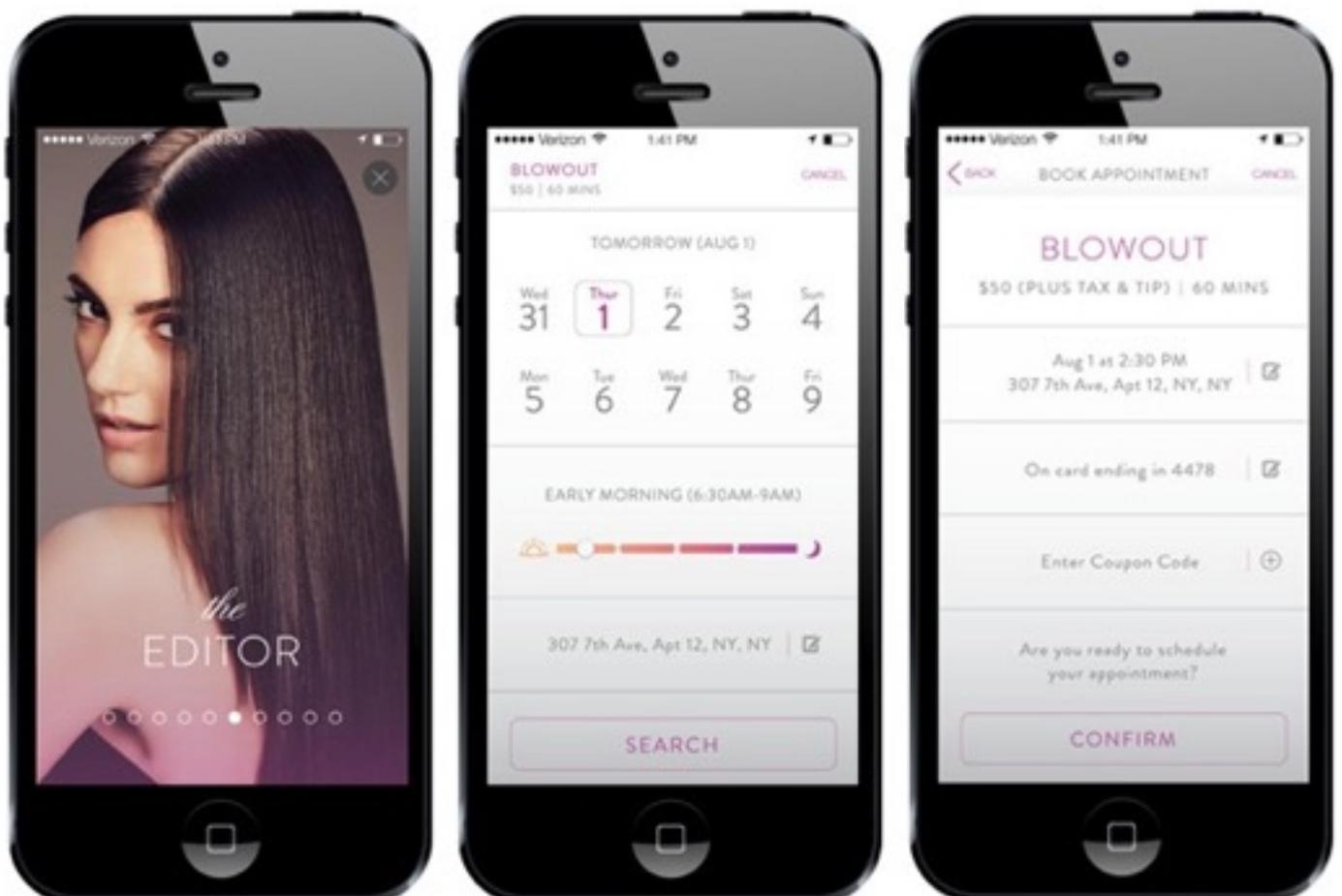




A Comprehensive Analysis
of the
On Demand Beauty Industry



Tap an App and summon your own staff – sounds revolutionary right. On Demand and instant gratification economy that we live in today is demanding just that. While sometime ago this was a sole prerogative of the wealthy, many concurrent developments are democratizing services and enabling entrepreneurs to create marketplaces providing these services at an affordable cost. Some of these developments being mobilization of technology, ability to leverage excess and idle capacity to supply these services and venture capital infusion in the on demand and aggregation marketplace based startups. What makes these startups disruptive is the fact that they make an existing way of interaction between the end users and the service providers much more efficient. In the first part of this On Demand Blog Series where we will do an exhaustive analysis of one vertical each week, let's talk about Beauty on Demand, one of the fastest growing areas in the on demand economy.



