

# POLITECNICO DI TORINO

Master's degree  
in Management Engineering

Master Thesis

## **START-UPS AND HOME SERVICES: The HelpMeAround Case Study**



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To Professor Cambini, to my

family, to my girlfriend, to my

friends and colleagues at

HelpMeAround,

Thank you

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# **Chapter 1**

## **Introduction**

## 1.1 General view

*“[A] young, innovative, growth-oriented business (employees/revenue/customers) in search of a sustainable and scalable business model”<sup>1</sup>*

Originally, the term start-up was exploited by a new generation with a very technological and modern product, mainly framed in an IT environment in which the entrepreneur compares different organizational models and investments to be made for the nascent society.

A key concept in the definition of start-ups is the business model. It represents the conceptual, rather than financial, model of a business<sup>2</sup>, which is the constituent element that define what the start-up produces, how it produces it, which customers and with which resources.

During the start-up phase, if the business idea proves to be valid and the business model immediately creates the conditions for a successful, profitable and rapid growth path, external financiers belonging to the world of Business Angel or private equity, like the Venture Capitalist. These represent the accelerators of the growth of a start-up. Obtaining debt capital and/or attracting risk capital are some of the principal objectives of a start-up, which often starts with insufficient funds to increase its size in a short term.

The concept of start-up has been theorized by several successful entrepreneurs. The co-founder of Y-Combinator, Paul Graham, provides a definition of start-up which is consistent with the intentions of any entrepreneur: according to Graham, in fact, the goal is to transform as quickly as possible the business idea in a successful

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<sup>1</sup> NESTA, Dee et al., 2015

<sup>2</sup> H. Chesbrough and R. S. Rosenbloom, *The role of the business model in capturing value from innovation: evidence from xerox corporation's technology spinoff company*, Industrial and Corporate Change, Volume 11, number 3, pp. 529-555, Harvard Business School, 2002

reality, for fast overcoming the wasteful start-up phase of the business and the natural ambitions of every start-upper, who in most cases would like their efforts to be repaid through a millionaire exit<sup>3</sup>.

Today, however, the term start-up takes on new meanings and is synonymous with *innovation* which is “*the act or process of introducing new ideas, devices, or methods*”<sup>4</sup>, and that has not to be confused with *invention* which instead is “*the act—or the achievement—of devising a solution to a problem. Invention is the typical outcome of the activity called technology*”<sup>5</sup>. Innovation is necessary for the sustainability of the economic system: in fact, with the progressive increase in production and related pollution, globalization is not sustainable over time without technological progress. Furthermore, innovating solves a unique problem and only in this way is it possible to survive unbridled competition. The close connection between the concepts of entrepreneurship and innovation was already theorized in 1912 by Joseph Schumpeter, according to whom the technological invention, if successful, is acquired by the economic cycle and becomes innovation. Schumpeter saw creative destruction as a new start-up should be born with the intention of being disruptive for its own sector. Joseph Schumpeter popularised the concept of *creative destruction*<sup>6</sup> in (“Capitalism, Socialism and Democracy”, 1942) which is the necessary and natural way to enable new markets and new growth.

*“Capitalism [...] is by nature a form or method of economic [...] The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers’ goods, the new methods of production or transportation, the new*

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<sup>3</sup> Graham P., *Start-up=Growth*, 2012, [www.paulgraham.com](http://www.paulgraham.com), consulted on 14 September 2018

<sup>4</sup> Cantamessa M., Montagna F., *Management of Innovation and Product Development*, Springer-Verlag, London, 2016

<sup>5</sup> *Ibidem*

<sup>6</sup> Schumpeter J. A., *Capitalism, Socialism and Democracy*, Harper & Row, New York, 1942

*markets, the new forms of industrial organization that capitalist enterprise creates*”<sup>7</sup> (Schumpeter, 1942)

Currently, the most universally recognized start-up definition is that of a “*temporary organization in search of a scalable, repeatable, profitable business model*”<sup>8</sup>. Therefore, start-up takes the form of a small, new company with the ability to innovate, which aims to grow and establishes itself on the market. According to Blank, an entrepreneur has to develop an innovative business idea, because the economic system is becoming progressively more technological and has an exponentially innovative growth. Therefore, digital opportunities significantly increase the opportunity to create new needs or to meet old needs better or in a different way. But, as we will see later, it is not just a brilliant idea to bring a start-up to success. *Scalable* is the aptitude that a start-up must possess in generating economies of scale: it must be able to grow in size, market share and revenues, even exponentially. Usually, start-uppers think that their product can revolutionize the market, even creating a new one, but to achieve such a goal are required large resources. *Replicability* refers to the business model, which must be able to be repeated in space and time without having to make large changes due to progressive growth. To be able to be scalable and replicable, a start-up must immediately attract large capital. The resources can be obtained with a valid idea and business model as to make an important turnover from the first phases of activity, or by using external investors. However, the general objective of a start-up is the exit: the entrepreneur, in fact, through the sale or listing on the stock exchange of his business realizes an income and incentives to replicate the success with new investments. The start-up that, when reached the break-even point, retains a rapid scalability becomes profitable. From here the path to become a big successful business is short.

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<sup>7</sup> *Ibidem*

<sup>8</sup> Blank S., Dorf B., *The Start-up Owner’s Manual: The Step-by-Step Guide for Building a Great Company*, K&S Ranch, Pescadero, California, 2012

Another important definition of start-up is that proposed by Eric Ries, co-founder of IMVU and currently a consultant for large Venture Capital companies. Ries has theorized the Lean Start-up, a human institution designed to create new products and services in conditions of uncertainty<sup>9</sup>. At the start-up you can apply the elements of *Just In Time*, the production methodology introduced by Toyota, to make it flexible, in order to achieve success through a correct business strategy based on trust assumptions and powered by validated learning, concepts which will be investigated later. Ries has tried to theorise the entrepreneurial success, suggesting an empirical method, in contradiction with the traditional management, able to reduce the uncertainty and the probability of default related to the start of a new business. Moreover, Ries and Blank are great supporters of Customer Development, an innovative model essential for a successful start-up, based on the possibility of developing a market through the preliminary experimentation of a new product by early adopter consumers, those who are more taken to test the market news.

## 1.2 Business Idea and Business Plan

The act of creating a new company is not a simple activity, because an idea alone is not enough to make a company successful. In fact, the failure rate of new start-ups is very high and only few among those succeed in prospering: the path that leads to success must be rationally programmed. The first step is represented by the formulation of the business idea, which must be innovative, achievable, sustainable, scalable, but above all must respond to a real need of consumers.

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<sup>9</sup> Ries E., *Partire leggeri. Il metodo Lean Start-up: innovazione senza sprechi per nuovi business di successo*, trad. it. M. Vegetti, Rizzoli Etas, 2012, p.16 (ed. orig. *The Lean Start-up: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Business*, Crown Business, 2011)

The business idea must be based on trust assumptions, empirically verifiable in order to evaluate the feasibility of the project before implementing considerable investments: at this stage changes can be made to the idea or, at worst, the impossibility of realizing may emerge.

The concept of business idea of Richard Normann is based on three fundamental components: the product system, the market segment and internal resources<sup>10</sup>.

The product system defines the offer that is constituted by material characteristics (quality and technology) and immaterial ones (positioning, safety, pre and post sales services and assistance): it must invest most on the aspects that generate value and create sustainable competitive advantages over time. Therefore, it deduces that the business idea must be able to guarantee the competitive advantages over the competitors in relation to the target market on which it focuses<sup>11</sup>.

Segmentation allows to identify the target to sell own product. It is necessary to choose which categories of consumers to focus on: just one, implementing the strategy of market or niche focus, or on some of them. The advantage of focusing on individual targets derives from the concentration of all resources on those customers. Furthermore, all the characteristics of the product must be targeted, in particular the promotion, in order to reach directly through specific communication.

The analysis of internal resources makes it possible to model the optimal organization of the company based on its own skills and resources. It is fundamental to know the initial investment of the members, the possibility of accessing external risk and debt capital, the skills and competencies of the team and management.

The evaluation of the idea would not make sense, however, if an analysis of the competitive offer was not carried out. Competition is a very broad category of

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<sup>10</sup> Normann R., *Management for Growth*, John Wiley & Sons, New York, 1977

<sup>11</sup> Pellicelli A, C., *Le strategie di posizionamento nell'economia digitale*, Giappichelli, Turin, 2008

actors, which includes not only companies offering similar products on the same market, but also companies producing substitutes and complementary products, possible new entrants, suppliers with a high degree of bargaining power, companies that market products apparently different from their own but that could instead mislead its customers.

The business idea, to be considered valid and innovative, must lead to product, process or system innovation. To achieve this goal, the idea must be based on distinctive skills, hard to imitate by competitors, that are able to generate value for the identified target segment, in order to exploit the opportunities examined within the market, and that can be organized within the start-up.

The business plan is a document whose main object is the enunciation of the business idea and its strengths. It is a document that defines objectives, strategies, processes, policies and actions with a medium-term orientation (usually three or five years) and which outlines the economic-financial implications of the actions themselves. The plan begins with the picture of the current state of the company and of the entrepreneurial project of the company or start-up, carefully analyzing the market position, the characteristics of its offer and the business that will be the object of the business project. It also defines company strategies by focusing on the actions to be taken to move on to the concrete drafting of the business plan. Furthermore, it is also essential to present the start-up to various economic operators in order to collect the necessary funds to fill their needs. It is therefore necessary to think in advance how to finance the project, with how much venture capital and how and to what extent to resort to debt capital. The document can be revisited more than once, as soon as we notice changes and new threats or opportunities emerge<sup>12</sup>.

The business plan has mainly three functions. In the first place, it performs the task of describing and rationalizing the business idea. Formalizing management ideas is

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<sup>12</sup> Cit, Business Dictionary, [www.businessdictionary.com](http://www.businessdictionary.com), consulted on 24 September 2018

also clarified to the management of the operation of the company. Furthermore, by focusing on their strengths and weaknesses, in order to prevent any impediment, the team would be able to promptly make the necessary changes to the initial idea.

Secondly, the business plan is a useful tool for planning and development, as well as subsequently verifying the final balance.

Finally, it is essential for researching and obtaining financing. The ideas underlying the project, the company's image and the guarantees offered must emerge from it. The third parties who are involved in reading the business plan can understand the potential and the risks of the start-up project, so as to be able to make important investment or financing decisions.

### **1.3 Sharing Economy and Gig Economy**

During last years, the *Sharing Economy*, a new socio-economic paradigm characterized by the sharing of human, physical and intellectual resources in a context defined by digital technologies, has been affirmed.

