

White Paper:
craigslist:
By The Numbers

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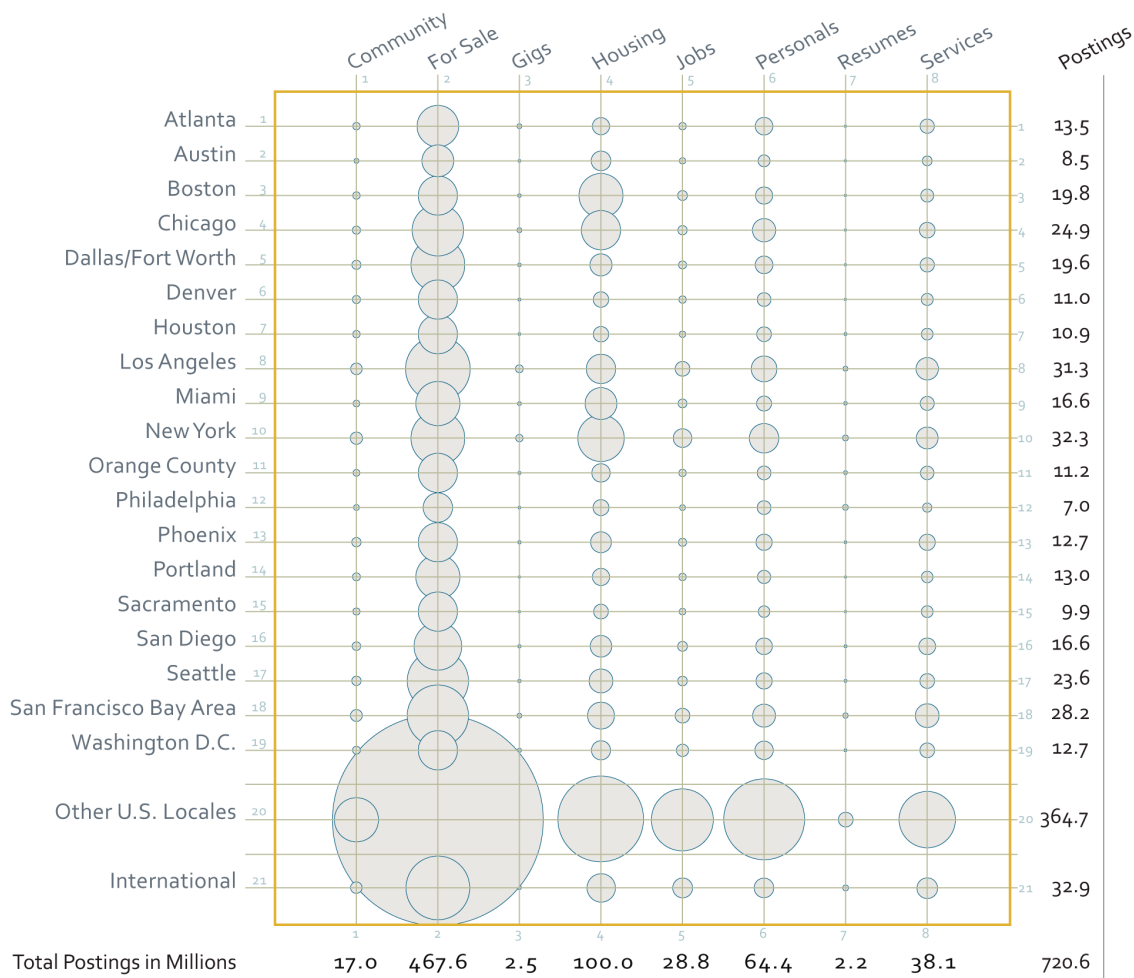
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craigslist: By The Numbers

craigslist is the best source for data on local exchange activity between seekers and providers of goods and services in the United States. Despite craigslist's ".org" URL that suggests it operates as some sort of public community or under a not-for-profit corporate status, in reality, craigslist is very much a for-profit entity with a substantial minority shareholder by the name of eBay.

craigslist dominates the location-based exchange space on the Web with over 1.5 million new daily postings and over 40 million unique visitors per month—putting it in the top ten of U.S. websites visited.¹ Furthermore, while

craigslist: Annual Posting Volumes



SOURCE: 3taps Data Commons • cra2.0 1106 • graphics by Studio Reflex

NOTE: 2011 annual run rates based on weekly posting volumes.

many users think that craigslist is free, an analysis of its mix of 700 million+ annual postings indicates the organization has *significant* revenue. Per employee revenue at craigslist is well ahead of Google, facebook, Amazon, and/or any of the other Internet darlings in the marketplace.

