

## Market Threat

### Angie's List (ANGI)

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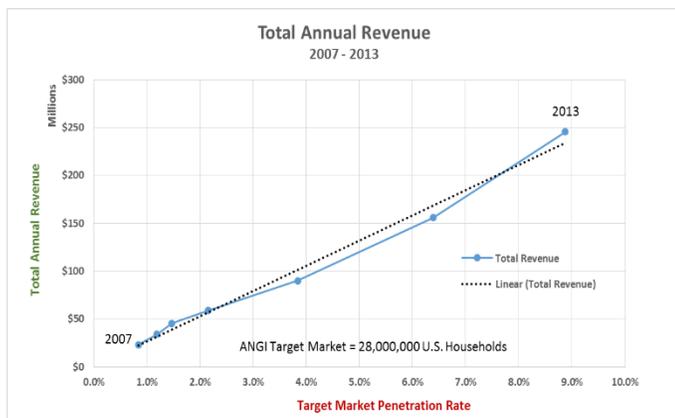


#### Pricing Strategy

Given the current stage of business development, ANGI should give away the membership to the consumer! The real value in the market resides in the consumer membership – not the consumer membership fee!

If the ANGI target market is 28 million, then ANGI needs to serve the entire target market to maximize the value of ANGI in the market. By serving the entire target market, ANGI can offer a significantly, larger market to the service provider. The larger the market, the greater the value, the easier the sale.

To illustrate the theoretical value of serving the entire target market, statistically analyze the ANGI operating data from 2007 thru 2013. A simple regression analysis using the target market penetration rate as the independent variable (x) and total revenue as the dependent variable (y) produced an R-squared of ~.987. This indicates a very strong and efficient relationship between the variables.



Granted, the theoretical value only represents a prediction. But the statistical relationship has been developed from the actual operating relationships established within the historical results of ANGI. Furthermore, the historical results don't even reflect the opportunities developing in the market right now, which shifts the demand curve up, creating even more value.

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As a shareholder, make no mistake. There is an imminent threat to the viability of ANGI in the market. The basic, business model of ANGI was very successful 20 years ago, but the market has changed over the years. Twenty years ago the internet was just beginning to develop. Access to market information was the key variable. And learning how to efficiently disseminate only the relevant information has created significant value for some organizations in the market.

Accordingly, the value within the ANGI target market has attracted significant competition. And the imminent threats in the market for ANGI come from Home Advisor (IACI), Amazon (AMZN) and Google (GOOG). Each of these organizations are significantly better capitalized than ANGI – and thus better equipped to survive a cut throat environment.

When GOOG decides to really attack the target market of ANGI, it will create significant stress within the current business model of ANGI – leaving ANGI basically two alternatives:

- Cease to Remain Viable in the Market
- Modify the ANGI Business Model

Arguably, GOOG has developed the most efficient searching algorithms in the market. In addition, GOOG has “mapped” most of the service providers within the target market of ANGI. As a result of this pervasively, strategic position in the market, GOOG will be able to provide a much larger market of potential consumers to the service providers in the ANGI target market. And make no mistake, the GOOG algorithm will be able to efficiently match a consumer request with a highly rated service provider, especially when the search results include the consumer reviews on the service provider.

The larger the market, the greater the value, the easier the sale. Realistically, how well does ANGI compare to Home Advisor, Amazon and Google? Is ANGI really capitalized well enough to withstand the forthcoming, competitive onslaught from IACI, AMZN and GOOG?

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If ANGI really wants to counter the imminent threats from the preceding organizations, ANGI needs to basically create greater satisfaction in the target market. ANGI needs to facilitate a “happier” transaction between the service provider and the consumer membership. In fact, ANGI needs to facilitate the “happiest” transactions in the target market.

If ANGI really wants to accomplish this, then ANGI needs to proactively develop the strategic markets between the service providers and the consumer membership. ANGI needs to target reliable service providers and then help these service providers market their abilities to the consumer membership. By taking a proactive approach like this, ANGI will (by default) assume the responsibility of creating the satisfaction between the service provider and consumer membership. But this type of marketplace facilitation precisely defines the risk and reward for ANGI.

The greater the level of satisfaction created by ANGI in the market, the greater the potential of monetization. By facilitating satisfied transactions between the service providers and the consumer membership, ANGI will be able to monetize the satisfaction created for both the service provider as well as the consumer membership. A facilitation fee assessed against both parties can generate a revenue stream for ANGI capable of not only sustaining the organization – but also growing the organization. The greater the satisfaction created by ANGI, the greater the monetization.

At the end of the day, ANGI needs to facilitate a “happier” transaction in the market than either IACI, AMZN or GOOG. This will be really tough to accomplish, because there has been sophisticated, searching algorithms developed (pervasively) throughout the target market of ANGI.

Despite the daunting challenge, ANGI can be successful at countering the imminent, market threat. But ANGI needs to maximize the consumer membership and create the largest possible market for the service providers. Essentially, ANGI needs a more fully engaged consumer membership, but the tiered, pricing strategy of ANGI impedes the actual engagement of the consumer membership. In the current market, a tiered, pricing strategy is a self-defeating strategy. Information is too ubiquitous to assess a consumer membership fee – much less a tiered, pricing strategy.

The objective is to maximize the size of the consumer membership and create the largest possible market for the service providers. Assess a marketplace facilitation fee against both parties as the primary means of generating revenue for ANGI. The pricing of the commerce facilitation fee will be a function of the satisfaction created in the market for both the consumer membership as well as the service provider.

If ANGI proactively develops the strategic markets, ANGI can achieve attractive monetization by simply creating significant satisfaction between the service provider and the consumer membership. It’s the facilitation of commerce between the parties that defines the risk as well as the reward for ANGI.

For a more detailed analysis on ANGI, please visit the Capital Executive LLC website (Publications/ANGI).

Sincerely,  
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Capital Executive LLC