand on the same platform (W3) to explore opportunities for expansion into other categories, such as real estate or jobs, in the future (O5).

#### *4.4.2.4 Weaknesses-Threats (WT)*

WT strategies focus on addressing internal weaknesses to minimize external threats.

- WT1: Invest in technology, integration software and know-how to properly support a direct-to-consumer sales model early (W1+W2) in order to make the threat of OEMs entering the B2C into a partnership opportunity (T6).

# 5 Discussion

*This chapter discusses the results and insights obtained from the analysis, broadly following the structure of the research questions. First, the current market situation and entry barriers are discussed from the focal point of the macro analysis and Porter's Analysis. Next, enablers to overcome these types of barriers are reviewed, with respect to Tradera's internal and external capabilities, using the SWOT/TOWS hybrid analysis. The last segment covers the main risks and corresponding mitigation strategies of the market entry, mainly extracted from interviews and following Gioia analysis.*

## 5.1 Current Situation and Barriers to Entry

Starting from a macro perspective, the used-car market is facing challenges due to supply issues and growing complexity. Electrification brings positive aspects such as higher turnover speed among consumers, but it also introduces uncertainties for the whole automotive industry. While this industry is evolving slowly, digital companies like Schibsted are strategically positioning themselves to offer alternative ownership services beyond traditional car purchasing. This prepares them for a shift in the market's future direction, suggesting industry optimism and indicating that now is a good time to pursue innovation.

Although the used-car market has shown resilience during economic recessions, it’s currently suppressed by global disruptions in the supply chain, resulting in undersupply of cars and less sales activity overall. However, this could prove more favorable for the used car market compared to new cars or leasing. Additionally, the implementation of new strategies by OEMs is generating widespread concerns, especially among dealers, as they seek to establish closer connections with consumers and in particular the used-car market.

Based on Porter’s analysis, the online automotive advertising market in Sweden is highly competitive, with medium to high barriers to entry. The classifieds market is generally monopolistic, which provides an economic moat for the market leader due to its two-sided network effect. Sweden follows this trend with Blocket, which has yet to face significant competition for its number one position. This is one of the main threats identified in the SWOT matrix, and it poses a first direct barrier to entry. In turn, this barrier also impacts other threats highlighted in the analysis.

Blocket has essentially positioned itself as an indispensable partner to dealerships and top-of-mind for most consumers, which has granted them significant traffic from habitual user behavior. This places higher demands on a challenging platform, which require costly marketing efforts and a superior value offering to stand out.

When buyers possess significant bargaining power, they tend to revert to their previous platforms unless a challenger can offer superior value or address unmet aspects of the service. The research has revealed that the most desired feature in a platform, as indicated by the consumer survey, is a wide range of listed vehicles. To meet this demand and provide a diverse inventory of listings, it is crucial to offer superior value to dealerships upon entry.

A moderate bargaining power of suppliers means that dealerships may be inclined to start advertising on a new challenging platform. However, they require proof of tangible value, such as leads, to remain motivated to continue using the service in the long term. Performance-based pricing is viewed as both a threat and an opportunity, as suggested by the SWOT matrix. The model is attractive due to its potential to prove tangible value and high trialability (if listing is free), making it a significant opportunity. However, the associated complexities in understanding and operating this pricing model also make it a substantial threat if implemented unsuccessfully. Hence, effectively implementing performance-based pricing is seen as a significant barrier that must be overcome to capitalize on the opportunity.

In recent years, classifieds models have matured and are slowly becoming outdated, making it increasingly difficult to enter the market with a copycat car-searching platform. Digital companies are leading the way towards transactional services by integrating different services together. For new companies to be successful, they need to offer unique services and aim to increase transactional ownership. Transactional models have the potential for higher value capture than traditional classifieds, and is a clear differentiation strategy. However, the SWOT analysis identifies the shift towards transactional models as both an opportunity and a threat, since main competitors are closely monitoring and currently innovating towards the promising end-to-end solution from established positions. For a challenger, this means keeping up but avoiding investing in technology or offering services that will be outdated soon.

Meanwhile, the used-car market is developing slowly. This means that customers will continue to rely heavily on in-person activities and dealership involvement for the time being. To optimize resource allocation, it is important to figure out the relevance of offered services and reconfigure the platform accordingly. While visionaries are confident in where the market is heading, few can anticipate the timing. Here lies the third main barrier.

## 5.2 Overcoming the Barriers

In analyzing the current situation, three main barriers to entry were found. These are (1) the two-sided network effects of Blocket in the Swedish market, (2) Providing value through performance-based pricing while maintaining simplicity to encourage trialability and (3) predicting the timing of the shifting market.

### 5.2.1 Overcoming Two-sided Network Effects

Challenging the economic moat of Blocket can be challenging, as the value of Schibsted's network only increases as more users join. Following the three fundamental approaches for cracking well-guarded markets, an entrant has to leverage existing assets to lower the cost of market entry, reconfigure the value chain to enable new suppliers entering the market, all while creating a niche. These strategies can be represented by identifying and capitalizing on strengths-opportunities and weaknesses-opportunities identified in the TOWS analysis.

#### *5.2.1.1 Leveraging Assets*

SO1-SO3 and ST1-ST3 are part of Tradera's strategy to lower the cost of entry by leveraging existing assets. These assets may be tangible, such as in-house technology and competence, current user base, and existing traffic, or intangible, such as brand and reputation. Leveraging these assets is expected to be Tradera's main enabler, as few players in the Swedish car-advertising market have started from such a reputable position prior.

SO1, SO2, and ST1 build on leveraging assets such as a recognizable brand, high user traffic, and trustworthiness. A strong position as a horizontal marketplace could provide the awareness needed for early growth when pursuing the vehicle category. It also puts less emphasis on initial marketing costs. Association with trust is further essential as it leverages awareness to consideration and helps progression along the adoption curve. When customers feel comfortable with trusting the brand from the start, they are more likely to use the services and recommend it to others. With a large active user base and over 6 million weekly visits (1 million more than Blocket, according to the respective platform's website), Tradera enjoys both high user traffic and brand recognition. Additionally, trading items on Tradera is likely perceived as more reliable, safe and trustworthy compared to the two other main competitors in the horizontal used item market, Blocket and Facebook Marketplace. Tradera should therefore have potential to leverage traffic, brand awareness and trustworthiness.

SO3, ST2 and ST3 build on leveraging existing technology and infrastructure. The Gioia analysis (Appendix A.3 *Keeping Dealerships by Creating Lasting Value and*

*Satisfaction*) shows that seamless integration and interoperability with dealerships is key for generating value. As Tradera has the competence to design effective and innovative technology, connective solutions such as well-documented, high-performance API:s can readily be built to enable dealerships to conveniently and cost-effectively migrate their offered inventory of vehicles to the platform.

Tradera also has cost advantages over pure vertical players because they can develop common solutions across different product categories. Additionally, they benefit from scale effects of advertising efforts where advertising for one vertical within the brand often spills over to others. Although the current auction model might not be entirely suited for the automotive vertical, it shouldn't altogether inhibit Tradera's level of readiness. Rather, the incentive to go for a classifieds model can be viewed as a facilitator for future verticals if Tradera manages to leverage its internal strengths and make it blend intuitively with the auctions module.

To overcome Blocket's network effects, Tradera can further acquire important assets that are currently lacking. To address Tradera's limited experience in the automotive industry, partnering with established dealerships or hiring experienced professionals could ensure that the automotive vertical becomes consumer-centric (WO1). This is likely the most cost-effective way to acquire industry knowledge. In particular, dealerships are a strong potential choice as they have expressed strong opinions on what they consider good platform design and valuable functionality. For instance, Interviewee E (2023) stated that more narrow vehicle categories can be developed together with dealerships' data.

#### *5.2.1.2 Reconfiguring the Value Chain to Enable New Suppliers*

Next, a strategy for overcoming Blocket's network effects involves reconfiguring the value chain to integrate value-adding services and enable new suppliers, such as financial, delivery, or payment services, to join the market. To unlock disruptive potential in a new tier of suppliers, platforms could also consider investing in and facilitating partnerships with OEMs emerging with agency models (WT1). These types of partnerships further open up opportunities to acquire a distinct inventory of cars. Offering emerging players special deals for listing exclusively on one's own platform may result in a competitive advantage by having a unique inventory. This type of strategy may be more difficult and uncertain, making it suitable as a complementary strategy that could give an edge if the right suppliers are found.