¹ Source: Alexa traffic analysis.



How can this be and are the above cited numbers really believable?

For the uninitiated, first a bit of history: craigslist was started in 1995 by Craig Newmark as an email based listing of happenings in Craig's San Francisco Bay Area world that he thought might be of interest to his peers. The number of users both reading the postings and adding new posts grew, locally first, and then exponentially in other U.S. cities, and eventually was extended to a scattershot of international metropolitan areas.

Rather than create one mega-database of postings, craigslist cloned its initial website for each local area, confining users to location-based postings and search activities, due to technical as well as *Terms of Use* constraints. In 2004, founder Craig and CEO Jim Buckmaster picked up an unexpected partner in the form of eBay when another early investor unilaterally sold his 28.4% share to the auction giant in a private transaction. craigslist subsequently attempted to dilute the eBay stake by 10% to reduce the minority rights associated with their holdings, but eBay legal action and a Delaware Court reversed the tactic.

For years, Craig Newmark has remained dutifully committed to the operational front line of craigslist, personally investing himself in customer service aspects of the business; vetting postings for content and exceptions to the community standards Craig believes the site should embody. Craig's community orientation is evident in both his not-for-profit work and very genuine public persona (see <http://bigthink.com/craignewmark>). The more managerial and mercurial aspects of running the company as a business have been left to the self-proclaimed "socialist anarchist and communist", Jim Buckmaster, who has been with craigslist in that lead role for over a decade.

Revenue and profit levels for craigslist have never been shared by Craig, Jim, or any other member of the company, though rumors abound. Our research indicates that craigslist earns in excess of \$300 million per year. The facts sheet in the *About craigslist* section of the site provides some market metrics and explains that its ".org" nomenclature symbolizes "the relatively non-commercial nature, public service mission, and non-corporate culture of craigslist."

What received media attention of late was pressure put on craigslist from seventeen U.S. state District Attorneys, and some women's groups, to curtail its *Adult Services* category postings. At \$10 per posting, erotic themed offerings generated a run-rate of \$30-\$45 million per year. After aggressively defending the rights of persons to post such offering—and receiving support from at least as diverse a set of forces as those complaining about the postings—craigslist abruptly changed course and dropped the *Adult Services* listing category. Gone were the most explicit language and photos; still present were sexually-oriented personals. And, after a year hiatus, a fee based "therapeutic services" category is now available in every community served by a craigslist exchange site.