Mobile Beauty or Beauty on Demand refers to bringing salon services to your home or office. The stakeholders in this space being salon chains and individual salons, freelance stylists, entrepreneurs creating the platform and the end users. From the end user perspective, who will complain having stylists arrive at the doorstep whenever you desire. This is what celebrities do, right? Whether it is stay at home mothers or a busy professional looking to fit in an appointment during the lunch hour or anyone looking to spend a lazy day not having to step out of the door the convenience aspect makes a lot of sense. But what is making the concept viable now is that this service comes at an affordable cost as well. To analyze what is making this possible we have to see it from the perspective of the service provider.

Last year there were 1.2 million professionals – hair dressers, stylists and cosmetologists in US alone. Self employment rate is 28% for these professionals compared to 7% for the overall workforce in US. There is also a sizable proportion among the remaining 70 odd percent who want to freelance but difficulty in marketing themselves makes it difficult to take the step in this direction. [Professional Beauty Association – Economic Snapshot of Salon Industry Report, 2013]. This clearly indicates that there is a lot of excess and idle capacity that can be leveraged by these on demand startups either in the form of no strings attached additional demand for freelancers or more formal association where the freelancers work under contracts to provide on site services. Moreover, it can also be expected that the overall demand for the personal appearance services will increase as it becomes easier to access them. As a result of this supply side dynamic, these services can be provided at similar costs to those available in the salons.



In addition, if we analyze the concept further, quality is also baked into the platform. Personal appearance industry is characterized by large proportion of revenues coming from repeat business. For any mobile beauty platform to be successful, the quality of services has to be top notch to ensure that the customer acquisition costs are minimal with majority of requests coming from satisfied customers.

Anatomy of Mobile Beauty

We have established that the industry dynamics make it viable from both the end users and the suppliers perspective for the interaction model to shift to on demand. But what are the contours of this on-demand model?

Models

On Demand – On site – This model comes closest to the uber for x concept when applied to personal appearance services made famous by uberification of economy taking place. Press a button, select a service and someone comes to the door to provide the service within an hour. The end customer doesn't care which particular service provider comes to the door. I touched upon 3 factors – standardization of content, standardization of pricing and transaction and need for instant delivery in this Blog post where I analyzed the feasibility of On Demand Home Service platforms. Applying the same principles for Mobile Beauty platforms –

Standardization of service- Variable quality of freelancers makes this slightly tricky as compared to the taxi counterpart where you just need to reach the place B and don't care much who takes you there. So the challenge is to make the customers trust the platform and the skills of the freelancers employed. Glamsquad and Vensette, 2 of the startups based on this model employ a unique approach to this by having users choose the exact look they desire and then offering – You get what you see as a



service. Stylebee another startup in this space adds a variable in its direct matching algorithm whereby it tries to send the same professional again as long as he/she is available to ensure that a relationship develops. These platforms also have a really strict on boarding and training process. For instance, Vensette approves less than 10% of the applications from the stylists.

Standardized pricing – This aspect is quite straightforward for Uber for Beauty or Uber for grooming platforms as the services being provided are defined well enough in most of the cases. For instance, StyleBee offers Blowouts at \$50, Updos at \$85 and makeups from anywhere between \$125 to \$150.

Need for instant delivery – While on demand doesn't always mean instantly there are a lot of use cases where instant on site beauty services can save the day. Glamsquad sends a savior within an hour while StyleBee promises 2 hours. Whatever the exact number (I expect the number will keep on getting better as the demand increases and the dispatch becomes more efficient), for those who need a last minute styling or blowout for an event or want to utilize a last minute unavoidable void in the schedule or want to head directly from the desk to the dinner date the service is a good to have in this instant gratification world. That being said there are a lot many use cases for prior on demand appointments few hours or few days before. That's why these startups offer both instant and scheduled appointments.

On Demand – on site – aggregation – This model involves reverse auctioning of freelancers who are not tied in with the model and use it as a means to fill the empty slots in their schedule. As against the direct match model where the matching algorithm dispatches the freelancers, reverse auction involves the end user choosing from among the available freelancers based on the services provided, prices, their profile and reviews. TheStylisted is a good representative startup in this space. More often than not this model



allows for different freelancers to quote different prices for their services. Dispatch can be instant or based on setting appointments. Sidecar in the Taxi space provides a good parallel for understanding this model.