#### *5.2.1.3 Creating a Niche*

Through indirect assault an entrant could avoid direct competition with Blocket and instead focus on weaker points in the market. This could include a focus on transactional services, as discussed later in section 5.2.3, or on serving a specific category of vehicles, such as high-end cars, EVs (like Carla) or non-cars (boats, motorcycles etc.) before entering the broader market. However, this would require further assessment on customer needs.

### 5.2.2 Performance-based pricing: Simply Providing Value

Dealerships are likely to become the most productive suppliers of classifieds listings early on. As Tradera doesn't have any existing partnerships with dealerships providing inventory as of yet, investing in the onboarding process of dealerships will be required early on to enable inventory depth and quality. The trialability factor will also play a major role in this, and will need to be established to create a sustainable inventory of cars from both private sellers and professionals. Successful relationships with dealers should also involve total transparency of the intentions and goals of the platforms

Performance-based pricing presents a significant opportunity to attract key dealerships with large inventories. By eliminating the base price, it lowers the advertising threshold, making the product easier for dealers to try out. It also introduces a shared success metric, in terms of lead generation per ad, which helps both parties work towards the same goal. By simultaneously offering a free or low-cost service for private listers, the platform could attract a greater number of listings from individuals who want to avoid paying high fees to traditional car dealerships or incumbent digital channels. As the survey showed, a clear majority of private sellers prefer a fixed price. Moreover, the platform has the possibility to offer additional services for free initially, such as financing and inspections, in order to lower the barriers for listing and developing the platform inventory.

The operational solution for performance-based pricing must be transparent, predictable, and simple, as suggested by the Gioia Analysis (Appendix A.1: *Performance-based Pricing*). Most important is to communicate and compare how the pricing model creates superior value than competitors and provide accurate forecasting tools to make budgeting simple.

Tradera's internal strengths include an existing tech infrastructure and an experienced team with essential market intelligence, as indicated in the SWOT analysis. According to the TOWS analysis (ST3), Tradera could leverage its experienced team and tech/marketplace knowledge to develop innovative solutions that address the challenges related to performance-based pricing. By drawing inspiration from established innovators of this pricing model, such as HeyCar, Tradera could potentially strengthen its dealer relationships by making high-quality leads the main revenue source. Improving the quality of leads can help ensure that dealers are conscious of tangible value that is generated, and that they only pay for what is valuable in the end. For example, implementing filters and validation tools (such as captchas) can assist in screening out illegitimate or low-quality leads. Tradera could also utilize its user rating system in combination with a variable price rate for certain ratings.

### 5.2.3 Capturing the Timing of the Transactional Model

To capture the market opportunity of verticalization and transactional models, suggested by the SWOT analysis, contenders should at minimum consider adding more services and expanding into transaction ownership. Such expansion could help Tradera create a more differentiated service among classifieds, perhaps more closely tied to the current business model, as suggested by the TOWS analysis (WO2).

An entrant could focus on weaker points in the market following the indirect assault approach. Since transactional services (such as research guides, virtual seat trials, free delivery, vehicle checks, and more) are still in the innovation stage of market development, this could provide Tradera with a promising niche market of time-sensitive customers demanding more service.

In order to tackle the timing issue, Tradera could once again draw inspiration from HeyCar and provide a hybrid model that offers a customer journey for both online and offline experiences. This helps anticipate the rather devious development process for the digital car advertising market and could provide an exit strategy for either of the two solutions if one doesn't work as planned. If launching a minimal viable classifieds platform, Tradera should have the ambition to follow up with possible transactional ideas. These could include Instant Cash Offers, Direct Offers from Dealers, or partnering with value-adding services such as Phyron. The innovative nature of the Swedish market makes it an ideal environment for experimentation to determine what works and what doesn't.

## 5.3 Main Risks and Mitigation Strategies

According to market insights gathered from interviews, the used-car market has become increasingly complex, introducing further unpredictability. As a result, the analysis has identified six main risks for Tradera's entry, along with outlines for mitigation strategies. Some of these originate from the threats outlined in the SWOT matrix, as they weren't seen as immediate barriers but as potential future threats. Others were brainstormed from previous insights produced in the analysis, as well as from the interviews and survey, to identify anything that could negatively impact a market entry. In particular, the risks are linked to consequences that could appear after an entry has been made:

1. Entering the used-car market carries inherent risks that can negatively impact Tradera's brand. There is a risk of a failed market entry, customer confusion due to technical implementation challenges, and the possibility that the new vertical may not align well with Tradera's existing brand image of circularity and reliability. Car sales are particularly challenging in terms of ensuring consumers' sense of trust and safety, which could

potentially undermine Tradera's reputation as a trustworthy platform - one of their main strengths identified in the SWOT analysis (S1).

2. At the Jefferies Summit, a representative of Carwow stated that negative reviews of car classified platforms often stem from cars not matching their descriptions or developing mechanical issues soon after delivery. This is a significant risk. Although technology can hardly solve these issues, trust and safety can be established by offering guarantees to cover buyers for the first few months after purchase. According to a survey, the most appealing additional service for buyers is offering such guarantees.

3. In the SWOT analysis, established car advertising players were identified as a threat. A new player in the used-car market could trigger a response from these established competitors, such as price reductions, which would pose a risk to the new entrant's profitability and market share. This could further strengthen the dominant market position of existing players and deepen their monopolistic control. It is important to consider strategic counters in advance to be prepared for the reactions of established players.

4. From medium to high barriers to entry, strong OEMs have the potential to disrupt the competitive landscape of online car sales upon entry. However, their entry might also bring opportunities, as OEMs could incorporate used cars in their operations but still advertise on car classifieds platforms. Keeping an eye on the development of the agency model, and potentially partnering up with OEMs could prove advantageous.

5. Venturing into the used-car market also poses the risk of losing focus on the main business, diverting essential resources and attention. This could give existing competitors an opportunity to seize market share. To safeguard the main business, it is crucial to address this risk. A sensible approach would involve carefully managing a stepwise transition, monitoring the impact, and evaluating consequences to minimize potential risks.

6. Lastly, the SWOT analysis indicates that consumer behavior may be too difficult or costly to change, especially considering the winner-takes-all characteristic of the classifieds space. If pursuing the automotive vertical, it is important to plan an exit or market segmentation strategy in case the broader market is unreachable. The hybrid model discussed in the previous segment could provide such an alternative.

# 6 Conclusion and Recommendation

*This chapter presents the conclusions and recommendations of the study. It summarizes the responses to the research questions and provides a roadmap based on the final recommendation. The chapter also includes validation of the results by respondents, discussion on contributions to academia, a critical review of the results, and suggestions for further research.*

## 6.1 Answers to Research Questions

### 6.1.1 Research Question 1

*What are the main barriers to entering the Swedish car market with a classifieds model?*

While Porter's analysis indicates that there are significant barriers to entry for the online car advertising market in Sweden, the research highlights three main barriers, based on monopoly theory, interviews and Gioia analysis (Appendix A.1-4):

1. The Swedish car market presents barriers to entry for a classifieds model mainly due to the **two-sided network effects** of current market leaders such as Blocket. This creates lock-in effects for dealerships and makes Blocket the obvious first choice for private customers. As a new contender, it is both difficult and costly to win market shares, even with a superior product.

2. Although the industry endorses a performance-based pricing model as a beneficial differentiation strategy, it may be **hard to prove tangible value without operational complexity**. Additionally, private users may not be as receptive to this model, suggesting a split monetization strategy.

3. New car-searching platforms face challenges in the mature Swedish car market, where classifieds models dominate and differentiation is difficult. To succeed, new entrants must benchmark themselves against value-adding services and digital players pushing for transactionality through vertical integration. Despite this, the used-car market is slow to

develop, meaning in-person activities and dealership involvement remain important for customers. **Predicting the timing of the market's direction is therefore challenging**.

### 6.1.2 Research Question 2

*How can a digital marketplace, such as Tradera, overcome these barriers?*

The enablers outlined in this segment are based on the barriers stated in the previous segment, and capture the results from the SWOT and subsequent TOWS analysis. Each number corresponds to the barriers listed in the previous section.