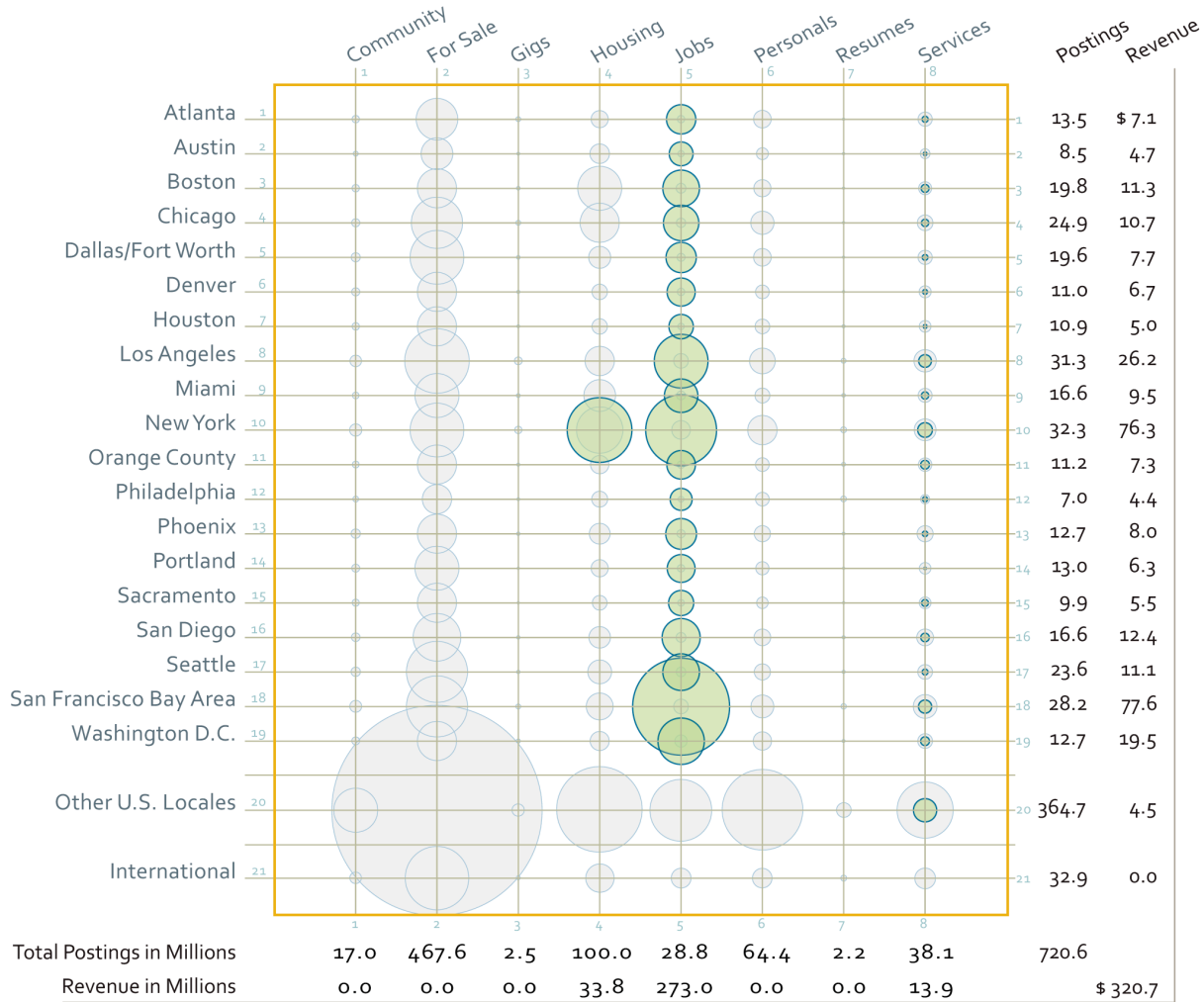
Therapeutic Services postings carry the same \$10 listing fee, and a quick perusal will enlighten the reader as to the more nuanced approach craigslist has undertaken to provide an outlet for the world's oldest profession. Within these narrowed confines, income is running at just under half of where it was when sex industry offerings were more graphically portrayed. The lack of media attention or pushback from the law enforcement community, suggests that the altered handling of these services represents a happy ending for all concerned.

But the real story about craigslist is not about sex at all—its about the real money that the firm is pulling down, and about how it has disrupted the classified ads space—once ruled by newspapers—and defends that space to this day. With the exception of the monies made from brokers for real estate postings in just one market (NYC) along with the above "therapeutic" services, craigslist makes the bulk of its profits from a virtuoso performance of selling postings for job listings in eighteen U.S. cities at \$25 per post, and triple that amount in its home mar-



marketplace of the San Francisco Bay Area. A corner on the job listings marketplace generates craigslist a quarter billion per year in income, which enables almost all other category postings to be offered free of charge.

craigslist: Annual Posting Volumes and Revenue



SOURCE: 3taps Data Commons • cra2.0.1106 • graphics by Studio Reflex

NOTE: 2011 annual run rates based on weekly posting volumes.

* Jobs listings cost \$25 per post in the 19 cities listed, except in the San Francisco Bay Area where the cost is \$75 per post.

** Therapeutic services listings (found under Services) cost \$10 per post in all U.S. marketplaces.

*** Brokered Apartment listings cost \$10 per post in New York City, yet are listed for free in other marketplaces.

Charges for job posting on craigslist are low compared to other job sites (e.g. Monster, Career Builder, LinkedIn), but the large volume of listings more than adequately funds the site's low-frills operating costs. Professional jobs site, The Ladders, estimates that the biggest losers in the marketplace are newspapers; classified ad revenues have declined from over \$8 billion annually, a decade ago, to just \$723 million per year.

craigslist's *zero pricing* strategy deters other entrants from gaining significant traction in the classified ads sector as "de-monetization" is another way of saying "no business model", a distinct turn-off to investors in craigslist alternatives. Other category specialists have carved out niches in places where craigslist is present, e.g. personals (Match.com), pets (PetFinder), rentals (Rent.com), and now short-term housing rentals (airbnb); but no one



has made significant inroads against the general classified ads space of yesteryear. For all intents and purposes, [craigslist disrupted a \\$16 billion local classifieds marketplace](#), contributing to declines in revenue and bankruptcies among newspaper publishers.

