

Google Local Services (GLS) Leads in Thumbtack

Partnership Team

Thanks to Nathan for leading the charge here

Feb 2021

PARTNERSHIPS

FEB 2021

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EXHIBIT
PSX00965

TL;DR We currently break even with ROAS but not IROAS. There is no LTV lift as we don't know who the Homeowners are. Recommendation: Maintain Status Quo and pull chute if there are any changes unless...

- ◆ Google gives us more categories where we can break even or actually profit.
- ◆ Google charged us less.
- ◆ Google allowed us to use direct booking.
- ◆ Google gave us customer info we'd be very interested
 - All we get today is category and location, the pros hate this.
 - The only lead gen is via direct phone calls to the pro. (Twillio # on top of the pros # and we charge pro if call lasts more than 19 seconds)
- ◆ If Thumbtack has a desire solely for top line. If we spent time with more pros and category enrollment, we could potentially increase top line but still breakeven (ROAS, not IROAS)
 - Note: We can probably do this better elsewhere

What could force us to reevaluate?

- ◆ The main risk is that Google makes a change or the pros are requesting upgrades that requires non-trivial work on our side; if this happened, it would be hard to justify any eng investment.
- ◆ We've been the only marketplace partner since HomeAdvisor dropped out, but Google is now saying they are working on new partnerships along with their ongoing integrations with ServiceTitan and HouseCall Pro, this might be a direct conflict.

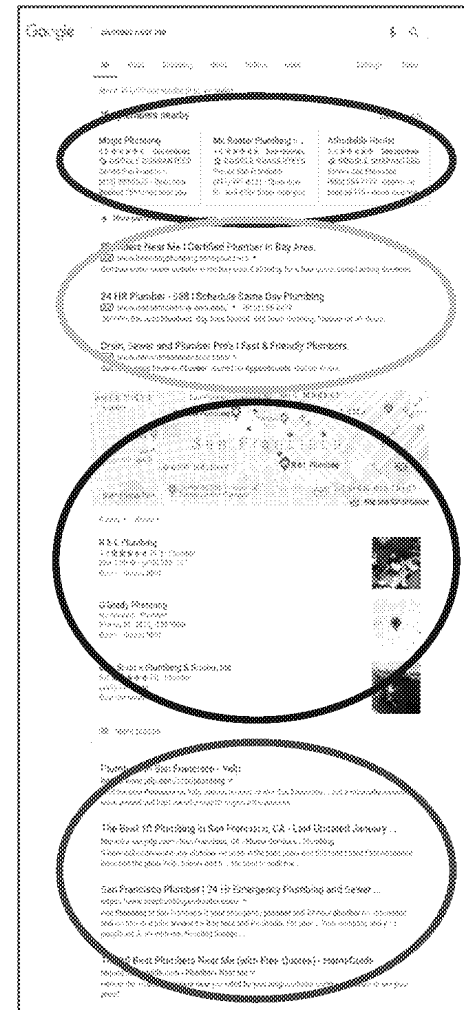
Sections:

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Partnership Background & Structure

Google Local Services Background

- Google first began testing an alternate ad experience for local services 5+ years ago, and acqui-hired the team from Homejoy to jumpstart those efforts.
- The structure differs from standard SEM:
 - Pros are charged per lead rather than CPC
 - Most leads come in via direct phone call to pros, though messaging does exist
 - The jobs qualify for the Google Guarantee, which provides up to \$2k reimbursement for consumers and requires heavy pro vetting.
- In late 2018, we began working to partner with Google Local Services to get Thumbtack Pros into the GLS experience; HomeAdvisor began a similar process.



Google
Local
Services

SEM

Mapbox

SEO

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Partnership Structure

Lead type

- Leads come via direct phone calls to pros from GLS ads
- Google also has messaging, but it's low volume and the info is very limited. Could potentially change as we both do more with booking.



Pricing

- Thumbtack pays Google each time a customer contacts a pro
- TT pays the same price as pros who enroll directly into GLS, therefore, these prices are higher than TT prices in all but a handful of categories

Enrollment process

- Identify potential pros using Google's reqs (reviews, background checks, etc), email them the program pitch, and have them accept new terms
- Very manual process, supplemented with phone consultations as necessary

Customer info

- **Because the customer calls the pro directly, we do not have that customer's information (email, name, etc), meaning there is no subsequent LTV**
 - Even if we were to enable messaging, Google would anonymize it

Program Mechanics

Pro feed in GLS

- ◆ We support two feed endpoints (/profiles and /reviews) that Google calls every two hours. This is how we let Google know which Pros we want to show on Google
- ◆ When Pros run out of budget, we take them out of the feed