1. Tradera has the opportunity to enter the automotive vertical from higher grounds than most contenders. In order to overcome Blocket's moat, Tradera must mainly **leverage its assets in brand recognition, association with trust and high platform traffic** by vertical migration of the current user base. Tradera should **also exploit the existing tech assets** to enable suppliers of cars to conveniently migrate their inventory of cars early on. Additionally, missing assets such as car-advertising expertise should be acquired to enable Tradera to develop a consumer-centric advertising site. Scaling effects of horizontal marketing as well as cross-selling should be exploited to bring down costs and gain from spillover effects. This could free up funds for improving and distinguishing services. Tradera should also consider integrating value-adding services, enabling OEMs as new suppliers, and finding a niche to focus on.

2. To attract key dealerships with inventories, **implement performance-based pricing from a dealer-centric perspective.** This eliminates the base price and introduces a shared success metric. With this approach, dealers are conscious of the tangible value generated and only pay for what is valuable in the end. Through leveraging in-house expertise and existing tech assets, Tradera should focus on transparency in disclosing the complete pricing structure and provide tools for forecasting to assist budgeting. To cater to different user preferences in the private sector, Tradera should also consider offering a free model to maximize early penetration, and later expand monetization into a freemium model with optional premium features. This would allow the platform to increase its user base while generating revenue from premium features.

3. Tradera needs to decide how they will enter the automotive vertical. They can enter as a traditional car searching site with fewer pain points and cost leadership in the classifieds space. This option will help them capture important dealership inventory early on. Alternatively, they can offer state-of-the-art services across a more end-to-end-based solution, taking a

digital-first approach. Schibsted is putting large efforts into R&D and this approach may become the competitive model in a few years. To anticipate the market trajectory, Tradera can offer customers the option to buy used cars either online or offline, using a hybrid model similar to HeyCar's. This strategy can set Tradera apart from its competition, stay consumer-centric, and be more resilient to changes in how the market evolves.

### 6.1.3 Research Question 3

*Should Tradera enter, and what strategic approach might they adopt to ensure a successful entry?*

Tradera should consider entering the online car-classifieds market with caution, according to the analysis. The automotive vertical unlocks a lucrative opportunity, especially considering the apparent discontent among key suppliers. The enablers are deemed sufficient for overcoming the barriers, including the possibility of leveraging brand recognition, trustworthiness and high platform traffic by vertical migration of the current user base. It also provides an opportunity to differentiate in advance of a transactional shift, and Tradera possesses sufficient technological expertise that can be effectively utilized to explore this new opportunity.

However, there are strong market forces pulling in the opposite direction, suggesting that it is difficult to challenge the market for a leading position at this time, especially in the current economic and supply chain-related situation. As previously stated, entering the market with a copycat model is not a viable option. Therefore, the decision to proceed should be based on meeting specific requirements at certain points in the development stage. These requirements are discussed in the following sections, where a roadmap has been synthesized based on three phases of platform development, inspired by the market development stages of classifieds models introduced by Meffert et al. (2015): *penetration, monetization* and *reinvention phase.* Each phase includes requirements that are broadly based on the enablers for overcoming barriers. From these requirements, semi-concrete actions and suggested executions have also been generated for each phase, taking inspiration from companies encountered during the research.

#### *6.1.3.1 Penetration Phase*

During the initial phase, Tradera needs to establish its relevance in the online car advertising market for both advertisers and buyers, and reach critical size. It is essential with trialability for onboarding car suppliers and to offer them reliable and tangible value through advertising on the platform. Additionally, the existing user base should be introduced to the new vertical, ensuring that their experience surpasses that of competitors.

**Table 6.1 A proposed roadmap for the penetration phase.**

| Requirements | Actions | Suggested executions |
|---|---|---|
| Grow critical volume of suppliers and buyers | ● Get as many dealerships on board as possible before launch<br>● Lower listing barriers for private advertisers<br>● Offer free additional services as promotion<br>● Minimize marketing investment by migrating existing user base | ● Partner with key dealerships before launch<br>● Emphasize low listing investment with lead-based price model<br>● Free listing for private advertisers<br>● Advertise with something simple and inviting, such as free car valuation, to draw in potential customers.<br>● Ensure that the auto trade module is prominently featured on the main platform<br>● Offer free inspections<br>● Offer free help with ownership changes<br>● Initiate user loyalty and referral programs |
| Prove value for dealerships | ● Employ a transparent lead-based pricing structure<br>● Improve lead quality compared to Blocket while maintaining a sufficient quantity<br>● Make sure ads are generating leads over time<br>● Become API-first: provide seamless integration for dealers | ● Create a multistage lead-generation process that generates qualified leads for a listing without creating too many barriers for buyer engagement<br>● Identity verification of potential buyers with BankID<br>● Require a minimum level of engagement, such as via filling out short forms<br>● Survey dealerships on their preferences regarding lead quality vs. quantity<br>● Develop well-documented, high-performance API:s or partner with credible plugin developers |
| Ensure trust and security for private consumers | ● Minimize unserious buyers in C2C through validation<br>● Maximize safety in C2C transactions<br>● Require certain ad quality<br>● Provide valuation guidance | ● Offer guarantees during the first few months following purchase<br>● Verification of sellers and buyers with BankID in C2C<br>● Use existing license to facilitate payment with escrow in C2C |

| | | |
|---|---|---|
| | | • Offer premade contracts in C2C<br>• Extend review system to auto vertical<br>• Present key ownership data based on registration plate from a third party, such as Car.info<br>• Provide price valuation tools, such as Car.info<br>• Require additional vehicle information and a minimum number of pictures from advertisers |
| Satisfactory interface and functionality | • Intuitive and seamless user flow<br>• Define narrow and relevant segmentation of cars<br>• Implement sophisticated car discovery | • Develop car categories together with experienced dealerships<br>• Develop advanced search tool (such as ability to search/filter by specific characteristics)<br>• Establish communication channels for user review of features and updates |
| Identify and gain foothold in a niche | • Make product specific to certain existing user profiles<br>• Serve the certain niche well, providing superior value | • Niche in safe and trustworthy C2C, or<br>• Niche in higher-end used cars, or<br>• Niche in cheaper used-cars with focus on cross-selling, or<br>• Niche in electric cars |

### *6.1.3.2 Monetization Phase*

In the following monetization phase, it is necessary to leverage the forthcoming position through core growth and increased average revenue per advertisement by implementing new features and revisiting price strategies.

**Table 6.2 A proposed roadmap for the monetization phase.**

| Requirements | Actions | Suggested executions |
|---|---|---|
| Monetization | ● Evolve pricing model<br>● Explore options for new services to enhance ad exposure for dealerships<br>● Go from free to freemium price model for private advertisers<br>● Introduction of product upsells | ● Explore increased lead costs for dealerships<br>● Offer premium ads and bumping to cater to the diverse demands of both private and business listers<br>● Link car listing with value-adding services such as integrated financing, car appraisal or spare parts<br>● For proposed additional premium services, see Figure B.8. |
| Raise the bar for dealerships | ● Drive performance through improved service integration<br>● Optimize conversion through improved listing content<br>● Invest in understanding how different dealerships operate<br>● Enable car-sourcing functionality | ● Provide data analytics tools enabling dealerships to improve listings<br>● Build lead connections between Tradera and dealerships' CRM-systems<br>● Integrate dealerships' KPI specifications<br>● Provide dealerships' with leads to private listings which fulfills their predefined criterias |
| Product development for functional advantages | ● Enhance ad content<br>● Develop innovative features | ● Explore options such as videos or 360-views in ads, such as via Phyron's AI-tool<br>● Add further useful data points to vehicles<br>● Continue improving search tools and other functionality to benchmark against competitors |

#### *6.1.3.3 Reinvention Phase*

If a sustainable position can be maintained after the monetization phase, the final reinvention phase focuses on growing beyond the classifieds model. This involves improving the customer journey, establishing key partnerships, and getting closer to the transaction in order to stay competitive in the shift towards disruptive verticalized sales models.