In the current global context, participatory practices based on collaboration and sharing of goods and services are now a dominant trend. It is customary to use the web to raise funds and finance projects, use car sharing or carpooling to move and travel, share work spaces and take advantage of an unlimited number of streaming television series. However, the redistribution, socialization and collaboration behind these activities are not new because, in human history, social networks and sharing have always existed but, with the emergence and consolidation of capitalism, they have lost their essence. Since the Fordist period, the concept of consumer has had as main characteristic the increasing ownership of goods, up to the current of hyper consumerism. In recent decades the conviction that this excessive possession of goods is detrimental to our way of life and waste of resources, leading us towards an economic model based on its three main factors:

sharing, that is, joint use of the same good, a "horizontal"<sup>13</sup> relationship between people or organizations, able to make the classical boundaries between producers and consumers less defined, and a technological platform in which digital relations are managed and promoted thanks to the trust generated by the system and from digital reputation. This last topic is inextricably linked to the Sharing Economy: in fact, the digital platform has become the tool able to put people in contact with each other, allowing them to organize and define their relationship of sharing. The advantages deriving from the use of these platforms are undoubtedly manifold, but great importance is attributed to the economic savings, since the cost of an object or service is "divided", avoiding waste.

In the industrial era in fact, the capitalist and individualist paradigm has led to a decline in social capital, leaving room for a society focused on the self and the exclusive possession of goods, principles that profoundly contrast with current economic assumptions. Unlike capitalism, which prefers personal interest, the present economic system is governed by collaborative interests and trade models that place temporary access to a resource rather than its ownership.

The latter have played a fundamental role in the birth and development of a collaborative consumption model<sup>14</sup> that today allows individuals to cooperate and share their resources in order to benefit from a given good or service. On the other hand, there are many who still today agree that the Sharing Economy was born in response to the 2008 crisis whose effects and consequences, in addition to generating greater consumer awareness of the use of unused resources, have contributed to the creation of an alternative economic system aimed at overcoming the principles on which capitalism is based.

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<sup>13</sup> Di Lucchio M., *Cos'è la sharing economy e perché è il ponte tra aziende e startup*, 26/11/2017, [www.economyup.it](http://www.economyup.it), consulted on 30 September 2018

<sup>14</sup> Botsman R., Rogers R., *What's Mine is Yours: the rise of Collaborative Consumption*, HarperCollins, New York, 2010

Observing the PWC study, it is possible to realize the size and growth rate of the sharing economy, which will increase from 13 billion value (2015) to 335 billion dollars by 2025, in only five major sectors, represented by travel, car-sharing, work, finance and entertainment<sup>15</sup> and the threshold of 570 billion euros considering the total market.. For example, the Uber US platform, in six years of activity, has made more than a million journeys possible, effectively exceeding the value of General Motors, one of the longest-running automobile companies in the sector. Likewise 2 million people have used AirBnB which has offered rooms to two million people, more than the three largest chains in the industry.

In the Italian case, while the offer is growing, the demand is still contracted: in fact, in 2016, 51% of sharing platforms has a number of users of less than 5 thousand and only 11% have over 100 thousand subscribers<sup>16</sup>. In 2017, Italy registered 200 operating platforms, with a value of 4 billion of euro. However, the contribution of the sharing economy is estimated in a gap that goes from 8.8 to 10.5 billion euro by 2020, and from 14.1 to 25.2 billion by 2025<sup>17</sup> with 12 million users<sup>18</sup>.

In parallel, in the analysis of the Sharing Economy one can certainly not overlook the *Gig Economy* phenomenon, or the economy of jobs, that means earning or supplementing own income doing jobs without a contract, if and when it is requested. The work is broken up into individual performances that can be short or longer. The difference between the two phenomena is that Sharing Economy concerns the change of the economic system, instead Gig Economy deals with the working situation and its characteristics.

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<sup>15</sup> PWC, *Consumer Intelligence Series: The Sharing Economy*, 2015, [www.pwc.com](http://www.pwc.com), consulted on 2 October 2018

<sup>16</sup> Tutti i numeri della sharing economy in Italia nel 2016. SmartMoney, Start-upItalia, november, 15<sup>th</sup> 2016, <http://smartmoney.start-upitalia.eu/news/59165-20161115-numeri-sharing-economy-italia-2016-report>, consulted july, 2<sup>nd</sup> 2018

<sup>17</sup> Fondazione Unipolis, *Dalla Sharing Economy all'economia collaborativa*, ottobre (2015)

<sup>18</sup> *Drexcode porta l'abito da sposa nell'era della sharing economy*, [ilsole24ore.com](http://ilsole24ore.com)

*“a way of working that is based on people having temporary jobs or doing separate pieces of work, each paid separately, rather than working for an employer”*<sup>19</sup>

According to a research carried out by the University of Pavia, commissioned by PhD Italia, the value generated by Gig Economy is expected to rise from 3.5 billion euros in 2015, generated by 11.6 million users, to 8.8 billion in 2020, up to a value between 14 and 25 billion in 2025. A turnover that could range between 0.7% and 1.3% of the GDP. This trend was confirmed by the research centre of the Oxford University iLabour Project<sup>20</sup>. Infatti, tra luglio 2016 e giugno 2017 il settore è cresciuto del 26%, negli Usa potrebbe raggiungere il 43% della forza lavoro entro 2020 e in Italia attualmente sono impiegati nel settore 3.6 milioni di lavoratori.

These possible economic revolutions generate changes and repercussions on the world of work: the propensity to change more jobs in the course of one's working life has increased considerably, radically detaching from the business model for which the firm provides its employees with contracts with a life span of their entire life<sup>21</sup>.

The rise of the Gig Economy has been made possible thanks to online platforms that cross supply and demand for services. According to a survey conducted by the INPS, the workers of the Gig economy can be grouped into three categories: the first subdivision includes the workers who perform tasks through the App., from the baby sitter, to the delivery of food at home. The second category is that of Crowdwork, literally "work of the crowd", consists of the set of works commissioned by companies or individuals to so-called Freelancers, computer scientists or professionals from other sectors, some examples of this sector are the

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<sup>19</sup> Cit, Dictionary Cambridge, [dictionary.cambridge.org](https://dictionary.cambridge.org), consulted on 4 October 2018

<sup>20</sup> *The online gig economy grew 26 over the past year*, [ilabour.oii.ox.ac.uk](https://ilabour.oii.ox.ac.uk)

<sup>21</sup> Sertorio G., Martinengo M. C., *I volti del consumo: ripensare i consumi in una società che cambia*, Giappichelli, Turin, 2010

transcription of data, audio editing and content in social networks. Finally, the last category of workers in the Gig Economy is represented by Asset Rental, rental of owned assets. This figure was created by platforms like AirBnB that allow an individual to share their assets and in return receive money. According to INPS research, the number of workers belonging to the Gig Economy universe in Italy is between 589 thousand and 753 thousand. Going down in detail it's possible to observe that there is a gender imbalance, since the share of women on the total represents only 42.8<sup>22</sup>. Particularly interesting given by age, the most recurring classes are in fact 30-39 and 40-49, from these last data, in fact, we can understand how the common thought that the Gig Economy is only for young people is actually a cliché.

There are still many shadows on the Gig Economy, especially with regard to protection against workers. The salaries are low, often below the minimum union level, and since there are no real contracts, the workers hardly receive the status of employees with the consequent benefits, pension and health care. This is a growing sector and therefore it has become fundamental for the giggers to obtain from national governments new regulations that guarantee more protection. In this regard, Denmark has just become the first and only EU country to reach an agreement for a kind of national collective agreement for users of the Hilfr platform<sup>23</sup>, a Danish startup that connects homeowners with cleaners. The provisional agreement with a duration of 12 months, provides that from August 1<sup>st</sup>, 2018, certain protections will be guaranteed including paid holidays, leave for holidays and social security contributions. But the main aspect concerns the remuneration: in fact, Hilfr has agreed to set a minimum wage of 141 crowns per hour (around 19 euros), a figure that can reach up to ten times the pay received by the carriers of some of the platforms that dominate the market. In addition, if the recorded service hours are exceeded, the worker will access the status of Super

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<sup>22</sup> INPS research, Presentazione del rapporto annuale (2018)

<sup>23</sup> *Ferie e salario minimo: ecco via danese la gig economy*, ilsole24ore.com

Hilfr, which guarantees greater advantages compared to the average of the users registered on the platform.

# **Chapter 2**

## **World of start-ups**

## 2.1 Global Trend

Throughout the world, there are different ecosystems in which are established different industrial sectors, finding fertile ground for development and prosperity. Certainly, in the field of digital innovation, it exists an ecosystem that stands out from all the others: the Silicon Valley, an area in the north of California where the major high tech companies are concentrated. Starting a technological business in this environment, with plenty of entrepreneurial talent, people who are willing to risk and suffer to pursue their business dream, access to capital facilitated and universities of the highest level provides a clear advantage over other locations<sup>24</sup>. For half a century, this area of the United States has generated significant waves of innovation in the electronic and IT world, and has been an incubator for many start-ups.

For these reasons, having an innovative idea in Europe is not like having it in United States. This situation is not limited to Silicon Valley, but affects the entire Country, considering that 58% of Venture Capital funds have been allocated to companies based in the United States. Moreover, it led the industry to record the investment record with \$ 67 billion in 2,884 operations in 2017. The first quarter of 2018 followed this growth trend, with 1,298 deals for a total investment of \$ 21.9 billion. The results show that the United States of America is an environment conducive to the development of start-ups, and this is further demonstrated by the presence of 105 "Unicorn" (ranking of companies exceeding the 1 billion value threshold in 10 years) out of a total of 214 worldwide, therefore around 50%<sup>25</sup>, with Uber placed in second position with an actual value of 72 billion from its constitution in 2013 (Figure 2.2).

