



## Cribspot – This Startup Baby Was Ugly

### SITUATION

The Michigan Angel Fund (MAF) engaged The SearchLite to support their due diligence efforts relative to a potential investment in Cribspot. The SearchLite conducted an assessment of market adoption with a focus on identification of key industry trends and other critical success factors that could affect the degree, timing and pace of market adoption of the Cribspot business model.

Cribspot was a student startup out of the University of Michigan. Their value proposition was to disrupt the off-campus student housing market by aggregating student demand for housing units and then creating a demand for property managers to join their match-making online portal.

### ACTION

The SearchLite created an Industry Ecosystem Map of the competitive landscape and estimated market share penetration and revenue. Specific questions of interest from MAF included:

- What is the willingness of students to pay \$40 for Common Application or \$4 for Credit Bureau Report?
- What is the Property Managers likely acceptance of the Common Application?
- Will Property Managers accept the role of Cribspot as a 3rd-Party Payer?
- Is the Business Model truly unique - e.g. scraping/aggregating listings, starting local, etc.
- What is likelihood of Cribspot becoming dis-intermediated between Property Manager & Student?
- Where are the most likely revenue streams for Cribspot?

### RESULTS

Key findings shaping final recommendations included the following:

- Marketplace acceptance of Cribspot's common application will likely be slow and difficult based on current industry practices and regulations such as the fair housing act.
- Regarding the value proposition of the Common Application, 1/3 of students would be willing to pay \$21 - \$40. 1/3 would be willing to pay \$1 to \$20. 1/3 would not pay anything. None would pay more than \$40.
- Most successful student rental property listing aggregators enter new market via RFPs issued by universities to outsource their off-campus housing affairs. This gives them instant credibility with both students and landlords
- There is not much evidence in the market for many of Cribspot's revenue sources including (1) Common Application Fees; (2) Feature Site Fees; (3) Credit Bureau Reporting (4) Rent Payment or (5) Referral Fees.

**The SearchLite recommended that MAF not participate in the initial seed round of investment given the business model and revenue generation scheme.**

#### Post Notes:

- MAF chose not to invest in the initial round, while several of their funding syndicate partners did invest
- CribSpot subsequently raised \$3 Million in 2017...
- ...But folded in 2018

See their story: <https://www.cribspot.com/>