**Table 6.3 A proposed roadmap for a future reinvention phase.**

| Requirements | Actions | Suggested executions |
|---|---|---|
| Increasing transaction ownership | ● Offer online transactions of selected listings<br>● Transition from lead-based to commission-based pricing | ● Utilize escrow functionality to capture transaction fees<br>● Prepare for dealership reactions from getting closer to their space |
| Optimizing customer journeys | ● Facilitate buyer-seller communication<br>● Build ecosystem around consumers | ● Virtual seat trial<br>● Full vehicle checks<br>● Free delivery<br>● Detailed statements and imagery of vehicle imperfections (offered by Cazoo) |
| Look for further opportunities | ● Initiate partnerships with OEMs<br>● Enter new geomarkets<br>● Scale through M&A<br>● Explore other categories of vehicles | |

## 6.2 Contributions

This thesis illustrates market dynamics in the online classifieds market and challenges that can face contenters. The main contributions to theory are three:

First, this document provides a comprehensive taxonomy of digital advertising and transaction models in online retailing for used cars. The description includes various definitions and categorizations, which serve as a useful tool for understanding the different approaches that exist within the online classifieds market.

Second, success factors and a barrier-enabler mapping for entering markets dominated by market leaders with economic moats are presented. This mapping

identifies the key factors that can contribute to a new entrant's success, as well as the barriers that may prevent them from achieving their goals. This information is valuable not only for companies like Tradera, but for any organization looking to enter a highly competitive market in the digital space.

Third, an assessment of the utilization of performance-based pricing as a competitive strategy in online classifieds markets is presented. The report explores different aspects of the pricing model, including its potential for enhancing trialability and generating observable results, important aspects for influencing adoption of innovation (Section 3.3.4). The report also examines how performance-based pricing can be used to drive supplier performance through improved interoperability solutions, as well as the barriers associated with implementing it. This information could be valuable to organizations investigating pricing in classified advertisements markets.

Furthermore, by examining the online classifieds market in such detail, this thesis sheds light on the broader trends and challenges facing the e-commerce industry as a whole. As more and more businesses shift their focus towards online sales, it is crucial to understand the various models and strategies that can be used to succeed in this space. Notably, performance-based pricing is considered in the context of online classifieds, something that is rarely described in acclaimed sources.

Overall, this thesis provides a valuable resource for anyone interested in the online retailing industry, and offers insights that can help guide businesses as they navigate this complex and ever-changing market.

## 6.3 Critical Review: Limitations, Validity and Reliability

The findings of this investigation were derived from a synthesis of data obtained through a literature review, in-depth interviews, and analysis of survey responses. Due to the nature of the study, which is more similar to a business case than a scientific paper, conflicts of interest between supervising parties (LTH and Tradera) may or may not have affected the intended focus of the study. This means that certain areas of interest for academic purposes may contrast with topics more relevant to a go-to-market case. Furthermore as the topics of online classifieds and digital car retailing are not primarily addressed by the scientific community, the majority of literature written about these subjects is not published in academic journals. Instead, it can be found in business reports, online articles, and blog posts where citations to referenced work are not prioritized. Although a large number of sources were cited, this could potentially affect the reliability of the literature study.

Conducting Porter's analysis for the classifieds market posed some challenges due to the unique and intricate value network. The reason for this was because the suppliers and buyers are to some extent interchangeable and involve both business and private users of the advertising platform.

The business nature of the study also influenced the sampling of interviewees. The majority of interviewees represented stake-holding organizations competing in the studied market, rather than being objective scientific institutions or communities. This increases the risk of biased answers from the interviewees and raises concerns related to validity. Some interview questions couldn't be answered by certain informants due to confidentiality reasons, limited insight into the organization, or lack of time during interviews, resulting in less data for comparison for some questions. To increase validity, the strategy was to use triangulation, utilizing multiple sources of data and having two investigators present during each interview.

While satisfactory conversations and data exchange were carried out during the project, there were limitations to gaining insight into Tradera's operations. As a result, some assumptions were made about intentions and capabilities, which are incorporated into the conclusions of this report.

### 6.3.1 Critical Review of Survey Results

While conducting the online survey, it was important to be aware of biases that could arise and impact the validity of the collected data. Although the results were mostly consistent with hypotheses about consumer behavior and opinions, there were several factors that could have impacted the results.

*Sampling bias* occurs when randomly generated email addresses do not accurately represent the target population, skewing the sample towards certain demographics or excluding specific groups. The goal for this survey was to represent the average population. This was checked by comparing answers to the demographic questions with national population data from SCB. *Self-selection bias* can distort survey results and may have limited the generalizability, as respondents who choose to participate may have different characteristics or opinions compared to those who opt out.

*Response quality* was another concern, as there was a risk of receiving incomplete or inaccurate responses without effective measures in place. Respondents may have rushed through the survey, provided inconsistent answers, or provided false information, undermining the reliability and validity of the collected data. *Lack of verification* was also a challenge, as it was difficult to verify the identity and demographic information of respondents when using randomly generated email

addresses. This could have compromised the accuracy and reliability of the collected data.

In the end, the survey results were considered complementary to the research and were not considered to significantly affect the overall conclusions. Nevertheless, the researchers consider it to be of value and an interesting basis for further research.

## 6.4 Suggestions for Further Research

This thesis presents a high-level overview of the digital advertising market for used cars as a go-to-market strategy in the automotive industry. For any contender interested in this market, this study should be complemented with more specific research on areas such as further customer research and surveying, profitability analysis, technical research and prototyping, as well as scenario mapping.

During the research process the investigation uncovered questions and themes that were relevant to the subject matter but fell outside the scope of this thesis or were left out from time constraints. These include scouting for additional case studies on relevant success stories in the field and conducting interviews with classifieds companies that successfully implemented performance-based pricing. Three noteworthy actors were identified in this thesis which the researchers would have liked to investigate further: Heycar, Carwow and Facebook Marketplace. Heycar and Carwow are both interesting for several reasons (Section 3.5.1.1 & 3.5.1.2), but mainly because of their successful use of lead-based pricing and their relationships with OEMs. Facebook Marketplace on the other hand is interesting due to having entered the classifieds space with significant strengths, but still having done so relatively unsuccessfully (Section 3.5.2.2), something which may have to do with lack of trust and safety.

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# Appendix A Gioia Analysis

*This appendix gives a rundown of the complete Gioia analysis, where the first dimension is accounted for in full and the remaining nine are presented as concise summaries.*

## A.1 Performance-based Pricing (comprehensive and detailed account)

- There is potential in performance-based pricing, especially against dealers. Listing-based works now because the marketplace is dominant
- I'm cautiously positive about performance-based pricing. The potential may lie in that it is easier to explain what value you get for your money and that the threshold for advertising is lower
- As a new player, lead-based pricing can be attractive because there is no upfront fee for car dealers and they only pay when they know they received a lead
- None of the top players in Belgium are using lead-based pricing. They are glued to the traditional placeholder scheme, not because it's a bad idea, just because it's difficult to go against traditions
- Pay-per-listing is used by some niche players and has also been discussed at Schibsted, but the case is not as clear for broad classified players yet
- Everyone in the market is trying to switch to performance-based pricing, but it has proven difficult
- Regarding pricing models, there are no answers yet, but it's moving towards an individualized and performance-based pricing. The first step is qualified lead-based, a bundle with listing fee and success-fees
- We are the only competitor in our market with lead-based pricing. We charge about 28 pounds per lead
- I want to believe that performance-based pricing is better. It incentivizes us to make the ads better and the marketplace to keep the ads alive for longer. It can also be a way to understand the customer and how the lead is created

**→ Performance-based pricing is an attractive strategy but it has proven difficult to implement effectively**

- We believe in a simple and transparent pricing model. Many want to know the price, and lead-based pricing can seem a bit complicated
- Even though clients may like it, implementing lead-based pricing would be complicated
- While our performance-based pricing is well received by users, there is a contradiction that fixed pricing is easier to keep transparent and budget against
- The challenge is the operational solution, how do you know that a certain lead came from the platform? There is also a risk that the buyer just bypasses the platform's contact channels and just drives by the dealership without generating any chargeable leads. You also need to disguise the actual contact details to be able to charge for the leads, so the platform needs to be tech savvy. You also need to explain the model to the dealerships
- It has proven hard to maintain lead-based pricing with the invoicing systems used by our platform
- The holy grail for marketplaces is instead to capture the selling price, for example through contract or payment solutions
- Eventually the gold mine is the transactional model where the price is based on the gross value of the transaction
- Performance-based pricing is good since you pay for what you get, but don't believe it will work. I've received many calls from people wanting to do the same, and it hasn't happened. Also, the marketplace gets a little bit closer to the dealership which isn't altogether good for the dealership