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<sup>24</sup> Battocchi M., *Gli 8 punti di forza della Silicon Valley*, 27/07/2017, [www.panorama.it](http://www.panorama.it), consulted on 7 October 2018

<sup>25</sup> D'Ascenzo M., *Startup, la Cina insegue il primato degli USA*, 05/06/2018, [www.ilsole24ore.com](http://www.ilsole24ore.com), consulted on 7 October 2018

Figure 2.1 - *Geographic distribution US incubators*



Source: Jackson R, W., *Number of Incubators in United States Census Bureau Regions and Incubator Location*, [www.researchgate.net](http://www.researchgate.net), consulted on 9 October 2018

The United States is still an ideal environment for the development of new businesses, but in recently the Chinese market has shown an important interest in the world of innovation. In fact, in 2017, investments in the country reached 58.8 billion dollars<sup>26</sup>, a trend that continues in 2018 and it is part of a structured plan that forecasts China as a world leader by 2030 in the field of renewable energy, robotics, electric cars and artificial intelligence. Especially in the two latter cases, investments will reach a total of 750 billion dollars<sup>27</sup>. These investments show that the liquidity is the key success factor and the secret beyond the Chinese innovation growth, because it creates a cycle in which liquidity allows faster fundraising<sup>28</sup> and so, faster IRR: this situation could attract new investments and the cycle can restart. The aspect enhanced is well explained in Figure 2.2, with a focus on the date of constitution of Chinese and US companies: in fact, on average Chinese companies have reached first position of ranking in few years if compared with US ones. For

<sup>26</sup> *Ibidem*

<sup>27</sup> Tremolada L., *Chi sta vincendo la sfida Cina-Stati Uniti sulle startup? Basta contare gli "unicorni"*, 17/04/2018, [www.ilsole24ore.com](http://www.ilsole24ore.com), consulted on 9 October 2018

<sup>28</sup> Tabatabai A., *China's secret startup advantage: liquidity*, September 2018, [techcrunch.com](http://techcrunch.com), consulted on 11 October 2018

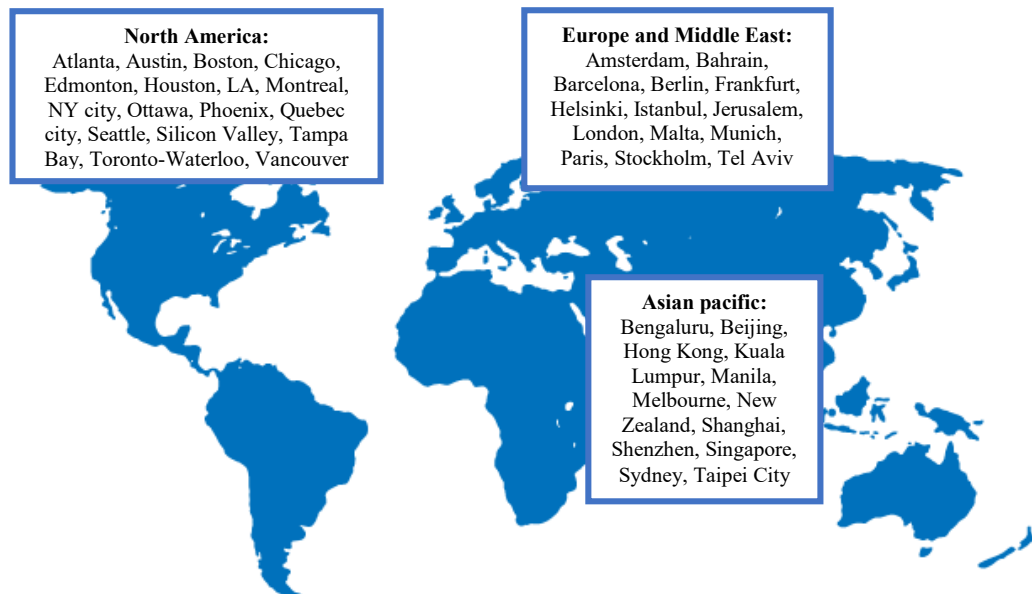
these reasons, nowadays United States is still an ideal environment for the development of new businesses, but China is changing its position and currently counts about one third of Unicorns worldwide.

Figure 2.2: *Ranking of Unicorns*

|                  | Company       | Valuation (\$B) | Date Joined | Country       | Industry               |
|------------------|---------------|-----------------|-------------|---------------|------------------------|
| 1 <sup>st</sup>  | Toutiao       | \$75            | 4/7/2017    | China         | Digital Media/ AI      |
| 2 <sup>nd</sup>  | Uber          | \$72            | 8/23/2013   | Unites States | On-demand              |
| 3 <sup>rd</sup>  | Didi Chuxing  | \$56            | 12/31/2014  | China         | On-demand              |
| 4 <sup>th</sup>  | Airbnb        | \$29.3          | 7/26/2011   | Unites States | eCommerce/Mark etplace |
| 5 <sup>th</sup>  | SpaceX        | \$21.5          | 12/1/2012   | Unites States | Other transportation   |
| 6 <sup>th</sup>  | Palantir Tech | \$20            | 5/5/2011    | Unites States | Big Data               |
| 7 <sup>th</sup>  | WeWork        | \$20            | 2/3/2011    | Unites States | Facilities             |
| 8 <sup>th</sup>  | Stripe        | \$20            | 1/23/2014   | Unites States | Fintech                |
| 9 <sup>th</sup>  | Lu.com        | \$18.6          | 12/26/2014  | China         | Fintech                |
| 10 <sup>th</sup> | JUUL Labs     | \$15            | 12/20/2017  | Unites States | Consumer Electronics   |

Source: *The Global Unicorn Club*, [www.cbinsights.com](http://www.cbinsights.com), consulted on 10 October 2018

Figure 2.3: *Top 20 start-ups ecosystem*



Source: Adapted from Herrmann et al., 2018

Europe seems to not have the intention of remaining a spectator of the dualism between China and United states: in the ranking of the ten most open cities to the world of the start-ups three European capitals are present, including London which is in third place this special ranking, but with an important gap from the first two classified, San Francisco and New York. The levels of investments are high compared to what happened until few years ago, but in quantities incomparable with to the aforementioned economic giants. In 2017, investments reached the 17.5 billion dollar threshold, a trend that was also maintained in 2018 with 4.8 billion invested in the first quarter of the year<sup>29</sup>.

Many Europe capitals are considered a good environment in which a start-up can grow up. Among them, Amsterdam is the country of new projects as Takeaway, on-demand food delivery company with a valuation of 1.1 billion, o established project as Booking.com, acquired by Priceline in 2005. Barcelona counts more than 1,000 tech start-ups, with a number of exit that has quadrupled from 2012 and 2016, and London, the highest performing ecosystem in Europe, counts capital's tech firms with a value of \$6.6 billion in 2017. Moreover, the European Commission has included in the Horizon 2020 program a section exclusively dedicated to start-ups and small businesses to increase the competitiveness of companies willing to develop innovations specific and profitable sectors for the whole society. To access funding, it is therefore necessary to go through three phases: in the first phase, all pre-entrepreneurial activities aimed at ascertaining technical and scientific feasibility are financed up to a maximum of 50,000 euros. A second phase finances the realization of the entrepreneurial project (up to a ceiling of about 2.5 million euros) which often takes the form of prototypes ready for marketing; and finally a third phase, that of actual commercialization, which does not foresee a direct

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<sup>29</sup> D'Ascenzo M., *Startup, la Cina insegue il primato degli USA*, 05/06/2018, [www.ilsole24ore.com](http://www.ilsole24ore.com), consulted on 7 October 2018

financial support from the public sector but an activity of brokerage and endorsement towards private financiers<sup>30</sup>.

## 2.2 Italian trend

The phenomenon of start-ups has swept the whole world and in Italy, the situation is not far behind. To understand the entity, just look at the data published by the Ministry of Economic Development, InfoCamere and UnionCamere, relating to 2017 and up to the third quarter of 2018.

In 2017, Italy had 7,866 innovative start-ups on its territory, but recording a decrease in investments compared to 2016: the year ended with a 38% drop on new investments (57 in total), after seven years consecutive growth, but at the same time are grown the number of investments subsequent to the first (from 10 to 21), for a total of 208 million euro, down by 5.8% compared to 2016<sup>31</sup>. The most active regions in this regard were Lombardy with 33% of transactions, and Lazio with 23%, but the most interesting and significant aspect is the absence of operations in the North-East and in most of the regions in the south of the country.

In 2018, there was instead a new trend change. In the first 6 months of the year, there were 8,897 innovative firms, with a total equity of 499 million, and there has been an increase in investments exceeding the threshold of 250 million: this partial is already higher than the whole of 2017 and equal to twice the average of investments made from 2010 until today<sup>32</sup>. Finally, the data for the third quarter of

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<sup>30</sup> Grilli L., *Come funziona Horizon2020 e perché fa cantare le startup italiane*, 07/03/2016, [www.economyup.it](http://www.economyup.it), consulted on 13 October 2018

<sup>31</sup> Agi, *Nel 2017 si è investito meno in startup, 208 milioni (ma con quelle all'estero)*, 02/03/2018, [www.agi.it](http://www.agi.it), consulted on 14 October 2018

<sup>32</sup> Rociola A., *Nel 2018 già investiti 250 milioni in startup italiane. Le ragioni di un record inatteso*, 01/07/2018, [www.agi.it](http://www.agi.it), consulted on 14 October 2018

the year show that innovative start-ups are set to be 10 thousand with a growth of 22% compared to 2017, from 7,866 to 9,647 units (+ 22.6%)<sup>33</sup>. It should be noted that this result continues to remain distant from the results of other European countries, with Great Britain attesting its level of investments to 4 billion, France and Germany around 2.5 billion and Spain at 1 billion.

## **2.3 Form of investment**

### **2.3.1 Crowdfunding**

Crowdfunding is a widespread financing system with the advent of web 2.0 through which today it is possible to fund innovative and technological business projects using "benefactors" who decide to invest freely on that particular project.

The novelty is that it is a model of financing that does not depend on the need to rely on a financial institution to obtain funds. In fact, unlike traditional methods, crowdfunding proves to be the most effective and economical solution thanks to the existence of special web portals that lend themselves to collecting small investments involving, at the same time, numerous investors. This solution allows overcoming geographical boundaries and attracts support from the community, which is why we often refer to this model as a "form of collective financing".

As regards the financing of innovative start-up projects, crowdfunding presents substantially two models: Equity Crowdfunding and Reward Based Crowdfunding. The first, which is the *Equity Crowdfunding*, allows lenders to obtain capital shares from the start-up. In this way, the investor becomes in effect a new participant in the ownership of the company. The second model, the *Reward Based Crowdfunding*, on the other hand, allows lenders to be repaid by providing a benefit from the start-up. In addition to these two models there are other forms of

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<sup>33</sup> Aifi, *Startup innovative a quota 10 mila*, 16/10/2018, [www.aifi.it](http://www.aifi.it), consulted on 18 October 2018

crowdfunding that, although more common, are less convenient in order to raise funds to be allocated to a start-up. These forms include the *Donation Based model* in which no consideration is paid in exchange following the spontaneous donation of the supporter. This model is particularly suitable for non-profit projects. Finally, crowdfunding can come about through the collection of funds, which are returned to supporters with an addition of shares of interest: this latter form is called *Lending Based Crowdfunding*.

To protect the investor crowdfunding companies follow the philosophy of "All-or-nothing" according to which a company sets a minimum limit that the campaign can collect, if the latter is reached the harvest is successful, otherwise they come return the money to investors<sup>34</sup>. It is important to enhance that only the 50% of the campaign worldwide will reach the desired threshold.

On the part of start-ups, the main advantage of using this form of investment lies in the possibility of financing without having to resort to a loan. In addition to obtaining capital, start-ups can use Equity Crowdfunding as an important marketing tool that allows them to study the market throughout the phase preceding the launch of the product or its service. However, on the part of investors, the benefits are mainly attributable to growth rates. If they keep their promises and are successful, in the space of 4-5 years they can give the possibility of achieving very high capital gains, in the order even 2-3 times the investment made.