Phone calls

- ◆ When a Google customer calls a Thumbtack pro, Google will call our phone lead creation endpoint which triggers our system to create a lead in Thumbtack and charge the Pro for the lead (we charge for calls over 18 seconds)
 - For the Pros we send to Google, we mask their phone number with Twilio which gives us visibility into when our Pros are being called (we also record the calls)
- ◆ Besides the call, pros see "You got a call" message in their inbox

Google Guarantee Claims

- ◆ **Thumbtack is responsible for all Google Guarantee payouts**
 - To date, there have not been any claims that required reimbursement

Supply challenges

Matching Issues

- **Google controls the full customer experience.** Since customers don't fill out a Thumbtack request form when creating a request, matching is imprecise
- Since pros are only matched based on category and the (often inferred) geography, TT can only enroll pros with very broad preferences within that category and geo

Confusion and cannibalization

- Given that it's a different lead type and require different behavior, pros who are successful on Thumbtack may not succeed on GLS.
- It's possible to spend a Pro's budget for leads that are a poor match, thus hurting pro satisfaction.
- And since **GLS leads are priced at break-even with no future value given the lack of customer info**, even where the matches are acceptable, it still diminishes the supply that could be to serving native Thumbtack customers that are more valuable.

CAC:LTV

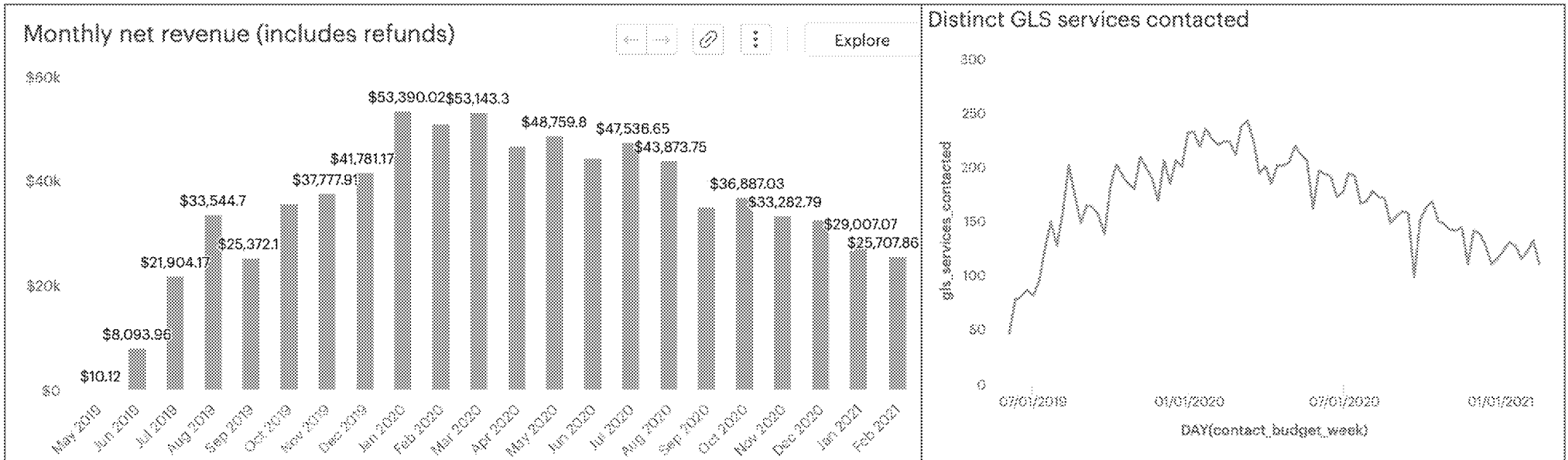
- Because Google controls the customer experience, **the GLS customer never actually makes their way onto Thumbtack.**
 - However, our systems require the existence of a customer to create key data models (request, bid, contact). This means we need to create dummy customer accounts for each GLS lead.
- Depending on the lead type (phone or message), we do not have the requisite information to create a complete customer.
 - Phone Leads include phone number, but lack name and email
 - Message Leads would include name, but lack phone number and email
- This makes it hard for us to acquire the user.

So why bother with such a bad partnership?

