

Shifting Gears to Automotive Advertising

The monopolistic nature of the Swedish online advertising market for used cars poses challenges to marketplaces interested in capitalizing on the lucrative automotive vertical. At the same time, the market is undergoing a transformative shift driven by digital technologies. We have researched the potential entry of Swedish marketplace Tradera into this highly competitive digital market. Our findings touch upon emerging business models and investigate the potential of a new pricing structure, offering intriguing perspectives on a potential market entry case.

When purchasing a used car, many people start by browsing online advertising sites, such as classifieds (platforms for advertising goods online). These platforms have become increasingly important to the car buying process and are trying to take over more and more of the transaction. This trend is related to a larger trend of verticalization and service integration among online advertising sites. Previously horizontal platforms are now focusing on specific areas, such as auto, real estate, and jobs, while also incorporating additional services for consumers.

Although classifieds are driving the move towards digitalization, more service and increased responsibility over transactions, the supplier side of the equation may not be convinced about this direction. Powerful dealerships make up a large portion of used-car sales on these platforms and they want to maintain the traditional physical transaction to keep customers tied to their ecosystem of integrated services. Furthermore, research has shown that consumers still prefer to physically inspect a vehicle before making a purchase, indicating that the buyer side hasn't fully embraced digitalization either.

Players in the used car advertising space can emerge through two possible avenues. First, by accepting their position within the ecosystem of car sales and prioritizing the generation of qualified leads for potential buyers, which is what lucrative dealerships seek. Alternatively, they can emerge from successfully becoming a full-fledged marketplace, taking ownership of the transaction and building their own ecosystem.

This report focuses on lead generation for dealerships and explores a relatively new pricing model for advertising called lead-based pricing. In this model, advertisers pay only for actual leads generated by the ad, such as phone calls and emails. While a few players in Europe have successfully implemented this model, it has yet to make its mark in the Nordics. If the associated complexity can be overcome, performance or lead-based pricing has the potential to drive dealership performance and enhance the overall value proposition for buyers and sellers. Utilizing this new pricing model could provide the necessary competitive advantage to break into a space dominated by a monopolistic player.

Ultimately, the report offers guidance for organizations venturing into the competitive Swedish online car-advertising market. It sheds light on the barriers and enablers for entering this space and uncovers the potential of performance-based pricing as a strategic advantage. These findings can empower businesses with actionable insights, equipping them to make informed decisions.