However, this form of financing is not free from criticism and disadvantages; in fact, the shares purchased are not liquid or rather difficult to sell, because they are very different to the case of actions of companies that are much larger and more important. Ultimately, one could wonder if crowdfunding can really represent a valid fundraising tool able to supplant the traditional channel in some respects. The answer must be sought in the successful web experiences of successful cases. In

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<sup>34</sup> McKenzie D., *Identifying and Spurring High-Growth Entrepreneurship: Experimental Evidence from a Business Plan Competition*, volume 107, NO. 8, American Economic Review, 2017

fact, as a common opinion, this tool is particularly effective for highly innovative start-ups, not only for the collection of funds necessary for the activity, but also for the creation of community behind the company that can push its entry on the market<sup>35</sup>.

Looking at crowdfunding performance worldwide, in 2017 a total of \$34 billion has been raised, divided into the following percentages: lending crowdfunding raised \$25 billion, rewards-based and donations-based raised \$5.5 billion together and equity crowdfunding raised \$2.5 billion<sup>36</sup>.

Eppela.com turns out to be the most widespread Italian reality; its mission is "we support Italian companies". The value proposition stated on the website shows us that 65% of sponsorships have been successful, and how the platform has helped 4000 projects by co-financing more than 3.5 million<sup>37</sup>. In addition, in recent years tax incentives have been provided to encourage start-ups to use this tool given the dimensions now relevant and the rate of growth in constant ascendancy can create positive repercussions on the labor market, GDP and the economy in general.

In Italy, from 1 July 2016 to 30 June 2017, € 133.2 million has been collected on crowdfunding platforms, financing 15,915 projects: € 41.4 million were collected in 2017, the 45% more than 2016. Moreover, on a global level, crowdfunding is becoming increasingly important for the functioning of start-ups and has exceeded in volume investment by Business Angels.

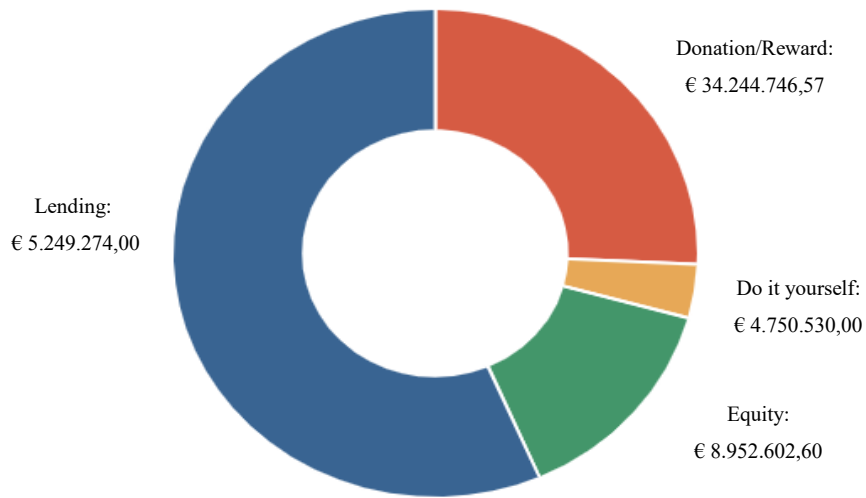
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<sup>35</sup> Strausz R., *A Theory of Crowdfunding: A Mechanism Design Approach with Demand Uncertainty and Moral Hazard*, Volume 107, issue 6, pp. 1430 – 76, American Economic Review, 2017

<sup>36</sup> Solidaridad Latina, *Check Out Crowdfunding Statistics For 2017*, 28/09/2018, solidaridadlatina.com, consulted on 21 October 2018

<sup>37</sup> www.eppela.com, consulted on 23 October 2018

Figure 2.4: Crowdfunding value until 2017 in Italy



Source: Crowdfunding Report, [www.crowdfundingreport.it](http://www.crowdfundingreport.it), consulted on 23/10/18

### 2.3.2 Business Angel

The *Business Angel* is one of the most popular figures in start-ups, specifically an informal investor who decides to invest in the entrepreneurial project, turning the idea into a successful business. In fact, together with financial capital, business angels place their experience, their skills and their network of knowledge and partners at the service of the company. Because of the informality of these subjects, it is difficult to outline a single profile of the same. Based on the type of contribution we distinguish between:

- *Financial business angels*, i.e. those who invest in venture capital without actively taking part in the management of a company, but merely performing a function of greater control and monitoring;
- *Industrial business angels*, i.e. those who not only invest in venture capital, but also carry out business management activities and increase the project's likelihood of success thanks to their professional and managerial skills.

The companies that most easily attract the attention of the business angels are characterized by a high innovative potential and belong to the electronic, hi-tech,

healthcare, sustainable resources and renewable energy sectors. For start-ups, however, the entry of a business angel into the business can become important not only for the possible economic contribution, but above all for the work experience and for the network of contacts. In fact, it is common ground that the companies supported by the angel assume greater credibility, above all towards the lenders. Moreover, the search for a business angel is for many start-ups a priority issue due to its greater propensity for long-term vision compared to other forms of financing.

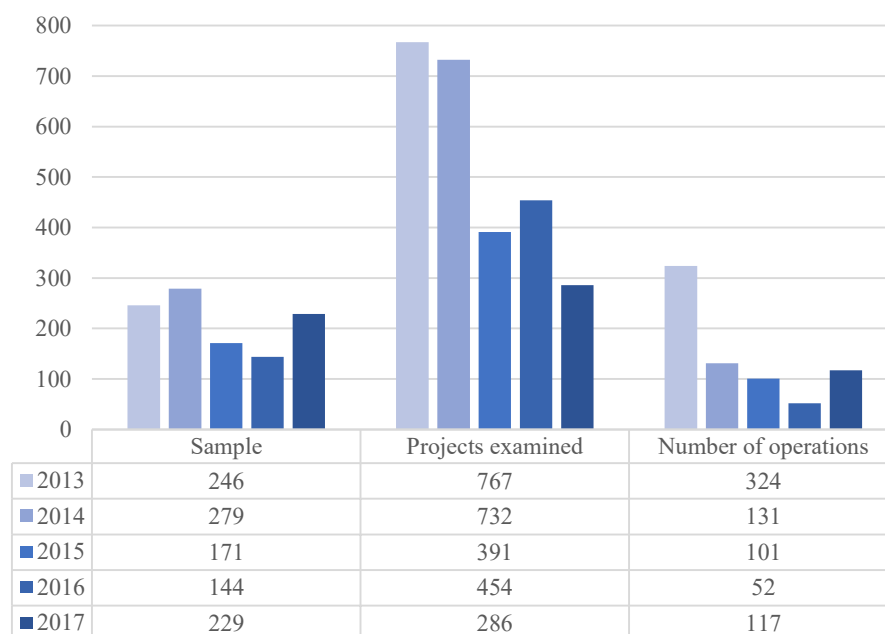
In the United States the Business Angel phenomenon is widespread, but the informal investor category has assumed particular importance also in Italy, where the IBAN (Italian Business Angel Network) the national association of major importance, develops and coordinates the activity of investment in risk capital, encourages and promotes their figure as an economic operator and fosters their meeting with new entrepreneurs.

According to data presented by the research conducted by professor Vincenzo Capizzi SDA Bocconi with the above-mentioned association (IBAN), 117 operations were conducted in 2017, especially in the ICT (33%), e-commerce (10%) and services sectors (9 %). At the geographical level, the companies financed are located mainly in Northern Italy and in the start-up phase (82%). The sample includes 229 business angels. 80% is man, graduate, aged between 30 and 50, entrepreneur / manager (64%), with a movable property of less than 2 million euro, of which he / she invests less than 20% in angel investment operations. Business angels prefer to invest in a group, through a network (IBAN or one of its territorial banks) or a club deal (66%, against 34% of the business angels that invest individually).

The main factors that they consider when evaluating an entrepreneurial project are potential market growth (27%), management team (24%) and social aspect of the company (19%). In addition to equity investments, the business angel of a company mainly provides strategic skills and contacts to develop social activities, with a medium-high involvement in the company founded in 77% of cases.

On average, their disinvestments occur 5 years after the initial investment. For the first time, in 2017 investments made by business angels through crowdfunding platforms were also considered. It emerges that this method of financing was used by business angels to finance 22% of the total companies in 2017, but with an average investment of 3% of the total (13,450 euro). Unfortunately, Italy continues to face a delay with the main European competitors: for example, 1.8 billion euros have been collected in France.

Figure 2.5: *Investments by Business Angel in Italy*



Source: BeBeez, survey IBAN 2017, consulted on 25 October 2018

### 2.3.3 Venture capitalist

Venture capital is a phenomenon that involves high-risk investment in innovative companies in the operation of Early Stage and Development Financing.

The Venture Capitalists tend to be attracted through the publication of the five-year business plan of projects that can reward the investor in exceptional ways in exchange for the risk assumed.

If for many this form of investment can resemble the investment made by a Business Angel, so in reality it is not, there are, in fact, some substantial differences between the two figures. While the Business Angel invests in the business also in the form of personal commitment and skills, the venture capital fund lends capital only for a return in the form of surplus interest.

Moreover, compared to the Business Angel, Venture Capital investments are characterized by higher financed amounts and by a longer-term perspective.

Usually, the target companies are too risky start-ups for the standard capital markets and with a huge financial need for growth in sectors with high development potential. This implies that the start-up must necessarily have the potential to revolutionize the sector or the market and must have the conditions to grow very rapidly.

Venture Capital's investment process begins with the monitoring of the market by the Venture Capitalist, which identifies start-ups that have great potential, but who can not find sources of funding due to the high operational risk. Subsequently, it deepens the knowledge of the target companies, their product and the business plan. If it finds a significant potential benefit expected from the investment it could decide to finance the initiative through the Venture Capital fund it manages. Therefore, the fund invests in many start-ups with similar potential and risk and, since about 9 start-ups in 10 fail, through the success of one will have to be able to cover losses deriving from the failures of the other and to remunerate adequately investors. For this reason, Venture Capital's investment particularly affects innovative and technological companies, as products belonging to these sectors are easily scalable and more likely to attract IPO transactions.

The second edition of the report dedicated to the Venture Capital in Italy prepared by BeBeez for P101 Ventures<sup>38</sup> reveals interesting data concerning the path and evolution of investments in risk capital of Italian companies in the early stages of life. First of all, the aforementioned research opens with a market analysis

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<sup>38</sup> P101 & BeBeez, *Venture Capital Report 2017*, Milan, 2018

conducted by Aifi<sup>39</sup>, which shows that in the first six months of 2017 the investments of venture funds in Italy in companies undergoing early stage amounted to 43 million euros. for a total of 65 companies, against 35 million and 50 investments conducted in the first six months of 2016 and 104 million in 2016, spread over a total of 128 investments.

More comprehensive numbers emerge from a survey conducted by Preqin<sup>40</sup>, which in mid-December calculated that in the world in the year, investments were made by Venture Capital funds for an aggregate value of 179 billion dollars, a figure that for 37% (i.e. 66 billion) is represented by investments in unicorns of the caliber of the Chinese Didi Chuxing and Meituan-Dianping, which this year have collected rounds, respectively, for a total of 5.5 and 4 billion dollars.

