

Investment Research

Angie's List (ANGI)

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The Selling Position Argument

With respect to its current position in the market, where is the shareholder value in ANGI?

To compare opportunities, examine the shareholder returns generated by ANGI and YELP since their respective IPOs. Approximately, ANGI has generated a negative 15% return for its shareholders, whereas YELP has generated a positive return of 300% for its shareholders.

Which has been the better investment for the shareholder? More importantly, why? Furthermore, is it even relevant to compare the returns generated by ANGI and YELP? Resoundingly, Yes!

At the end of the day, ANGI and YELP should basically operate from the same business model. The only difference is the target market.

To simplify, YELP provides consumption advice on restaurants, bars and coffee establishments, whereas ANGI provides consumption advice for the home repair, yard maintenance, automobile restoration and health care segments of the market.

An argument can be made which attributes greater value to the markets served by ANGI, because the financial ramifications of a consumer decision is much greater in the markets served by ANGI.

Basically, YELP develops the consumption advice by aggregating and scoring consumer reviews on the various restaurants, bars and coffee establishments operating in the market, whereas ANGI aggregates and scores consumer reviews on service providers in the home repair, yard maintenance, automobile restoration and health care segments of the market.

Given the basic similarities, why has there been such a significant difference in the return generated for the shareholder? There has to be a reason!

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The value in the business model reflects the size of the consumer membership and the quality of the consumer review because it creates an incredibly, efficient feedback mechanism in the market between the consumer and service provider. Developing efficiencies in the market creates satisfaction in the market and ultimately produces shareholder value.

The objective is to have every consumer use the ANGI platform to make every consumption decision within the target market defined by ANGI.

The greater the consumer membership using the platform, the greater the value created in the market. Since the consumer represents “the market” to the service provider, the objective is to maximize the size of the market for the service provide.

Take a page from Facebook (FB). Build the market by providing an altruistic service to the market. This increases the size of the market and produces incredible value in the market, which ultimately generates the return for the shareholder.

YELP currently provides the service to the consumer for free, which encourages usage by the consumer, which increases the size of the market for the service provider, thereby creating the value in the market.

In contrast, ANGI practices a short-sighted, parochial consumer, pricing strategy.

The objective is to capture every consumer within the target market. Why sell a consumer membership? Provide the service to the consumer and increase the size of the market for the service provider. Develop an efficiency within the market and create the satisfaction between the consumer and the service provider.

Require registration. But give away the consumer membership! Provide the service to the consumer. Create the value for the service provider. And capture a self-selling position within the market!

5/12/2014