Other than the core variations which defines these models, they generally have review, interaction and payment layers other than the scheduling/reservation/dispatch layer already discussed. These layers help complete the demand for a service – service request handled – payment and feedback cycle that defines on demand platforms.

Review layer is particularly important for beauty on demand platforms owing to the higher weirdness factor that characterizes the end customer requesting a stranger to provide her a blowout in the sanctity of her home. Talent and social skills required and safety considerations make it imperative that the review mechanism should be solid both at the on boarding level as well as making voice of the end users heard. Combination of reference checks, tests and in-house training are being used by current startups in this space. Stylebee uses the services of Hirease (same company used by Uber) for background checks.

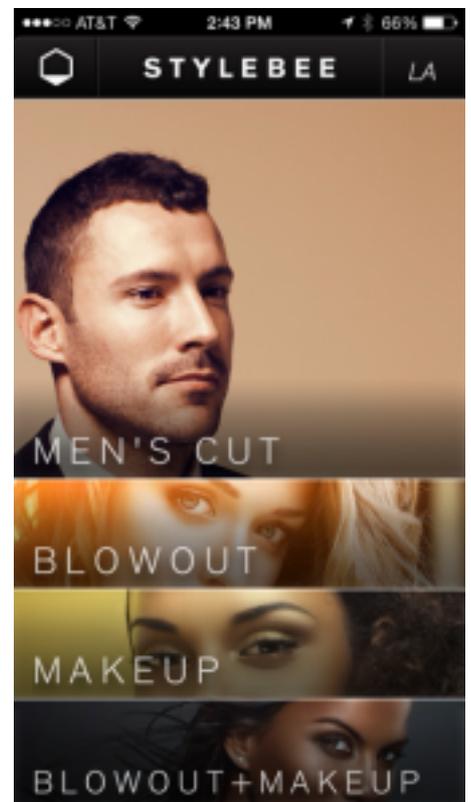
Payment is demanded right after the service request is confirmed. General practice is either having tips included in the initial price that is quoted or giving the user the choice to select a 10%,15% or 20% tip.



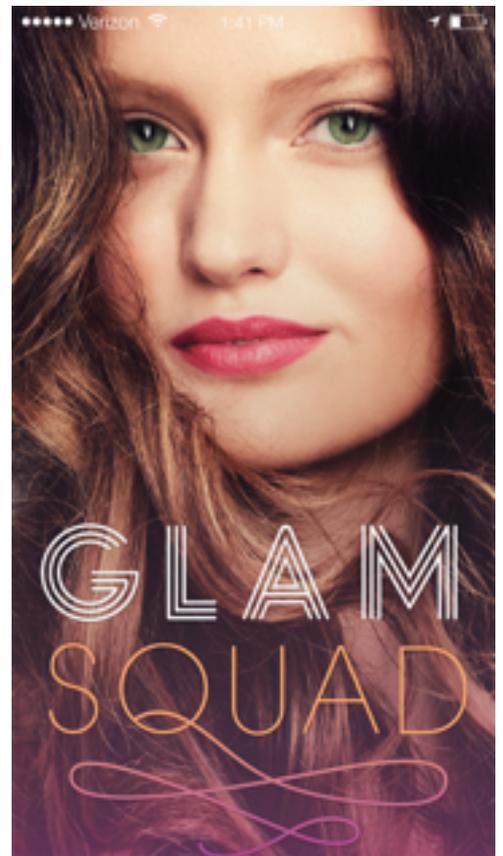
Some of the existing players

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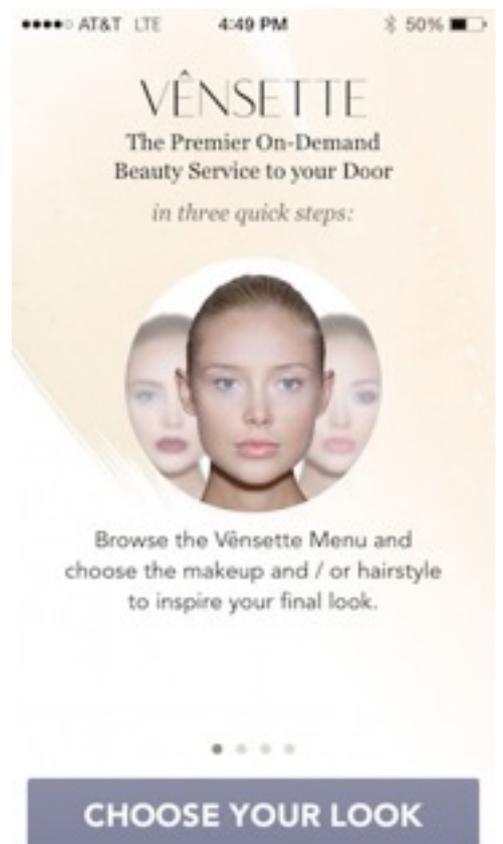
Stylebee founded by Anna Santeramo is based on On demand – on site direct match model. Stylebee has undisclosed funding from investors including Shervin Pishevar of Sherpa Ventures. The startup provides blowouts, updos, face paintings, makeup and massage services to users based out of SF, LA and San Jose with the click of an app. With costs that are comparable to on site salon appointments for similar services the app provides a need based service to Stay at Home moms, weddings, special events and date nights.