Globally, the fund that holds the most shares in unicorns is Sequoia Capital with 57 subsidiaries, of which 20 in companies valued over one billion euros. In second place in the ranking, on a parity basis, there are Tiger Global Management and Accel Partners, both with 33 participations in unicorns. Preqin has calculated that, on average, the funds that invested in unicorns have always recorded higher performances than those of the other Venture Capital.

Finally, it should be noted that more than two-thirds (68%) of unicorn investors are based in North America, 18% in Europe and 12% in Asia.

This phenomenon takes the form of a virtuous circle, or vicious circle, that feeds itself: it invests more those who have more money to spend and has more money to spend who is more able to attract investors thanks to the prospect of high performance.

The US, within this circle, is certainly the most interesting country, but the best funds often have extremely important dimensions and require very high minimum entry tickets. Not only that: often, as in the case of the most noble private equity funds, is made a selection among investors and being able to enter the club is not easy. However, there are groups of private investors and family offices organized

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<sup>39</sup> Associazione italiana del Private Equity, Venture Capital e Private Debt.

<sup>40</sup> Research and consulting company

in club deals that have signed co-investment agreements with some well-known US funds. In Italy, an example is U-Start.

As for Germany, it has been calculated that in the first six months of 2017 venture funds have invested 430 million, in line with what was done in the first half of 2016. In total, then, last year the investments of venture funds in Germany reached 930 million, with an acceleration in the second half, thus reaching its maximum value since 2008.

In Europe, therefore, new investment opportunities are starting to be interesting, as even disinvestment opportunities are increasing. In 2016, the divestments carried out by venture funds throughout Europe were 1,295, equal to 35% of the total number of exits recorded by all the private equity funds and Venture Capital together. All for a value of the disinvested equity of 2.4 billion euro, up 13% from 2015 and equal to 6.2% of the total value of all the disinvestments of funds in Europe, which in 2016 was 38.5 billion.

In Italy, among the start-ups that announced this year's investment round, the one that has collected the most since the beginning of operations was once again Satispay. Since its foundation, this start-up has raised € 28.8 million for a post-market valuation of the company, which is about € 66 million.

However, for the Italian Venture Capital funds it is still difficult to raise capital: the little developed divestment market is one of the main reasons. The large companies that, abroad, together with the Stock Exchange, are the natural outlet for successful start-ups, in Italy they are completely absent from the segment.

What is the main implication of this phenomenon, which affects the entire sector? Since disinvestments are difficult, buyers try to do it at low valuations. The founders of start-ups, therefore, to collect the amount of equity necessary to finance development, are forced to dilute much more importantly than foreign colleagues: the entrepreneur becomes less involved, generating a less positive assessment by foreign ventures.

The culture of Venture Capital as an asset class, however, is gradually spreading, also thanks to what has been done in recent years by the Italian Investment Fund

which, with its venture fund of Venture Capital, has allowed the emergence of many new operators, acting as anchor investor. The European Investment Fund (EIF) is also conducting a similar policy and new investors are entering the asset class.

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Moreover, the Italian Investment Fund has also recently invested, with its fund of funds, in the Vertis Venture 2 Scaleup fund launched by Vertis, thus allowing it to announce a first closing of 30 million euro on a target of 60.

The fund will invest in entrepreneurial projects related to Industry 4.0 technologies and digital transformation: robotics, mechatronics, automation and digital technologies. The capital available for each company will be between 2 and 6 million euros, which will be further increased with the involvement of other investors, financial and industrial.

## **2.4 Internet**

Internet has been the fundamental technological innovation for the creation of business in the form of start-up companies. The birth of the Internet, like so many

important innovations, has a military root. In fact, it was the Cold War that started the spark in 1969. The American government, worried by the confrontation with the Soviet Union, founded the ARPA, the Defense Department Agency for advanced research in military telecommunications, and financed the design of a communication network between the various military units. It was the same agency that gave the first name to the network (Arpanet<sup>41</sup>) that linked the universities of Los Angeles, Stanford, Santa Barbara and Utah was Arpanet. The connection was made through the installation of special computers built according to the specifications Larry Roberts, the true creator of the Internet. The information that was transmitted had no top-secret content, so the project was not exploited directly by the army, but without the Pentagon's money it would be difficult to achieve the result.

Today, the Internet is the most used means of communication and is widespread all over the world and is the main means of dissemination of platforms operating in the digital world, given the possibility offered through the Internet to address billions of potential users and customers. The research conducted in January 2018 by We Are Social in collaboration with Hootsuite, the most used social media management platform in the world, highlights the enormous scope and influence of the Internet. Analysis of the data has shown that the number of users connected to the network has risen to 4 billion people and that in 2017 alone the number has risen by 250 million.

In Italy, the Internet is used by more than 43 million people (73% of the population), with a growth of 10% compared to the previous year<sup>42</sup>.

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<sup>41</sup> Di Nicola A., *La Rivoluzione si chiama Internet*, 04/09/1999, [ricerca.repubblica.it](http://ricerca.repubblica.it), consulted on 4 November 2018

<sup>42</sup> Lombardi A., *Digital in 2018 Report: gli utenti internet nel mondo superano i 4 miliardi. In Italia sono più di 43 milioni*, 30/01/2018, [wearesocial.com](http://wearesocial.com), consulted on 4 November 2018

### 2.4.1 Platform and two sided market

Digital platforms are the main responsibilities of changes and revolutions of competition on the markets.

Social networks are platforms that have become major in terms of communication, creating networks in which people can get in touch with each other. Social networks are the main proponents of the increase in network usage, with more than 3 billion users worldwide. Facebook is more than 2 billion users, while Youtube has 1.5, followed by Whatsapp and Messenger with 1.3 billion worldwide<sup>43</sup>.

Digital platforms can also have different purposes than those of social networks, that is to be the means by which sellers of goods or services get in touch easily with possible buyers and vice versa. In this sense, the platforms facilitate transactions making contact between buyer and seller easier, but at the same time increases the user base and the possibility of choosing people or companies to perform transactions on both sides.

These types of platforms create a new market, called two-sided<sup>44</sup>. The main feature of these types of platforms is the presence of network externalities that create interdependencies between the two sides of the market: in fact, the network utility on one side of the market increases with the number of members and users from the other side. In short, it has been noted that a group of clients is willing to use the services of a given company only when there are a large number of customers on the other side. In this case, network externality is defined cross, as the diffusion of a product or technology does not depend on the diffusion within the same side of the market (as for social networks), but on the other side.

A further feature of the two-sided markets is the impossibility of setting the price according to the criteria normally followed based on economic theory (marginal revenue equal to marginal cost), since it is not suitable for two-sided (bilateral)

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<sup>43</sup> *Ibidem*

<sup>44</sup> Rysman M., *The Economics of Two-Sided Markets*, Journal of Economic Perspectives, Volume 23, Number 3, 2009

markets, also because the questions of the two users are different. The interrelationship between utility functions between the two groups means that both the well-being of consumers and the profits of the platform are dependent not only on the number, but also on the composition of the users who access it. The realization of the optimal balance in the platform is therefore pursued through the application of different prices for each user side: it may happen that a price policy is chosen according to which a group of users receives the service below cost while the other pay a surcharge<sup>45</sup>.

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<sup>45</sup> *Ibidem*

# **Chapter 3**

## **Start-ups and home services: the HelpMeAround case study**

### **3.1 Project description and Mission**

HelpMeAround is a multi-sided platform that helps to connect demand and offer in the Home Services sector, providing the possibility of outsourcing any kind of home service. The mission sets by the team is to give back time to people freeing them from the burden of their own home maintenance, planning the interventions.

The platform consists of ten works' categories, which include almost all problems that can be found within the home environment, including: hydraulics, electricity, carpentry, decoration and painting, fixtures, electronics and information technology, heavy work, transport of objects, cleaning and gardening.

HelpMeAround wants to become the home-activities reference website. Its strengths will be: the cheapness and flexibility given by innovative, effective and cost-effective tools. People who access the platform can find solutions to the problems concerning their home through two figures: the professional and the handyman. The professional is a person who carries out the activity professionally in everyday life and, therefore, is able to solve all the problems that affect his field, including very delicate works that require great competence and attention. The handyman instead is an unconventional service provider: he is an individual who can carry out jobs that do not require particular technical skills. The handyman can perform activities at a lower cost compared to the professional and even in unfamiliar hours / days such as evenings or weekends. The platform will allow anyone skilled to offer their time and their abilities to solve home related problems; on the other hand, it will allow the user to be able to schedule their intervention in the day and time desired by choosing whether to commission a professional or handyman depending on the complexity of the work to be done.

For the initial phases, the terms and methods of payment will be established by mutual agreement between customer and supplier and, in any case, the supplier will be provided with all the documentation useful for the correct tax returns. Furthermore, at the end of the transaction, the supplier must declare the compensation received through the platform.

Once the intervention has been completed, the customer must provide feedback on the performance received, indicating his degree of satisfaction on a scale from a (dissatisfied) to five stars (very satisfied), so that subsequent customers can choose the most suitable supplier.

### **3.2 Value proposition**

HelpMeAround creates value by putting in contact Supplier and Customer of services related to the home world, speeding up and planning the resolution of the problem.

The stereotype of Supplier of HelpMeAround is a person under 50 who can use a PC or smartphone to browse the web, read e-mails and able to use new applications with limited difficulties. They can use the HelpMeAround platform to broaden their customer network, getting in touch with new potential customers in the geographical area of interest, ensuring greater visibility, the possibility of obtaining new jobs and, therefore, more revenue. Moreover, through the use of the platform, the Supplier will improve its organizational efficiency, since it will have the possibility to define its own availability plan, scheduling timings and days to perform interventions. The value proposition for the Supplier can be summarized as in Figure 3.1.

Figure 3.1 - *Value Proposition for the Supplier*

| <b>SUPPLIERS</b><br><b>Value added</b>           | <b>How to realize it (with which functionalities)</b>                                                                                                                   |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Extend range of action and visibility            | The Supplier selects a range of action; the wider it is the more the Supplier will have the opportunity to take charge of services in a more extended geographical area |
| Increase organizational efficiency               | Set up of days and timings for services, organizing them and eventually asking for additional compensation for trade seasonality (e.g. week end)                        |
| Round up salary and saturate production capacity | The availability plan allows the Suppliers to fix the interventions during his free time or in time without any other work activity planned                             |

Source: self-made

The stereotype of Customer is a person under 35 who devotes most of his free time to social relationships and passions. They can be part of very young families, or living alone, with a partner or with roommates and not deeply dedicated to their home care, such as cleaning and activities as small maintenance or painting. This trend has been demonstrated by the market analysis conducted by HelpMeAround. The analysed sample was asked to classify the commitment dedicated to the home care on a scale from a minimum of 1 to a maximum of 5: 55% of the sample assigned a value of 1 or 2, thus showing little or no propensity to spend time to the housework. At the same time, this market segment has a good propensity to use the internet to solve problems, evaluating the alternatives that lead to quicker and cheaper solutions. This Customer is willing to outsource, with good confidence, small-medium sized jobs that he is not able to do or simply does not want to perform. These Customers can use the HelpMeAround platform to search for the Supplier they need, overcoming the more conventional patterns represented by

"word of mouth" (used in 56% of cases), by the "knowledge" system (45%) and by simple Google search (83%) [Market analysis]. The Customer will take benefit from the platform in terms of quality of service thanks to the use of feedbacks and the ability to compare a variety of estimates, and in terms of organization being able to set a desired time slot to receive the intervention. All the added values conferred by the platform to the Customers can be summarized as in the xxxx table.