- **We compromised a lot because it's Google...**
 - A top priority going into the partnership was to stay close to whatever the future of Google paid advertising might be.
 - This meant that we accepted terms that ended up being worse than we expected (no consumer data sharing, no discounts on pricing)
- **...but that doesn't mean we need to waste lots of money or ongoing effort**
 - We limited our exposure by limiting enrollment to the categories where we could break even (though not fully accounting for incrementality) and to pros who really wanted these types of leads
 - We've also limited our development work since the initial program launch
- **Competitive**

Program Performance

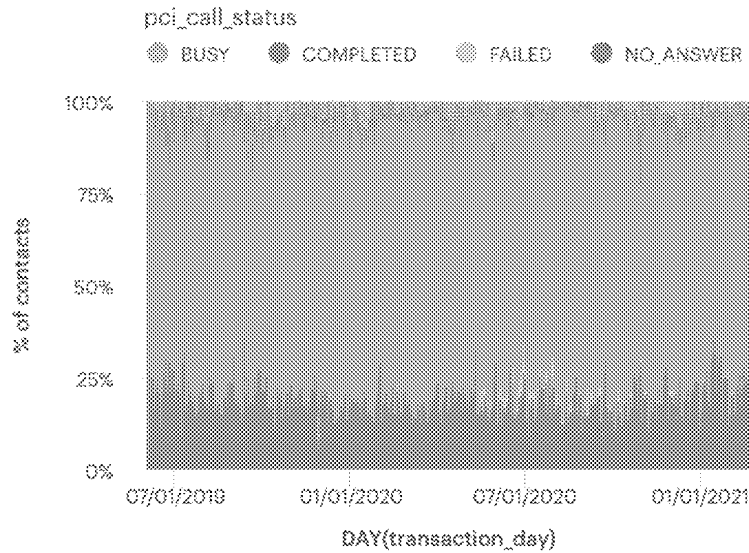
GLS Partnership Activity



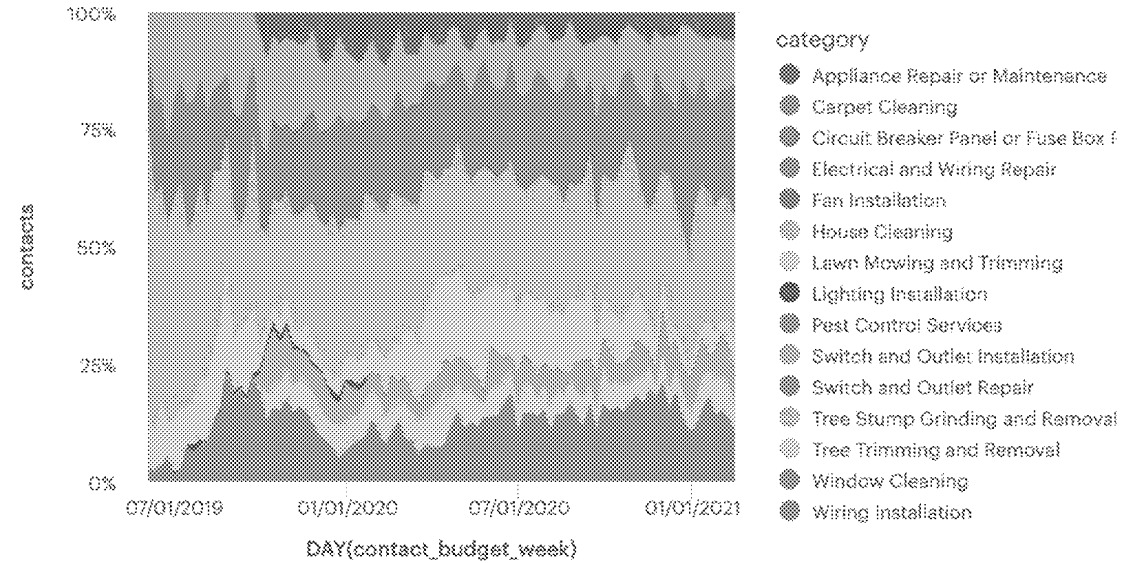
- Revenue growth and contraction has been partly driven by the number of pros enrolled
 - Since the 2020 RIF and focus on profitability, we cut resources to enroll pros

GLS Partnership Activity

Status breakdown of all calls %



Contacts breakdown by category %



- Call success rates have generally stayed in the 70-80% range
- Category mix has varied some based on seasonality and pro enrollment/attrition

What's next

Plans going forward

1. As it's been no work to maintain the status quo, we feel there's no benefit to killing the partnership, and keeping it helps provide visibility into Google as a potential competitor.
2. Connect our Product team with theirs to work on IB. This could actually add value as these leads are worth more to us and to our pros and Google isn't charging us anymore for them.
3. Try to work on alternative benefits to make investing in this worthwhile.
 - a. Examples: As they are getting new categories (pets, wellness, education) off the ground we can request better pricing. Discounts on ad spend elsewhere or in other Google products that are not Local Services, Can we own a category...
 - b. RISK: rocking the boat here could make them pull chute on us

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