**→ The main barrier for lead-based pricing is the operational solution in combination with keeping it transparent, predictable and simple.**

- Transparency is important for performance-based pricing
- Lead-based pricing needs to be clear and transparent early on to show the arguments for why it's worth paying for leads
- In C2C, transparency and trust are key

**→ The biggest enabler for lead-based pricing lies in demonstrating the value of paying for qualified leads through clear and transparent pricing structures.**

- Verifying the identity of the buyer, their ability to pay, and conducting background checks (like checking credit ratings) can generate more "qualified" leads, which can be charged more
- Qualified leads are a two way-street. Identifying the customer and verifying them (such as with BankID) makes the leads qualified, but at the same time you might miss transactions by being too demanding
- You can develop processes to drive in the customers in several steps that ends with a qualified lead

- Our platforms leads are better than Blocket's, which may be because the traffic is already more serious about a possible purchase
- A little resistance in the lead filters out unserious leads, making them more qualified

**→ Qualifying leads can make them more valuable, but also discourage trialability**

## A.2 Success Factors in Marketing and Customer Acquisition

- Success factors for an up-and-comer include security and smoothness through end-to-end solutions
- Smart functionality and superior product that does more of the work for the user and is key for retaining users
- Make the product more specific to build up traction around it
- The most important factors for customers when buying cars are trust and transparency
- One main winner in this business is reduced fear/confusion when buying a car

**→ Success factors for a platform include trust, security, and superior functionality**

- An established and proven name is a success factor for an up-and-comer
- Large user base and brand awareness are important success factors. The user base is difficult, time-consuming, and costly to move
- Strong position as an online marketplace, even without being present in vehicles, is the number one criteria for success for Tradera
- A main winner in this business is traffic and high conversion
- In regards to marketing, there is less need to build brand awareness if you already have a lot of traffic

**→ Brand recognition, established user-base and high traffic is powerful for a new contending advertising platform to gain traction**

- An entrant needs to find a niche, building something for a certain segment and focusing on content, not just all used cars. Focus on how to leverage existing customer types.
- It's tough to drive traffic, this is a success factor. Starting from who you think your customer is and analyzing it is key, having everyone as your customer is impossible, so go narrower. Traditional advertising costs too much and has too much competition.

- Despite big funding/money it's hard to grab a share in the market. Fundamentally, the industry will not change.
- An extensive marketing effort is required to attract customers, especially SEO seems incredibly important. Not only younger generations want to buy a car digitally, which one might easily assume.
- Advertise with something simple and inviting, such as free car valuation, to generate interest and bring in potential customers.

**→ Effective and targeted marketing requires improved customer knowledge**

## A.3 Keeping Dealerships by Creating Lasting Value and Satisfaction

- A challenge for marketplaces is accurate real-time information in terms of if the car is actually physically available to buy and if the car is accurately described. But this has more to do with the process-side at the dealerships than with technology.
- Blocket is too expensive and their service is too poor. All dealerships experience problems with Blocket, mainly due to difficulties in the integration and interoperability. It's for example difficult to get data and information from Blocket, and to implement API:s.
- Categorisation on marketplaces can be better and more modern, Blocket's categorisation is quite uniform and blunt, for example. More narrow categories can be developed together with dealerships' data.
- Auto Trader's power as a marketplace comes from being able to raise the bar for all retailers, i.e., giving them access to the best possible market and API:s and stock management platforms, as well as enabling them to drive performance through sales or margins.

**→ Smooth integration between dealership and advertising platform is key for generating value**

- Professionals are [Company's] main revenue stream, and they are basically competitors to the private sellers so you can't give too much visibility to the private sellers. That would essentially work against the professionals, even though the services are not really equal.
- Used-car sales are usually only one part of dealerships' business. There are many important additional services around the car which are used to build more long-term relations with their customers. These additional services are hard to sell for used-cars through marketplaces, and are the reason why the car-purchase is such a physical affair.

- Car purchasing is too complex for digitalizing the whole process. Everything can't be integrated with marketplaces, especially since it's a constantly changing setup.
- One avenue where you can look for opportunities is access to supplies (dealerships). What would it take and what does the market structure look like for dealerships?
- Ads on Blocket live for 1-4 days, then they die and stop generating leads. Dealerships want ads that generate leads over time.

**→ Leveraging an understanding for dealerships business is key for generating value**

- Consumer does homework at home via search platforms, decides on a desired price, and then wants to go down to the dealership for a face to face meeting.
- Even though Blocket has an important search and screening function, customers want to do the rest at the dealership.
- Marketplaces should realize their place in the ecosystem, and focus on being a pure search platform. This is what consumers want, and Blocket fails to understand this.
- One of the biggest challenges for online classifieds is therefore how to make the leap towards online buying and selling without harming the dealers.

**→ Leveraging an understanding of an advertising platform's place in the ecosystem is key for generating value**

## A.4 The Trend of Verticalization and Service Integration

- The Swedish market is experiencing clear verticalization. This trend is being driven by niche players who are solving specific problems better than generalists. The large generalists then follow suit and verticalize their business areas.
- C2C players are working to incorporate more of the purchasing journey, cross-selling, and service into the service.

**→ The Swedish market is experiencing clear verticalization, which is being driven by niche players.**

- A future trend is the integration of the value chain in marketplaces, i.e. more breadth in service offerings. The margins lie in helping the user in the purchase journey, and there are still opportunities here.

- Consumers want integrated services, which is why Schibsted is pursuing vertical specialization and optimizing customer journeys. The individual solutions (for different product categories) can then be scaled over the nordic countries since the customer expectations are similar.
- Marketplaces will be vertical but start focusing more on the broader aspect of mobility services than just car sales. Finding the best way to get from A to B, owning more of the value chain, etc.

**→ To meet consumer needs, future platforms must integrate the value chain and offer a broader range of services, optimizing customers' journeys.**

- A key determinant of success is verticalizing the experience, getting inspiration from big players on how the products and offerings should be designed – make products more specific to build up traction.
- Digital retailing combines the best digital experience with seamless integration between retailers, manufacturers, and leasing companies. This allows consumers to easily switch between digital and physical environments when shopping for cars.

**→ Verticalization is a key determinant for success**

## A.5 Shift Towards Transactional Models with B2C and C2B Channels

- Classifieds and marketplaces remain important for the car trade.
- Regarding business models, the online classifieds market is not expected to undergo dramatic changes. The B2C vs C2C share is not expected to change significantly either. Additionally, we will likely see a continuous focus on a local/national level rather than expanding to pan-European models.
- The trend is that people increasingly want help selling their cars. So we are moving away from C2C.
- For the future of online used-car sales, Schibsted strongly believes in C2B. C2C is being phased out slowly, and classifieds may disappear.
- The classifieds market had been relatively stagnant for a long time, but in the last two years, many new business models have emerged. As a result, classifieds are now increasingly starting to own the transaction.
- There is a long-term shift from C2C to C2B in the industry.
- C2C transactions can be fully digital and transactional. The challenge lies in figuring out how to monetize them. C2B is already transactional, but can’t handle large volumes. B2C has the most potential, but making it transactional is difficult since the dealerships own the cars.

**→ While online advertising platforms are expected to remain significant, the classifieds market is shifting towards transactional at a slow but steady pace**

- Value creation levers for Schibsted are (1) leverage current positions (grow classifieds), (2) transform to next generation/transactional products (C2B, B2C), (3) expand to new positions (flexible forms of vehicle ownership)
- Schibsted is leveraging its C2C position to reach a much larger addressable market through transaction fees and partner insurance
- Customers can typically get a higher price on C2C transactions than on C2B transactions. However, the security and speed/convenience of selling to a company make it a completely different service from C2C. For GoCar, the key is to offer a market price to customers, which can incentivize them to choose C2B services like GoCar.
- The biggest value in a car dealing service lies in the digital journey, safety and convenience, and that the consumer doesn't have to do much themselves.