Based on the targeted audience, HelpMeAround has developed a system to meet these needs in the best way, making its value proposition particularly incisive for the reference market segment, quantifiable in approximately 6millions individuals in Italy (10, 4% of the population), of which 209 thousand in the metropolitan area of Turin, the launch pad for the startup. Of particular relevance is the category of "off-site" or living alone or with roommates Customers (about 1 million and 600 thousand throughout Italy).

Figure 3.2: *Value Proposition for the Customer*

| <b>CUSTOMERS</b><br><b>Value added</b>                                   | <b>How to realize it (with which functionalities)</b>                                                                                                                     |
|--------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Overcoming conventional schemes (word of mouth, etc.) and greater choice | The platform allows the Customer to get in touch with available Suppliers, based on the range of action indicated by the latter                                           |
| Increased quality of services                                            | Minimizing the possibility of choosing the Supplier not suitable for intervention thanks to the possibility of viewing a plurality of estimates and Supplier descriptions |
| Scheduling the service in the desired timing                             | The platform allows the Customer to take contact only with Suppliers available in the required timing, even in case of unusual times or during the weekend                |
| Quicker problem resolution                                               | Quick and intuitive system that is structured in three steps: selection of the problem, date and time in which to operate and selection of the Supplier                   |
| Cheaper cost                                                             | e.g. In the case of leaving small/easy jobs to a non-professional in the sector                                                                                           |

Source: self-made

### 3.3 Entrepreneurial team

The team is currently composed of:

- Filippo Del Ninno: creator and main owner of HelpMeAround. Vocational training expert for the European Union, democratic and open leadership style, excellent management skills and team motivation. Informal and interpersonal communication aimed at achieving the objectives.
- Marco Campofiorito: Marketing graduate, deals with communication and promotion, has gained experience in a Web Agency company specialized in Lead Generation, SEO and affiliation campaigns.
- Marco Defilippi: attending the last year of the course of Marketing Management at the Faculty of Economy of Turin. In last years he has been strongly intrigued by the study of the operation of online platforms, which led him to dedicate most of his time in the project HelpMeAround, in which he strongly believes. He deals with the development and management of the platform.
- Alberto Di Stolfo: Graduating student in the Master of Science in Management Engineering at the Polytechnic of Turin and production planner in the automotive sector. Alberto Di Stolfo works since September 2015 at the M.C.E. of Borgaro Torinese as production planner and analyst of production control. M.C.E. is a manufacturer of electrical components for many of the most important brands in the automotive sector. His engineering approach and his skills in problem solving place him in the management of medium and long-term strategy and data processing of the platform.
- Riccardo Di Marino: Student of Communication and Computer Networks Engineering (CCNE), represents the technical part of HelpMeAround; he is the link between the development area and the IT aspect, his skills in programming led him to the management of the front-end and back-end of the platform.

The HelpMeAround project was born in 2016 from the idea of Filippo Del Ninno that, after an initial phase of research and testing, gets in touch with the Faculty of Economics of Turin to look for a smart student who can believe in the project and carry forward the idea in its first steps. Through careful research and selection,

Marco Campofiorito was identified as the ideal candidate; his dedication and determination lead the two to set the basis for a service that is innovative in many ways. After having prepared the HelpMeAround project, it was necessary to create a heterogeneous and competent team that can concretely transform the idea into reality, hence the decision to propose to Marco Defilippi (development manager) Alberto Di Stolfo (Business analyst and strategy manager) and Riccardo Di Marino (Chief Technology Officer) to join the project. The three were chosen both for their different skills and for the immediate interest they showed.

The team therefore now presents heterogeneous characteristics and skills linked by the common motivation and young age.

### **3.4 Market analysis**

HelpMeAround fits into the defined sector of the Gig Economy, or the economy of jobs (also called on-demand economy). Since 2010, have been created many platforms to allow users to look for services according to the type of expertise, in fact “*the Gig economy is a freelance work system, facilitated by technology*”<sup>46</sup>, as said by Antonio Aloisi, researcher at Bocconi University in Milan specialized in law of work, which deals with generational and social needs. “*It is an efficient form of capitalist enterprise, on jobs that require flexibility and intermittency*”<sup>47</sup>. According to a research carried out by the University of Pavia, commissioned by Phd Italia, the value generated by Gig Economy is expected to rise from 3.5 billion euros in 2015, generated by 11.6 million users, to 8.8 billion in 2020, up to a value between 14 and 25 billion in 2025. A turnover that could range between 0.7% and 1.3% of the Gross Domestic Product.

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<sup>46</sup> Zorloni L., *Che differenza c'è tra sharing economy e gig economy*, 18/19/2916, [www.wired.it](http://www.wired.it), consulted on 9 November 2018

<sup>47</sup> *Ibidem*

The online platforms, the real triggering factor of the Gig Economy, overlook a social scenario that has changed considerably in recent years. In a traditional family, both partners are employees and / or independent workers, with less free time to dedicate to their children or their hobbies, respectively. Accordingly, home care takes second place, and the lack of time increases the demand for alternative methods of doing household activities<sup>48</sup>. Middle-income families are not inclined to take on a domestic worker, but prefer to use sporadic and flexible outsourcing services.

Figure 3.3: *Drivers on-demand sector*



Source: Global Cold Chain Market (2014), [www.technavio.com](http://www.technavio.com), consulted on 15 November 2018

Analysing the type of task that will be published on the platform, HelpMeAround and its services are located in the "Home Services", covering all those activities connected with the home care, including ordinary and extraordinary maintenance (plant building, hydraulics, etc. ...). This type of software allows the users to interact quickly and easily with professionals and / or individuals who are willing to meet the request in the shortest possible time at a competitive price compared to the

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<sup>48</sup> Bianchi, Nukjue, Sayer, & Source, 2000; Bianchi, Robinson, & Milkie, 2006; Van Der Lippe, 2007

standard market offer. Big advantage is given by the reduction of research costs that families should also face.

The global on-demand home services market can be segmented according to type, service or geography.

Figure 3.4: *The on-demand home services global market map*



Source: Uber for X, Home Edition: 60+ On-Demand Home Service Startups In One Market Map, 17/10/2016, [www.cbinsights.com](http://www.cbinsights.com), consulted on 16 November 2018

### 3.4.1 Market macro analysis

From a Technavio research carried out on the Home Services sector, the Total Addressable Market (TAM) would seem to be in the range of \$ 400 billion<sup>49</sup> in 2021. For the period from 2017 to 2021, the CAGR has been estimated at around 49%<sup>50</sup>.

<sup>49</sup> Franchise Help, *Home Services Industry Analysis 2018 - Cost & Trends*, [www.franchisehelp.com](http://www.franchisehelp.com), consulted on 18 November 2018

<sup>50</sup> Technavio, *Global Online On-demand Home Services Market 2017-2021*, [www.technavio.com](http://www.technavio.com), consulted on 20 November 2018

Technavio Analysts specialized in Consumer and Retail highlight 3 main market drivers that contributed to the growth of the sector:

- Consumer convenience and accessibility to meet their domestic needs;
- Increased usability of smartphones and growth of m-commerce platforms;
- Increasing urbanization and lifestyle frenzy for workers.

Furthermore, a study carried out on the TaskRabbit platform, acquired in September 2017 by Ikea, analysed the categories of greatest interest to users: shopping and delivery (24%), help during removals (12%), cleaning (9 %), home repairs (6%) and furniture assembly (4%). All jobs that do not require specialized skills and share the fact that the service must be guaranteed in a short time and without too much notice. 96.3% of users use the service in only one city, basically the one of residence, and of the 48.5% of tasks that are taken into charge, 96% are performed within one or two days of the request. It is clear that these data come from a well-established reality, but at the same time assume that there is an interest in this subject from the market.

By studying<sup>51</sup> the users registered on the TaskRabbit platform it was discovered that 80.35% of these only made a request (query), while only 16.3% answered to the announcements (offer). On users side the typical "buyer" has the following characteristics: women between 35 and 45 years, with an average salary of about \$ 150,000. On the contrary, the "sellers" are younger (25-34 years old) and with a relatively low average salary. Of the total tasks that are published on this kind of platform, 63% is completed with a 46% of success rate at an average price of \$ 57. Typically, every buyer publishes 1.6 tasks per month, while a seller accepts 6.4 offers.

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<sup>51</sup> Cullen Z., Farronato C., *Outsourcing Tasks Online: Matching Supply and Demand on Peer-to-Peer Internet Platforms*, 2015

These numbers are significant for our analysis especially considering that HelpMeAround moves in a precise range of the tasks previously listed: easy chores and quick repairs. The SAM (Served Available Market) can therefore be approximated as 10% of the total market: \$ 40 billion.

It is interesting to observe how in the last two years big corporates like Google, Amazon and Ikea have shown their interest in the sector. As previously mentioned, Ikea acquired the US startup TaskRabbit to offer an additional furniture assembly service to its online customers. Google, on the other hand, is actively looking for ways to enter the market, after Amazon has launched the "Amazon Home Services", which allows its consumers to take advantage of about 700 types of home delivery services. Jeff Bezos, founder and CEO of the latter, has already invested in Pro.com while the company was working with TaskRabbit before the acquisition of the other giant. With the entry into the market of these new players, startups had to improve and focus even more on the innovative and technological factor. In particular, the startup Angie's List, leader in the sector, has decided to focus on technological innovation to increase market share by launching the SnapFix application. This gives to the owners the opportunity to ask for help simply by taking a picture and posting it on the portal. All this because the market in the coming years will be populated by the generation of millennials, a generation known for its lack of ability to "wait" for the services it wants to use. The entry of millennials into the market will lead today's businesses to face the challenge of responding to just-in-time demand at reduced costs.

From a study conducted by the assistant professor Ashley V. Whillans of the Harvard Business School on a sample of 6000 people between America, Canada and Europe it has been seen how people live in a constant state of frantic stress that leads them to prefer the use of services called time-saving rather than dealing with

them in the first person<sup>52</sup>. What leads people to be reluctant to this type of service is due to the difficulty in valuing free time. However, despite to this aversion, the number of independent or freelance workers who do more than one job increases; it is estimated that in 2020 in America they will be about 40% of total workers<sup>53</sup>. As for Italy instead, according to a research presented at the festival of the economy of Trento, the number of workers, or who have worked with the Gig Economy, could already reach 1 million, of which 150,000 are full-time workers. This growth took benefits from digitization, smart working and the growing tendency to often change jobs and interests. It can be stated that the next years will be absolutely dominated by the GIG economy.