Most of craigslist's user community is happy about this economic state of affairs, and if they want a different value proposition the eCommerce marketplace for the exchange of goods, services and information isn't exactly lacking for alternatives. After all, the public perception of craigslist is still that they are the "little guy" rather than an 800-pound gorilla. But whether their constituents eye them as docile or as a disrupter, their numbers in the local exchange space continue to run strong, even if there is an active dialog on Quora asking "[Why hasn't another product disrupted and replaced Craigslist?](#)"

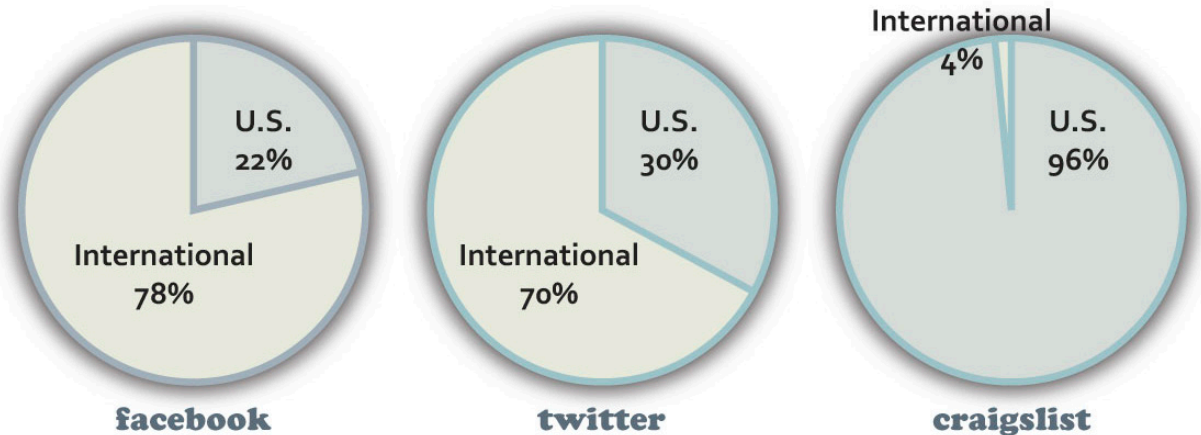
Regardless of whether one feels that the original disruptor of local classified is now itself being disrupted, there's less argument over how innovative craigslist is, as the site and business is very much the same today as it was a decade ago. In sharp contrast to perpetual innovator, Apple, which has fiercely responded to its long standing second place status against the dominance of Wintel in PCs, craigslist has shown no inclination to radically recreate itself or its marketplace. Its worth noting that as far as eCommerce goes, eBay hasn't exactly been grabbing innovation headlines in the last five years either as its user interface looks about as dated and MySpace-ish as any in the marketplace. But while craigslist is not alone in sticking to a tried and true formula, it is uniquely retro on multiple fronts.

First, despite its significant income, craigslist has made no substantive update of its user interface in a decade. Until recently users were not even permitted to see thumbnails of postings with images in the list view, and a kabosh has been put on user-friendly features such as searching across geographic markets, saving searches and favorites, or setting up match results notifications ... to name just a few of the most obvious capabilities that are standard fare elsewhere on the Web. Nor has craigslist introduced an API to let others innovate on top of their data—not withstanding the fact that doing so would not disrupt one dollar of their posting fee-based business model. Quite the contrary, craigslist's current *Terms of Use* (TOU), and their well established practice of blocking or threatening to sue 3rd parties using craigslist data to allow these features, has created a FUD factor (Fear! Uncertainty! Dread!) around craigslist data. Whether the avoidance is based on a belief that folks calling for enhancements are a minority worth ignoring, or because of a concern regarding execution risk, craigslist has not sought to reinforce its dominant market position by evolving its user interface or user experience. To an outside observer, it appears that there is a strong mantra at craigslist that shuns the prospect of innovation to stay ahead of, or even just to keep pace with, the evolving exchange marketplace:

*"each day,
I hope and pray,
that tomorrow,
will be the same,
as today"*

Secondly, while the world of the Internet and commerce generally is becoming less U.S. centric, craigslist remains fixated on its core American user base. The U.S. GDP as a percent of the world has steadily fallen from 50% at the end of WWII to less than 25% today, and is still in rapid decline. facebook and twitter growth, while originally U.S. centric, are now heavily driven by adoption of an international populace. A review of actual craigslist posting data, rather than the impressive list of international locations where it is "possible" to post, quickly shows that little real investment (beyond flag planting) has been effected internationally.