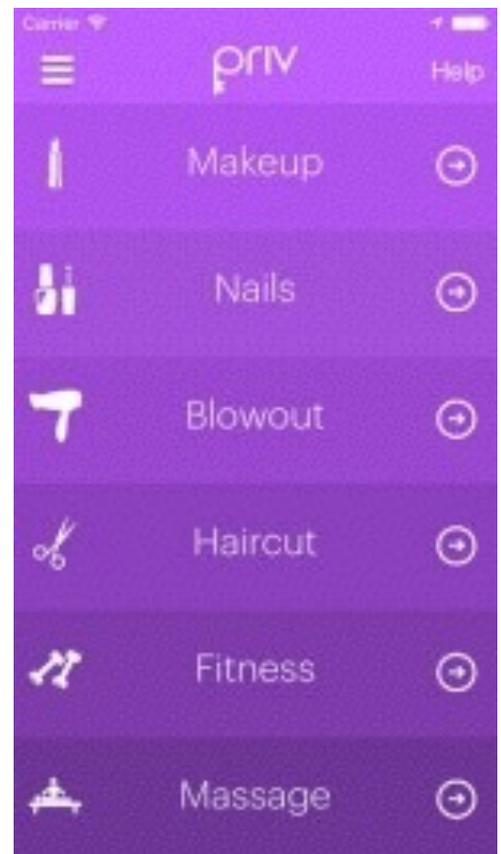
Glamsquad founded by Victoria Eisner and now headed by Gilt Group co-founder Alexandra W. Wilson raised \$7 million in Series A funding last week to add to the \$2 million in seed funding. Glamsquad is also based on the model of bringing beauty at your doorstep. Offerings can be chosen from a menu of What you get is What you See based makeup and hairstyle choices. Currently catering only to the New York and LA based audience, the startup plans to use the fund infusion to launch in other cities beginning with Miami as early as



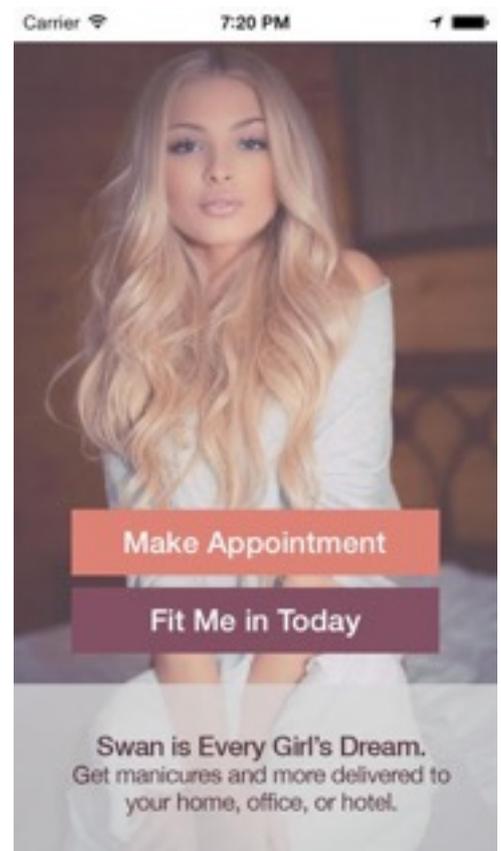
Vensette founded by Lauren Remington Platt is based on a similar model as Glamsquad providing services in NY and LA. Where it differentiates is the cost, while Glamsquad offers Blowouts at \$50, Vensette is positioning itself to the premium category with costs for getting the hair and makeup done at \$100 and \$150 respectively.