### **3.4.2 Market macro analysis**

Currently in Italy home services sectors and Gig economy have all the characteristics that place them in the so-called Incubation phase, i.e. that primordial phase in which there is no real standard of reference and the diffusion of the service is rather limited, but with great growth forecasts. Considering this scenario, many players are attracted by the constant growth rates and by the large profit opportunities that the sector will be able to guarantee and decide to enter proposing different solutions that can satisfy different market segments.

The primary market research reported below was conducted through the compilation of online questionnaires (Google Modules) in the metropolitan area of Turin (geographic area of service launch), collecting and examining a sample of 159 individuals. This research had the goal of understanding who could really be the customers of HelpMeAround; to understand it, has been made a segmentation

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<sup>52</sup> Whillans A, V., Dunn E, W., Smeets P., Bekkers R., Norton M, I., *Buying Time Promotes Happiness*, 8/08/2017, Proceedings of the National Academy of Sciences of the United States of America

<sup>53</sup> Techtarget, *What is gig economy*, [whatis.techtarget.com](https://www.techtarget.com/what-is-gig-economy), consulted on 26 November 2018

of the total sample, dividing it into three macro categories: Under 30, 35-45 and over 45 years old and then evaluating which category could have the greatest propensity to use the HelpMeAround service.

#### **3.4.2.1 HelpMeAround market research**

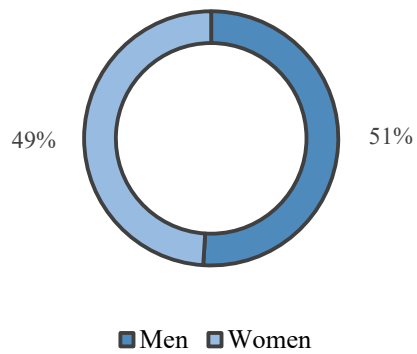
Customers' habits and needs

Sample: 159 online questionnaires

Origin: metropolitan area of Turin

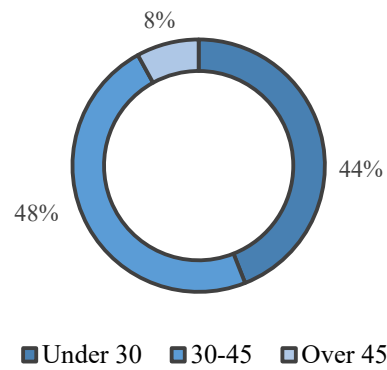
From Figure 3.5 it is possible to observe the composition of the interviewed sample, composed by 51% of males, and the remaining 49% of female, to balance the gender composition of the group to avoid distortion of the results due to the different consumption habits. Figure 3.6 shows the 3 main macro categories based on interviewees age, in particular: under 30, 30 - 45, and over 45. It is possible to understand from this graph that 44% of the interviewees belong to the category under 30, 48% belong to the category 30 - 45 and finally 8% belong to the over 45 category. Following, in Figure 3.7 are described the answers obtained to the question: "How much attention do you dedicate to the care of your home?" This question is useful to understand which segment is more comfortable to deal with the maintenance of their own home and therefore, will be less inclined to ask third parties. The answers are significant: the under 30s declare an average of 2,97 / 5, the category 30 - 45 declares 3 / 5 while the over 45 3.2 / 5. It is easy to immediately notice that there are no big differences between results, but as expected the category most likely to care for its house is the over 45.

Figure 3.5: Gender composition of sample



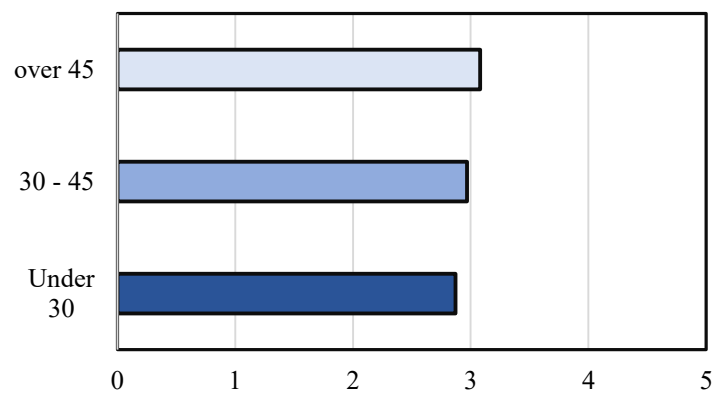
Source: HelpMeAround market research

Figure 3.6: Age composition of sample



Source: HelpMeAround market research

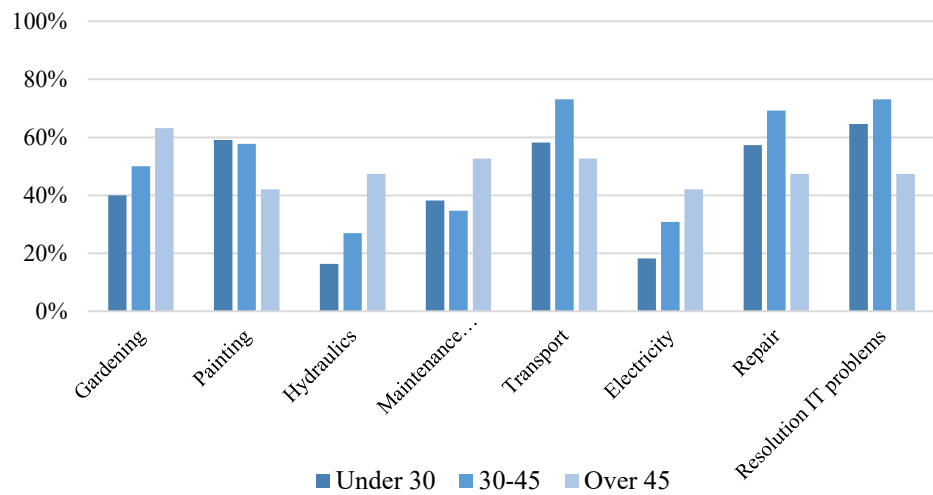
Figure 3.7: Attention to the home care (from 1 to 5)



Source: HelpMeAround market research

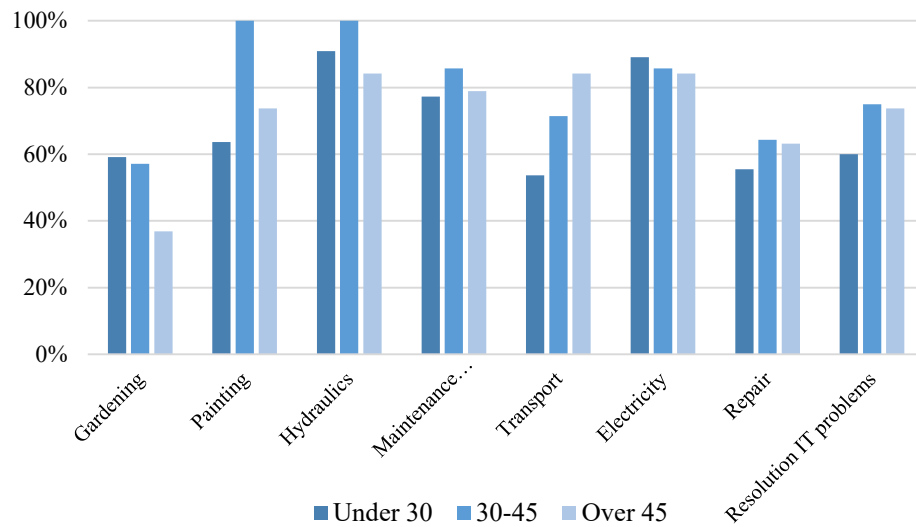
Figure 3.8 shows the results to of the analysis of which works interviewees personally experienced in the past; this question is useful to understand which of the three categories is more comfortable to carry out domestic work without the help of third parties. Domestic work considered are: gardening, painting, hydraulics, maintenance, transport, electricity, repair and resolution of IT problems. The overall category that has done more domestic work is represented by over 45, followed by 30 - 45 and finally the category of under 30. Figure 3.9 shows the tendency of the interviewees to delegate to third parties; the less likely to delegate are the under 30s, then the over 45 and finally the 30-45 category is the one more inclined to delegate. Particularly significant for HelpMeAround is to understand through which channels interviewees seek solution to home problems (Figure 3.10): all 3 categories rely first of all on acquaintances already possessed, e.g. trusted plumber, trusted electrician (more than 40%), secondly through the word of mouth, such as asking for advice from friends or relatives, and finally the digital channel through the web. The category with a higher percentage of internet research is the under 30s.

Figure 3.8: Jobs done personally in the past



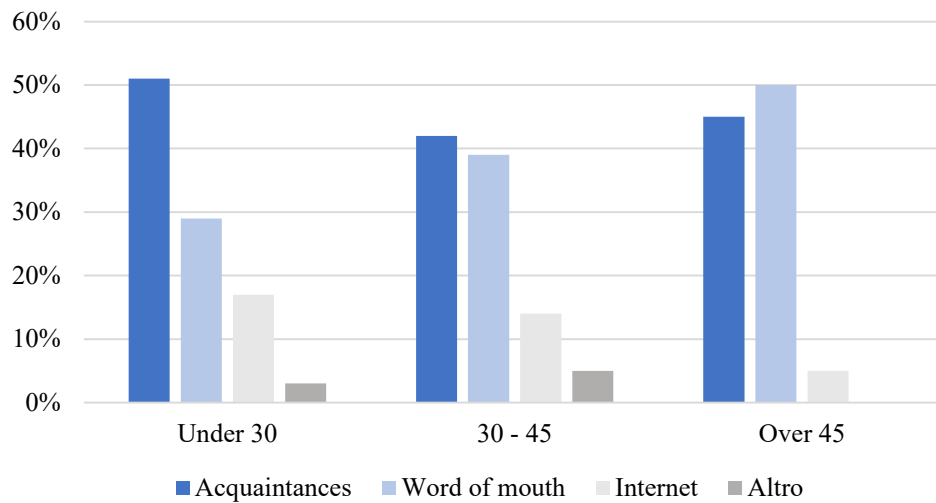
Source: HelpMeAround market research

Figure 3.9: *Job they would delegate*



Source: HelpMeAround market research

Figure 3.10: *How to find solutions*



Source: HelpMeAround market research

The last phase of the research (Figure 3.11) focuses on the figure of the handyman and evaluates the propensity to delegate tasks to a handyman and therefore to a non-professional in the sector. The best results are in the under 30s, which show the orientation to delegate rather than do it personally.

Finally, in Figure 3.12, the under 30s still have the highest percentage of trust in a non-professional found on the web, but evaluated through a feedback system.