**→ Transactional models allow for a higher value caption than classifieds**

- Sweden is a very mature market, innovative and competitive with many players, especially in C2B. Thus the ideal market to test new models, like car subscription, since there are more rooms to maneuver and less to lose.
- The Swedish market is very mature when it comes to easy and fast online car sales, even more do than Norway

**→ Sweden is an ideal testing market for new business models**

## A.6 OEMs Embracing the Agency Model Brings New Powerful Players into the Used-car Market

- An ongoing megatrend is that digitalization leading to new go-to-market strategies for OEMs (prioritizing the Nordics) and marketplaces
- OEM players are entering the market with B2C and taking away inventory from the dealers, starting with EVs. This is bringing new powerful players into the setup.
- OEMs are switching to the agency model for new cars, where they want to own the customer relationships themselves and just give the car dealers fixed payments.
- OEMs go from B2B to doing B2C themselves, either directly or via their own dealers

**→ Digitalization leads to new go-to-market strategies for OEMs, known as the agency model, bringing powerful players into the setup.**

- OEMs own resellers are becoming stronger in the used-car market due to the tougher situation in the new-car market, where margins have become smaller.
- Agency model results in the dealerships getting stuck in between. This is the biggest fear for dealerships at the moment.
- OEMs are starting to integrate the dealerships (resellers) into their own operations with the agency model
- Manufacturers will also continue to grow increasingly strong within B2C sales. They are starting to keep the stock themselves rather than at dealerships and to a higher degree decide how much the cars will be sold for
- A major challenge for dealerships is how to tackle this change (the agency model).

**→ Agency model causes changes for dealerships and resellers:** As OEMs become stronger, dealerships are caught between suppliers and consumers.

- OEMs want to tie the used-car track to them as well. It will come down to if the cars are sold or leased, and how they deal with parts exchanges. Resellers and dealerships may be involved here.
- Dealerships will need to monitor the development of the agency model and the share of people that own vs. lease cars.

**→ Agency model roll-out will have implications for the used-car market.**

## A.7 Structural Undersupply of Young Cars Affects Used-car Sales Activity

- Delivery problems for new cars is mainly due to the pandemic creating component shortages.
- Number one issue (in the car market) has been supply, especially with new cars. Waiting lists on new cars led to used cars being short in supply.
- New cars were a good business until the chip crisis, and now it's been very low for three years.

**→ There is a structural undersupply of young cars due to global supply chain disruptions, caused by several factors.**

- There are large backlogs at manufacturers.

- These supply chain problems will begin to ease in 2023 and should disappear completely in a few years.
- Issues with new cars are now starting to fade, lead times are coming down

**→ The disruptions are starting to alleviate as of 2023, and there are large backlogs.**

- The trade of second-hand cars is generally increasing year by year but had a dip in 2022, especially for cars <5 years old. The reason is delivery problems of new cars, which means that people keep their second-hand cars longer, leading to lower activity in the second-hand market.
- Listing volumes have been subject to market volatility
- Used cars will remain pretty suppressed because the new-car business has been very low for three years, and it's going to take a while to circle through the low amount of 0-3 year old cars.

**→ The undersupply is affecting the activity on the used-car market, and will continue for some time.**

## A.8 Shift Towards Alternate Ownership Forms

- In 2022, 55% of cars acquired by private customers were leased instead of purchased, and this trend has been consistently increasing with an average annual growth of 27% in the last decade.
- Lessees are generally loyal to the ownership form.
- Leasing has the highest penetration rate in Sweden, so it is most interesting to look at new subscription models here.
- Expanding to new positions (flexible forms of vehicle ownership) is one of Schibsted's three **Value Creation Levers**. Their car subscription service HONK has been launched in Sweden as of 2023.

**→ New ownership forms are increasingly emerging and gaining traction.**

- Alternative ownership forms will grow, but one easily underestimates how long this change takes.
- The future Nordic car market will be more service-based than vehicle-related due to less ownership (and thus less cars).
- The market is changing, for example due to the fact that young people increasingly go from car ownership to subscription-based mobility.
- Marketplaces will be vertical but start focusing more on the broader aspect of mobility services than just car sales.

- Cities can continue to be aggressive in removing cars from the streets, which may make us see faster behavioral changes among inner-city residents.

**→ New ownership forms will gradually increase, eventually resulting in a service-based Nordic car market with less car ownership.**

## A.9 Effects of the Economic Recession

- The interest rate is like a wet blanket on the market and suppresses private sales. How the sales in March (generally a strong month) 2023 look will say a lot about the market this year.
- When the first interest rate increase occured in 2022, the car market died, [Company] saw a drop of 65% of buyers, however, there were plenty of sellers.
- New cars are a cyclical, macro-driven market.
- The increased complexity in the car market is (partly) caused by the economic macro factors, especially personal economics.

**→ Higher interest rates suppress and complicate the car market as a whole.**

- Lease prices are increasing which leads to decreased demand for the ownership form, possibly leading to increased demand for second-hand cars.
- Affordability at the moment is not as good as two years ago. Financing is becoming more expensive so demand for used cars is increasing.

**→ Within the car market, higher interest rates move demand towards more affordable options, in many cases this means used cars.**

- Used cars are becoming more of a focus recently than it has been, because cars are back to depreciating so they need to be moved around more, dealers can't have them sitting around. Focus for dealers during the last two years has been to get ahold of cars, now we are shifting back to the traditional.
- In high-interest rate environments, car dealers do not want to hold onto cars for long, so it is especially important to sell, which is difficult because high-interest rates mean fewer buyers.

**→ Higher interest rates are challenging for dealerships as cars are deprecating.**

## A.10 Electrification as a Megatrend

- An ongoing megatrend is sustainability focus leading to electrification of the car fleet
- One of the strongest trends in the car market is the evolution of electric vehicles (EVs), Tesla is lowering prices and Chinese brands are entering the market with lower prices than Tesla or Polestar
- There has been an explosion of electric car brands and models in recent years. This leads to a greater price range, so both cheap and expensive electric cars are now available on the market.
- Nordics are way ahead continental Europe in terms of EV adoption. There is an underlying structural change towards a higher share of EVs, this takes a lot of time however
- Everyone will eventually sell electric cars so it's not a niche over time

**→ Sustainability leads to the electric car market rapidly expanding, especially fast in the Nordics.**

- Biggest uncertainty for the near future is the change in drivetrains from ICE to EVs
- Increased complexity in the car market is partly caused by the technology development in the cars

**→ The shift to EVs is major disruption to the automotive industry and has implications for energy consumption, infrastructure and sales models**

# Appendix B Main Survey Findings

*This appendix presents the most relevant survey findings in table form, along with associated insights.*

Comments:

- Respondents were contacted via email at random, where gmail addresses were randomly generated using Sweden's most common first and last names from SCB's database.
- There were in total 362 respondents, distributed over all regions (counties) of Sweden with no region standing for more than 31.40% of respondents.
- 64.82% of respondents were men, 34.35% were women, and 0.83% didn't specify.
- 53.93% of respondents had at some point been in the purchase process of a car, and 40.88% in the sales process. This resulted in at least 120 answers for any given question, apart from questions requiring a written answer where the minimum was 70.

