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METU

ARMUT.COM: SERVICES MARKETPLACE

CASE SYNOPSIS

Armut.com is the market leader in Turkey in the online services marketplace space. Armut.com's marketplace includes all services verticals with a strong emphasis on house cleaning, home improvement and moving services. As a marketplace, the company needs to balance the supply and demand side by making sure that each side grows proportionally. As a first mover in this space in Turkey, they needed to educate the market for both the service providers and the users. In order to do this, they had to make sure that their business model was robust enough to incentivize the players to transact within the system. As a marketplace, there are also unique aspects of the business in terms of funding so one of the company's main challenges is to make sure that they are well funded for growth.

This case describes the marketplace business model, the multi-sided platform approach and the related challenges. When armut.com started out the site included all available services areas, from dog walking to wedding photography. As growth started, they realized that they had to make a choice about how many and which of these categories they would proactively market. Moreover, as the marketplace ecosystem grew in numbers, they realized that service provider and user behavior didn't always fit with their initial assumptions. They needed to make sure that the community transacted on the platform, rather than take the transaction offline. Finally, running a marketplace means optimizing a marketing budget that far exceeds revenues during the early years of the business. For this reason outside funding is usually required and the entrepreneurs need to make the decision on how much outside funding to raise.

This case highlights the decisions that a marketplace business must make to ensure it is well positioned for growth. It must define its focus area, perhaps foregoing immediate revenue areas for future category dominance possibility. Moreover, it needs to anticipate the challenges that will arise while building its community. Serving the home improvement market means dealing with suppliers that may not be used to operating in the digital space. The case delves into how many small decisions may have enormous impact on how the system functions.

The main teaching objectives of this case are focused on building a marketplace, using tools such as gamification to achieve desired outcomes and anticipating and securing appropriate funding for growth. After discussing this case, students should be able to:

1. Understand the unique dynamics of a marketplace business with a multi – sided platform approach and use the Business Model Canvas to sketch the business
2. Describe how behavioral tools such as gamification can be used to incentivize a community and ensure transparency and trust
3. Explain the trade-offs between focusing on a specific vertical vs casting a wider net for product offering.
4. Understand how funding works for a marketplace business and articulate the pros and cons of receiving venture capital funding

This case is suitable for undergraduate and graduate students from all disciplines interested in tech entrepreneurship. It can also be used for executives and managers involved in intrapreneurial activities as a way to highlight entrepreneurial way of thinking and innovative business models.



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