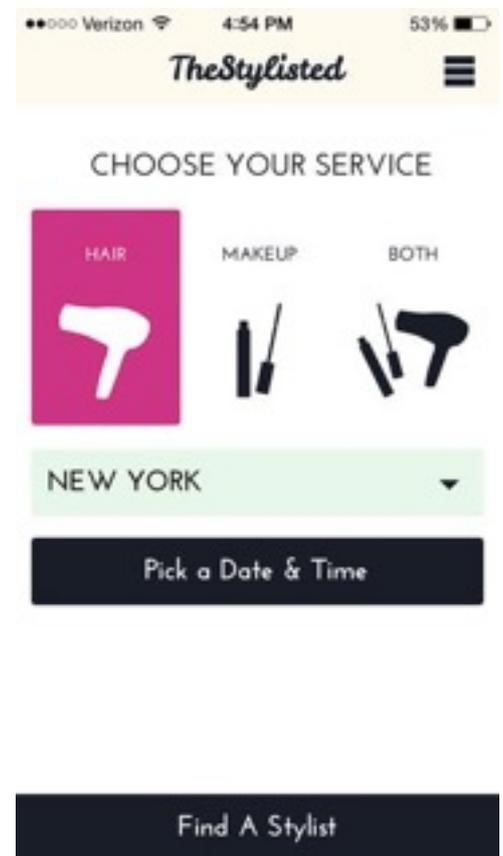
Priv founded by Joseph Terzi and Morris Sutton and backed by the chairman Alan Schibel has secured \$1mn in seed funding. Priv short for Privileged is based on an On Demand aggregation model with a network of freelancers working in a no strings attached relationship. Currently providing services in Manhattan and LA users can choose the services such as Blowouts, mani/pedis, Makeup, Pilates and Press training by selecting from among the available professionals.



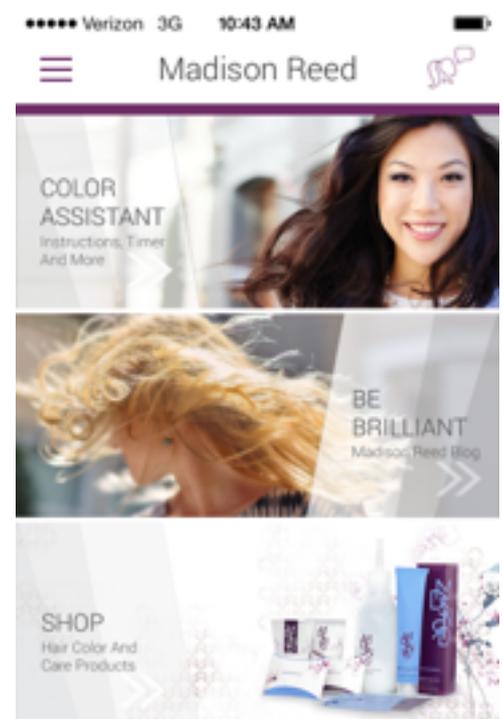
Swan founded by Julia Andelman and incubated by DreamIt ventures is again based on On demand on site model with a choice of freelancers providing the personal appearance services. But unlike other startups Swan serves Dallas and Austin at this point.



TheStylisted is the closest it can come to the aggregation or an Airbnb type model for beauty among the existing startups. Also serving the users in Chicago in addition to New York, TheStylisted offers the end user a choice to select varied services being offered by different freelancers at different price points.



Madison Reed also works on On Demand On Site model but caters to hair colors as a service. Their Color to You plan launched recently sends "Coloristas – professional licensed stylists" to help select the right color, paint the tresses and provide a Blowout all for \$99. Madison Reed was co-founded by Amy Errett and has \$16million in Series A and Series B funding till date.



There are many other startups such as Uber Beauty, Beautyiq, BeautyFriend, cityMani and PrettyPlease among others that are trying to differentiate themselves either on the basis of geography being catered to or services being provided or customer service or specific nuances in the business model. Who and what will ultimately succeed in this space only time will tell. But clearly, there is a lot of scope for many other players to come and take a pie of this huge market. The fact that offline to online is not infinitely scalable especially for the on demand beauty sector where creating a network of quality freelancers is a significant part of the job as a startup scales makes the prospects for other players to come even brighter.

Juggernaut offers technology solutions and free consultation services to sharing economy, on demand and marketplace based startups. If you are planning to start something or are looking for a technology partner for a solution that you are already working on do get in touch by setting an appointment.

Stay in touch for a thorough analysis of Health on Demand next week by subscribing to the Blog.