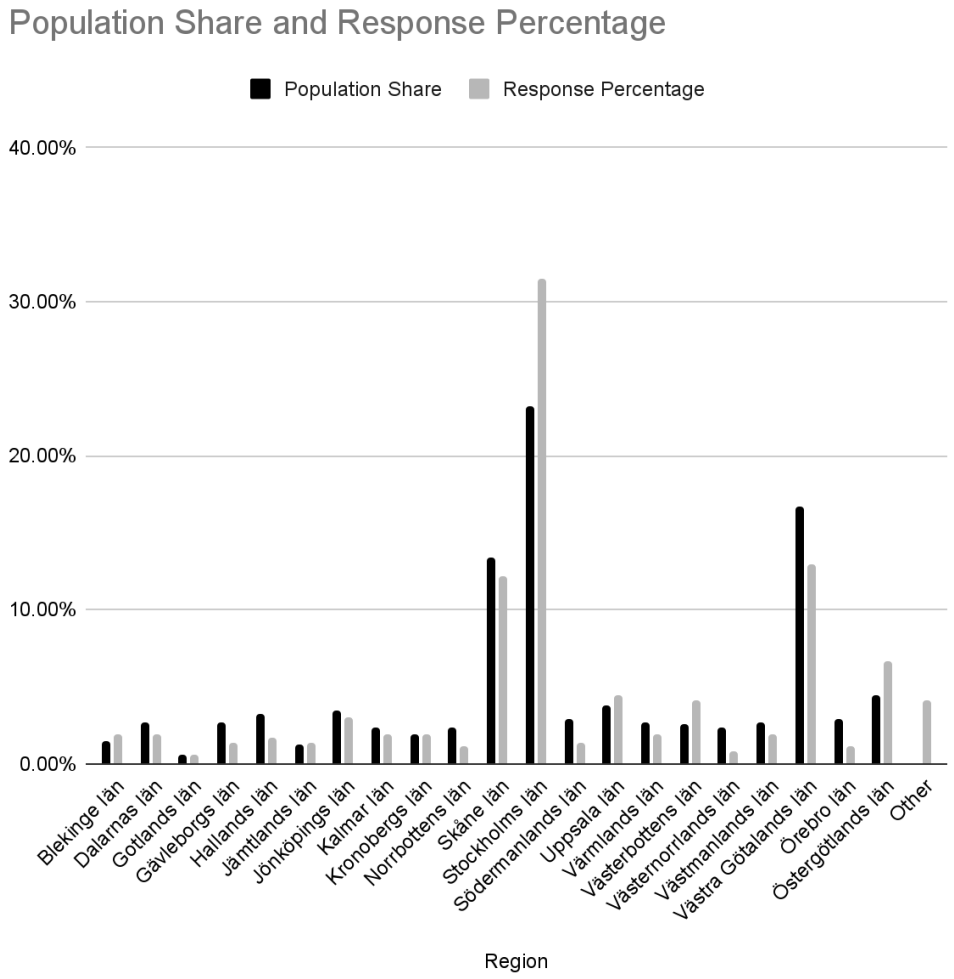


**Figure B.1. A bar graph showing a visualization of the population share of each region in Sweden, as well as the corresponding response share (SCB 2023).**

# B.1 Consumers' Usage of Platforms and Communication Styles

**Table B.1 Survey Findings 1**

| | **Platform used in latest transaction process** | |
|---|---|---|
| | Purchase process | Sales process |
| Blocket | 69.81% | 77.87% |

| | | |
|---|---|---|
| Wayke | 1.89% | 0.00% |
| Bytbil | 7.55% | 1.64% |
| Facebook Marketplace | 2.52% | 6.56% |
| KVD Bil | 5.00% | 6.56% |
| Other | 13.24% | 13.93% |

→ The majority of people use Blocket both for buying and selling cars.

→ Respondents that answered "Other" used platforms including Bilweb, Autouncle, Riddermark and Carla.

**Table B.2 Survey Findings 2**

| **Types of parties that communication occured with** | | |
|---|---|---|
| | Purchase process | Sales process |
| Consumer | 35.85% | 77.05% |
| Professional | 53.46% | 12.30% |
| Both | 8.81% | 8.20% |
| Don't know | 1.89% | 2.46% |

→ When buying cars online more people turn to dealerships than private sellers, the difference is not dramatic however.

→ When selling cars, the clear majority are contacted by private buyers.

**Table B.3 Survey Findings 3**

| **Channels used for communication** | | |
|---|---|---|
| | Purchase process | Sales process |
| E-mail | 37.34% | 32.79% |
| Phone call | 58.86% | 66.39% |
| Direct visit | 48.10% | 28.69% |
| Communication channels available on the platform | 34.81% | 47.54% |
| Other | 3.16% | 7.38% |

→ When buying cars online, almost half of people bypass other communication channels and visit the seller directly.

→ More people call than email.

**Table B.4 Survey Findings 4**

| Satisfaction with the experience overall | | |
|---|---|---|
| | Purchase process | Sales process |
| Very unsatisfied | 3.14% | 5.74% |
| Unsatisfied | 2.52% | 9.84% |
| Neutral | 8.18% | 18.03% |
| Satisfied | 42.77% | 38.52% |
| Very satisfied | 42.77% | 27.05% |
| Don't know | 0.63% | 0.82% |

→ People are in general satisfied with their experiences on online car platforms.

→ Sellers are less satisfied with the experience than buyers.

## B.2 Consumer Preferences Regarding Characteristics and Technical Features of Digital Platforms

**Table B.5 Survey Findings 5**

| Most important factors for choosing one digital ad platform for vehicles over another (both for buyers and sellers) | |
|---|---|
| Wider range of vehicles than other platforms | 51.85% |
| Security and reliability of the platform | 38.52% |
| Better user-friendliness and interface | 35.93% |
| Advanced tools for searching and comparing prices | 32.59% |
| Higher exposure to ads (more traffic) | 27.78% |
| Transparent and clear pricing for ads | 17.41% |
| More informative ads | 16.30% |
| Cheaper advertising | 15.56% |

| | |
|---|---|
| None of the above options | 10.00% |
| Other | 3.70% |
| Large number of high quality images and/or videos in the ads | 0.00% |
| User ratings and reviews | 0.00% |

→ Important characteristics of a platform include a wider range of vehicles, security and reliability, and a better user-friendliness and interface.

**Table B.6 Survey Findings 6**

| Most important features for a digital ad platform for vehicles (both for buyers and sellers) | |
|---|---|
| Advanced search tool (such as ability to search/filter by specific characteristics) | 60.74% |
| Detailed vehicle information in ads | 58.52% |
| Easy communication channels between buyers and sellers | 35.93% |
| Large number of high quality images and/or videos in ads | 34.07% |
| User-friendly and modern interface | 25.93% |
| User ratings and reviews | 18.89% |
| Price comparison tools | 18.52% |
| None of the above options | 7.04% |
| Other | 1.48% |

→ Most important technical features for a digital ad platform for vehicles are advanced search tools, detailed vehicle information, easy communication channels and a large number of high quality images and/or videos in ads.

**Table B.7 Survey Findings 7**

| Most interesting additional services at a classifieds/marketplace for buyers | |
|---|---|
| Guarantees in the first months after purchase | 55.19% |
| Tools for price and valuation guidance (such as price comparison) | 40.00% |
| Help with re-registration/change of ownership | 28.52% |
| Financing options for car purchase | 17.41% |

| | |
|---|---|
| None of the above options | 15.93% |
| Buy/reserve vehicles directly on the digital classifieds/marketplace website | 15.19% |
| Home delivery of the purchased vehicle | 14.81% |
| Insurance options | 12.96% |
| Recommendations for accessories/car parts for a car you have purchased | 7.04% |
| Other | 5.19% |
| Car sharing services (car pools. short-term rentals) | 4.81% |

→ The most sought after additional services that a classifieds/marketplace can offer buyers of cars are guarantees, price/valuation tools and help with ownership changes.

**Table B.8 Survey Findings 8**

| **Most interesting premium features for advertisers** | |
|---|---|
| Ability to modify the ad after publication | 61.96% |
| Detailed analytics on ads such as number of impressions. clicks or requests. | 38.04% |
| Premium ad with increased exposure (such as with more images or display priority) | 27.84% |
| Pay for ads to appear at the top of search results to increase visibility and generate more traffic. | 23.14% |
| Offer professional photography services for advertising | 16.08% |
| Possibility to add delivery services | 14.90% |
| Other | 11.76% |

→ When it comes to premium functions of the ads, a majority of advertisers on digital platforms are most interested in the ability to modify the ad, followed by detailed analytics and a premium ad with increased exposure.

**Table B.9 Survey Findings 9**

| **Most preferred pricing model for advertisers** | |
|---|---|
| A fixed fee for advertising (pay per ad) | 76.58% |

| | |
|---|---|
| Don't know | 14.13% |
| A percentage of sales (commission-based pricing) | 3.72% |
| Other | 3.35% |
| Variable fee (with a price cap) per potential buyer that contacts you (pay-per-lead) | 1.49% |
| Subscription-based fee per month for advertising | 0.74% |

→ Clearly, advertisers prefer a fixed fee for advertising.

→ Consumers are not interested in a variable fee-based pricing model.

**Table B.10 Survey Findings 10**

| **Preferred price range for listing** | |
|---|---|
| Less than 500 SEK | 57.62% |
| 500-1000 SEK | 17.10% |
| 1000-2500 SEK | 3.72% |
| More than 2500 SEK | 1.49% |
| Don't know | 12.64% |
| Other | 7.43% |

→ Most people have a willingness-to-pay under 500 SEK.

→ 20% of people are willing to pay more than 500 SEK.

