

URL: <https://ecorner.stanford.edu/clips/pricing-in-a-two-sided-marketplace/>

Hipcamp founder and CEO Alyssa Ravasio talks through Hipcamp's pricing model, including how the company balances the interests of hosts and campers and looks to reduce its costs of sale over time. She emphasizes the importance gauging the impact of pricing decisions, and explains that weekly interviews with Hipcamp hosts help her keep tabs on feelings around Hipcamp's pricing.



Transcript

- Before our cost of sales, which include, 00:00:07,020 insurance and payment processing for the credit cards and our support team and a bunch of things like that.. We're actually taking a little over 20%.. So I think that's a healthy taker.. I don't think we'd be able to.... Could we scale the business on 7%? Maybe, I don't think so.. Camping is not that, people don't spend that much money on camping, right? So the volume of transactions that have to be super high we got to that number and look at shifts and changes.. We've changed our pricing model a few times.. We used to charge the host 20% and then not have any camping* fees and our hosts got really upset and felt like that was really unfair and that the fees should be shared.. So we shifted there, again I think it's a process of listening, right? Like making sure you're measuring the impact of your pricing model.. I pay a lot of attention to like, what are those costs of sale? And are we building a business where that is going down and over time we're increasing our gross margins and having a more efficient and profitable business..

That's super important, obviously over time.. So yeah, I also like (clears throat)I do a host interview at least once a week, often with really successful hosts.. And I often ask them, "Do you want us to charge you less?" Cause some of these people are doing six figures and above, and I'm like, "So should we charge you less?" And they're always like, "No but could you like build this thing into the iPhone app or like get a person in this market?" So there's (Emily laughs) that to me is like kind of what I, and obviously that's a little like anecdotal or not perfect survey data.. But I asked the question directly to our most successful hosts.. And until I hear, "Hey, yeah you're charging too much." I think, we're at a good spot...