U.S. vs International Usage Penetration



Third, in addition to avoiding technical and geographic risk, craigslist has completely avoided any engagement regarding the Web 2.0 phenomenon of people speaking on the Internet in the form of their true and trusted identities. While there are certainly use cases for keeping a user's identity anonymous, the trend afoot via facebook, twitter, and LinkedIn, of people making use of their real identities and the building of "reputational capital" associated with this practice, is busting out across all the rest of the Internet. craigslist has allowed itself to be completely bypassed on this front—at the same time facebook is endeavoring (without much traction) to help friends sell to friends. craigslist claims it combats the "creep" factor (not knowing who you are dealing with) on its service by keeping its exchanges local, and face-to-face (to affect completion). While there's no fail-safe means for ensuring that all exchange transactions are valid and that seekers and providers are reputable, it is hard to imagine an exchange site with fewer safeguards for users than the craigslist status quo.

Finally, it's hard to ignore the explosion of real-time location and deal activity that is driving businesses like foursquare and Groupon. For the time being, despite being all about "local," craigslist makes no use of real-time location tracking as a means to better match seekers and providers of time, and location, critical goods and services.

Despite all of the above, craigslist, with its incredible community of passionate users, and invaluable posting data that covers most facets of local exchange activities, is still the undisputed leader in the U.S. local exchange marketplace. "Its not broken," one might say, "so why fix it?" Just try to recreate the mentality of the newspapers fifteen years ago when confronted with the first salvos of disruption to their dominance in print classifieds. Would one really think to be "bold innovators" and "winners" by setting up a disruptive national network of local classifieds online? A network that today yields craigslist only \$300 million in annual revenue yet disrupted the \$12 billion cash cow of the entire print classifieds space? Nada!

Whereas twitter postings are free and its data visible in different viewing formats—e.g. as provided by Flip-board—craigslist positively frowns on such UI innovations for the display of its content. craigslist has been masterly with its aggressive *Terms of Use* strategy in creating copyright-like tripwires around the data that is, really, just public facts. craigslist has aggressively invested in the use of "cease and desist" legal actions to deter competition. Fear, uncertainty and dread (FUD) is spread in the form of the threat of legal action against start-ups much smaller than craigslist. Many loyal craigslist users who are beneficiaries of the current free service are



quick to speak up and speak out for their favored son—much the way Mac loyalists do even when Apple starts to flex monopoly-like powers in a fashion more reminiscent of their Redmond nemesis in a bygone era.

Many have considered exploring the use of craigslist data for innovation, but as 3,000 Yahoo! Pipes developers suddenly found out, craigslist has no compunction about blocking their RSS feeds, without a moments warning, as they did in the fall of 2009. While Pipes was eventually turned back on, the arbitrary shutdown made it clear to everyone that a tie-in with craigslist data was like having a part in a B Hollywood movie format, where anyone can die at any time. Or as Bill Gates once (regrettably) noted in an email made public during the Microsoft monopoly trial, “we are going to cut off their oxygen supply.”

TechCrunch

Craigslist Blocks Yahoo Pipes After Dev Shows Craig His New Mashup

Jason Kincaid
Dec 1, 2009

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Developers take note: if you've got a mashup built off of Craigslist's data, don't even think about showing it to anyone who works there. At least, that's the lesson learned by developer Romy Maxwell, who says that Craigslist has blocked both his mashup and every single project built on **Yahoo Pipes** a few days after a friendly Email exchange he had with Craigslist founder **Craig Newmark**.

The Craigslist logo, featuring the word "craigslist" in a purple, lowercase, sans-serif font.

Google and Bing might index all of craigslist data but, to date, it has been nearly impossible for end users or other developers to do the same via any access point other than the craigslist site. With advances by new entrants in the exchange marketplace, across all the avenues where craigslist has avoided innovation, real disruption of craigslist may just be gathering steam—yet, how fast, remains to be seen.

About the author: *Greg Kidd is the founder of 3taps, which provides developers API access to data from popular exchanges like craigslist, eBay, etc. 3taps recently launched craiggers.com to demonstrate how third party developers can build a new generation of exchange offerings.*