# Appendix C Interview and Survey Questions

## C.1 Interview Questions

**Introduction**

- Is it okay to record and to cite you in the report?
- Tell us briefly about your experience in the automotive industry and your role at [Company]
- Describe [Company]'s business model in short

**Market description**

- What are the most important growth trends in the used car industry (for online classifieds and marketplaces)?
- Do you believe that the sheer sales volume of used cars (in terms of B2C, C2B or C2C) will increase or decrease in the incoming years and why? How much?
- Which kinds of business models for online car sales will be present (successful) in years to come?
- How do you think the development of business models that own the transaction (mainly C2B and B2C) compares to classic classified models (C2C and some B2C)?
- Will traditional (B2C, C2C) classified models continue to be relevant?

**Competitive landscape of the used car classifieds market in Sweden**

- What types of players are active in the market, which of these are the main competitors to look out for in the future and why?
- Is the competitive landscape in Sweden beneficial for new entrants?
    - Is there room for new platforms?

    - Which competitive position should a new player take?
- What are the main barriers and what would be required to overcome them?
- How is the competitive landscape going to develop in the upcoming years?
    - Is the market going to be more or less segmented?
    - What business models will thrive?

### Key determinants of success for a used car classifieds platform

- Pricing models:
    - Can performance-based pricing be a good option for a digital advertising platform, both in terms of competitive advantage to other pricing models, but also for generating satisfactory long-term revenue streams?
    - Which pricing model for car advertising online is prone to generate the most customers?
    - Is performance-based pricing viable and prone to be successful for both B2C and C2C online car advertising, or should different pricing models be applied?
    - Is upsells actually popular and able to generate satisfactory revenue streams?
        - Difference between B2C and C2C?
        - Which types of upsells?
- Marketing:
    - Which channels/activities are most important for attracting private buyers and sellers?
- Offering:
    - Platform
        - What are the most important factors for a search/filtering function?
        - Which are the most important attributes in an ad?
        - Which currently unfeasible attributes/features would be desirable if they were feasible?
        - What information is needed for an MVP?

- Additional services
  - Which additional services (insurance, guarantees, financing, etc.) are popular for buyers?
  - Which additional services are currently feasible and reasonable to offer cost-wise?

**Closing**

- What are the three most important factors for success in the used-car advertising business?
- Can you recommend any other interesting contacts?

## C.2 Survey Questions

### Part 1: Introduction

[Multiple Choice] **What gender do you identify as?** (Man, Woman, Other, Don't want to specify)

[Multiple Choice] **How old are you?** (18-30, 30-45, 45-65, 65+)

[Multiple Choice] **Which county do you live in?** *(*[List of Sweden's counties]*)*

### Part 2: The buying process

[Multiple Choice] **Have you ever bought or been in the process of buying a vehicle via a digital marketplace?** (Yes, No, Don't know)

If yes →

- [Multiple Choice] **Which digital marketplace did you use for your last car purchase?** (Blocket, Wayke, Bytbil, Facebook Marketplace, Other (specify))
- [Multiple Choice] **What type of seller were you in contact with?** (Private individual, Professional, Both of the above, Don't know)
- [Multiple Choice] **How was communication with the seller done?** (Email, Phone call, Direct visit, Via the platform's own communication channels, Other (specify))

- [Scale (5)] **How satisfied were you with the buying experience?** (Very satisfied - Satisfied - Neutral - Dissatisfied - Very dissatisfied - Don't know)
- [Scale (5)] **How satisfied are you with the following aspects of the buying experience?** (Very satisfied - Satisfied - Neutral - Dissatisfied - Very dissatisfied - Don't know)
    - Range of advertisements
    - The search function
    - Amount of information about the vehicles
    - The pictures/videos in the ads
    - The communication channels to the seller
    - Additional services (installment, insurance, etc.)
    - Credibility and security of the marketplace
    - Ease of use and interface of the marketplace
- [Textbox] **What about the buying experience could have been improved?**
- [Scale (5)] **How satisfied are you with the following aspects of the advertisements?** (Very satisfied - Satisfied - Neutral - Dissatisfied - Very dissatisfied - Don't know)
    - The visual design and aesthetics of the ads aesthetics
    - Amount of information and images in ads
    - Clarity of advertising information
    - Quality of images/videos in the ads
    - Ease of buying from the ads
- [Textbox] **What about the advertisements could have been improved?**

### Part 3: The selling process

[Multiple Choice] **Have you ever sold or been in the process of selling a vehicle via a digital marketplace?** *(Yes, No, Don't know)*

If yes →

- [Multiple Choice] **Which digital marketplace did you use for your last vehicle sale?** (Blocket, Wayke, Bytbil, Facebook Marketplace, Other (specify))

- [Multiple Choice] **What type of buyer were you in contact with?** (Private individual, Professional, Both of the above, Don't know)
- [Multiple Choice] **How was communication with potential buyers done?** (Email, Phone call, Direct visit, Via the platform's own communication channels, Other (specify))
- [Scale (5)] **How satisfied were you with the overall sales experience?** (Very satisfied - Satisfied - Neutral - Dissatisfied - Very dissatisfied - Don't know)
- [Scale (5)] **How satisfied are you with the following aspects of the sales experience?** (Very satisfied - Satisfied - Neutral - Dissatisfied - Very dissatisfied - Don't know)
    - The user-friendliness and speed of the advertising process
    - Cost of advertising
    - Visibility/exposure of the advertisement
    - The communication process with potential buyers
    - The user-friendliness and interface of the marketplace
    - Credibility and security of the marketplace
- [Textbox] **What could have been improved about the selling experience?**

## Part 4: Preferences about digital marketplaces for cars

- [Checkboxes] **Which (max 3) characteristics are crucial for you to choose one platform over another?**
    - ☐ Better user-friendliness and interface
    - ☐ Wider range of vehicles than other platforms
    - ☐ Higher exposure to ads (more users)
    - ☐ Advanced tools for search and price comparison
    - ☐ Cheaper advertising
    - ☐ Transparent and clear pricing for ads
    - ☐ More informative ads
    - ☐ Large number of high quality images and/or videos in the ads
    - ☐ User ratings and reviews

- ☐ Security and reliability of the platform
- ☐ None of the above options
- ☐ Other (specify)

- [Checkboxes] **Which (max 3) features do you consider most important for a digital automotive advertising site?**
  - ☐ Advanced search tool (e.g. ability to search/filter by specific characteristics)
  - ☐ Detailed vehicle information in ads
  - ☐ Large number of high quality images and/or videos in ads
  - ☐ User-friendly and modern interface
  - ☐ User ratings and reviews
  - ☐ Price comparison tools
  - ☐ Easy communication channels between buyers and sellers
  - ☐ None of the above options
  - ☐ Other (specify)
- [Checkboxes] **Which (max 3) additional services of a digital marketplace for cars would you be interested in as a buyer?**
  - ☐ Financing options for car purchase
  - ☐ Insurance options
  - ☐ Assistance with re-registration/change of ownership
  - ☐ Price and valuation guidance tools (e.g. price comparison)
  - ☐ Guarantees in the first months after purchase
  - ☐ Buy/reserve vehicles directly on the digital marketplace website
  - ☐ Home delivery of the purchased vehicle
  - ☐ Car sharing services (car pools, short-term rentals)
  - ☐ Recommendations for accessories/car parts for a car you purchased
  - ☐ None of the above options
  - ☐ Other (specify)

- [Checkboxes] **As a seller of a car via a digital car marketplace, which of the following premium features would you be interested in?**
    - ☐ Premium ad with increased exposure (e.g. with more images or display priority)
    - ☐ Detailed analytics on ads such as number of impressions, clicks or requests.
    - ☐ Pay for ads to appear at the top of search results to increase visibility and generate more traffic.
    - ☐ Ability to modify the ad after publication
    - ☐ Offer professional photography services for advertising
    - ☐ Possibility to add delivery services
    - ☐ Other (specify)
- [Multiple Choice] **How would you prefer to pay for advertising when selling a car?** (A fixed fee for advertising (pay per ad), Variable fee (with a price cap) per potential buyer that contacts you (pay-per-lead), A percentage of sales (commission-based pricing), Subscription-based fee per month for advertising, Don't know, Other (specify))
- [Multiple Choice] **How much would you be willing to pay for an online car advertisement?** (Less than 500 SEK, 500-1000 SEK, 1000-2500 SEK, More than 2500 SEK, Don't know, Other (specify))
- [Textbox] **Is there anything else you would like to add?**