Analysing the overall answers given by the reference sample, HelpMeAround identifies as its main market target the Under 30 segment. This decision is supported by their lower attention to home care, less experience in home maintenance, good willingness to delegate third parties, placing a fair trust in them and finally a good tendency to search for online solutions, based on the feedback system, even if the service provider is not a professional in the sector.

Figure 3.11: *Propensity to delegate tasks to a non-professional*

| Propensity to delegate tasks to a non-professional |     |        |      |
|----------------------------------------------------|-----|--------|------|
|                                                    | Low | Medium | High |
| Under 30                                           | 40% | 32%    | 28%  |
| 30 - 45                                            | 57% | 28%    | 15%  |
| Over 45                                            | 45% | 32%    | 23%  |

Source: HelpMeAround market research

Figure 3.12: *Confidence in recruiting from web*

| Confidence in recruiting an individual from the web evaluated by a feedback system (from 1 to 5) |          |         |         |
|--------------------------------------------------------------------------------------------------|----------|---------|---------|
|                                                                                                  | Under 30 | 30 - 45 | Over 45 |
| Confidence                                                                                       | 3,32     | 2,82    | 3,04    |

Source: HelpMeAround market research

### 3.5 Competition analysis

As pointed out, HelpMeAround is placed in a highly competitive context in which many actors have entered in the last 8 years. This market today is characterized by a still limited spread, but with a huge potential that is attracting many competitors looking for market share. Only a portion of the market took the so called “benefits of the first mover”, by reinvesting the first revenues in marketing campaigns with the aim of increasing their business area, while many others took a wrong path with respect to the needs of consumers, therefore they were forced to “pivoting” or in some cases to leave the market. The main challenges faced are the following:

- *Market creation (cultural concept)*. The first and greatest difficulty faced was the scepticism and the work of convincing the first consumers and professionals regarding the quality of the service offered, a difficult undertaking and made even more difficult by the low propensity to use the web for home services.
- *Lack of entry barriers (Easy entrance)*. Digital services sector does not need to overcome particular barriers to enter, just the costs of computer writing and programming.

Thanks to the aforementioned reasons, HelpMeAround will have to compete in a market in which a real leader is not clear yet and a business model has not been defined yet, partially cancelling the advantages of the first of first movers. Furthermore, it could raise a scenario in which main players on the market can overcome the scepticism of many consumers, and HelpMeAround can take benefit from it, being able to enter the market mainly focusing on the business model to be set up to reach the critical mass faster than others

### 3.5.1 Main competitors' analysis

The positive trends of the home services sector have attracted many players: there are more than 10, but they differ from each other essentially by type of market segments covered and by business model. Some of these have decided to differentiate themselves furthermore from the only home services, offering the possibility to search on their platform other forms of services, such as baby-sitters, personal trainers and much more (multisector services).

Figure 3.13: *Competitors matrix*

| Variables/<br>Competitors | Market           | Pricing                                                                                                      | Number<br>proposals | Process time<br>[from 1 to 3]<br>1=slow<br>3=fast | Handyman |
|---------------------------|------------------|--------------------------------------------------------------------------------------------------------------|---------------------|---------------------------------------------------|----------|
| <b>HMA</b>                | Home<br>services | Free for 2019;<br>5 €/month, if at least<br>one intervention in that<br>month                                | unlimited           | 3                                                 | Yes      |
| <b>ProntoPro</b>          | Multisector      | Per supplier, cost from<br>€ 2 / proposal.<br>If the customer does not<br>answer, the refund will<br>be made | max 5<br>proposals  | 2                                                 | No       |
| <b>Fazland</b>            | Multisector      | Supplier spends a credit<br>to send a proposal                                                               | max 5<br>proposals  | 1                                                 | No       |
| <b>Ernesto.it</b>         | Home<br>services | Supplier spends from €<br>0.99 to € 3 to send a<br>proposal                                                  | unlimited           | 2                                                 | No       |
| <b>Tabbid</b>             | Home<br>services | Profile advertising, €<br>0.99 for 3 days.<br>Show number of<br>customers € 1.99 one-<br>off.                | unlimited           | 1                                                 | Yes      |

Source: HelpMeAround market research

### 3.5.1.1 Fazland

Founded in 2012 and established in 2013 in Reggio Emilia, Fazland is the forerunner in Italy of multisided platform for matching demand and supply of home services, but not only: Fazland allows its users to find professionals for different types of needs (plumbers, electricians, accountants, wedding planners etc.). The financial performance shows how its market has great growth prospects: the startup in 2015 had a turnover of about € 15,000 per month while already in 2016 reached the 1 million euro in the entire year.

Moreover, in 2018, Fazland decided to further diversify its activities, merging with preventivi.it, a site that allows to receive quotes from professionals in the field of major home renovations.

- *Reference market:* multisector-services (149 categories)
- *Business model:* customers insert a request for a service by completing a very detailed questionnaire to explain the type of problem. The professionals, who would contact the customer, pay to send the estimate. Each customer can compare at most 5 quotes for each insertion. Actual sponsorship possibilities for B2B service providers.
- *Geographical area:* all Italy
- *Customer segment:* families over 35/40 that require only professional services to solve their problems. Target justified by investments in advertising spots on old media in particular time slots.
- *Funding:* initial investment of RedSeed Venture and various “business angels” and a further investment by RedSeed Venture itself together with Mediaset through Ad4Ventures for a total of almost € 6,000,000 from 2014 up to date.

### 3.5.1.2 ProntoPro

Very similar to Fazland's business idea, ProntoPro was founded in March 2015 and today represents one of the most important competitors in the sector. Depending on the problem to be solved, the portal offers users the opportunity to find professionals in qualified companies (more than 150,000). Up to date, this startup has 100 affiliated and is willing to hire new ones to continue the process of expansion that could lead it to cross Italian borders.

- *Reference market*: multisector-services (430 different categories)
- *Business model*: customers request a service by completing a very detailed questionnaire to explain the type of problem. The professionals send a quote to the customer paying a token (average cost starting from € 2.25/quote). For the end user, the use of the portal is completely free, but can compare at most 5 quotes.
- *Geographical area*: all Italy, Austria and Switzerland
- *Customer segment*: that require only professional services to solve their problems. Target justified by investments in advertising spots on old media in particular time slots.
- *Funding*: seed investment of € 400,000 and additional € 3,000,000 collected by immobiliare.it and other investors

### 3.5.1.3 Ernesto.it

The idea of Ernesto.it arises from the intent to create a trusted platform for users to solve their problems concerning the home, helping professionals and small businesses to find new customers and aiming to ensure to the suppliers the cheapest service solution. Its growth has been very fast, bringing it within 8 months from the launch (January 2017) to reach 50 services/day made by professionals registered into the platform.

- *Reference market*: multisector-services, but the core business is home services
- *Business model*: customers require a service through an advertisement. Professionals can apply spending the tokens purchased in packages. The cost for the application depends on the number of professionals who have already applied (price around € 1 for each application)
- *Geographical area*: Rome, Milan, Florence, Turin, Bologna and Naples
- *Customer segment*: families over 35/40 able to spend a certain amount to recruit professionals to solve easy problems
- *Funding*: seed investment of 130.000 €

### **3.5.2 Competitive advantages and sustainability of the Business model**

HelpMeAround is not aiming to deviate from the path taken by the main competitors on the market, while is looking for the key tools to differentiate themselves from the current offer.

With this aim, HelpMeAround is committed to offer the most efficient product on the market, thanks to its complex system of availability plan and filtering, which will allow platform's users to make the a more efficient search for solutions (Customer) and jobs (Supplier). Moreover, the introduction of the handyman figure into the market allows to differentiate according to the cost needs of the Customer: especially for those less specialized jobs, users can choose between the proposals of professionals and non-professional Suppliers, cheaper, but with great desire to do. The advantages offered by HelpMeAround can be different by Customers and Suppliers.

On customer side, the advantages of HelpMeAround can be summarized as follows:

- *Flexibility*, as the possibility to request intervention in any time band and on any day of the week. If there is a Supplier in the system that has inserted the times and the desired day in his availability plan, the matching will take

place. Competitors, on the other hand, simply perform the function of meeting point between users, without filtering any proposal that is not matching Customer cost expectations or availability of dates and times;

- *Economy*, guaranteed by the figure of the handyman, to which the Customer can rely in the case of small jobs, in order to obtain a lower cost compared to the professional. The competitors, with the exception of Tabbid, do not make available this double choice, relying totally on the professionals who require a higher cost. The Customer will be able to evaluate proposals for different price ranges and professionalism (for most of the work to be done in his home a professional specialization is not required).

On Supplier side, the advantages over competitors can be summarized as follows:

- *Handyman*, new figure in this market. These are represented by those categories of workers with insufficient salaries and therefore need to round up with second jobs in flexible hours, or young workers or students with good manual skills, who can use the opportunity offered by HelpMeAround to look for occasional jobs;
- *Availability plan*, which all the Suppliers must fill in during registration and which could be modified at any time, according to their needs. It represents an important service offered to both types of user, but for the Suppliers in particular it will save time, avoiding useless negotiations due to incompatibility of schedules. This is a fundamental aspect, because the worker will not be forced to continually consult the platform looking for ads, but will be notified by the system if a request for a compatible intervention is received.

What treated up to now point out the current advantages that HelpMeAround offers, but it is important to consider the fact that in these types of market the increase in the number of Suppliers leads to an increase in the number of Customers and vice versa, exerting a mutual attraction . The real competitive advantage that HelpMeAround intends to reach is therefore linked to the number of members,

especially regarding the supply side (Supplier), since this, if present, is able to generate demand. For these reasons, the number of Suppliers registered on the platform represents the most important of the key success factors in this market.

### **3.6 Key Success Factors**

Through direct experience and the elaboration of the analysis of the competition, HelpMeAround has identified some key factors to be monitored; these factors allow offering a service efficient and able to sustain the competitive advantage.

Suppliers' Selection and quality: HelpMeAround perceives the quality of the service as a central element of the offer and intends to monitor it through direct selection of Suppliers and scrupulous evaluation of feedback left by Customers at the end of the activities carried out. A further precautionary measure, implemented by the end of the first year of activity, is represented by the formulation of fake requests for intervention that will evaluate the service offered; with this system the platform can evaluate the efficiency and professionalism of the Supplier, rewarding it with a label of "Top Supplier" able to stimulate virtuous behaviour and improve the overall quality of the platform.

Simplicity and usability are other key success factors identified by HelpMeAround; analysing the needs of the Customer, emerged the need for a timely response, this will be satisfied only through a slender web portal, easily usable and user friendly even for those categories of people less customized to the use of the web.

The possibility to compare multiple estimates is another fundamental value proposition not only of HelpMeAround, but of all the platforms operating in this sector; on a practical level to ensure that this happens, it is necessary to have a good territorial coverage on the Supplier's side, encouraging the timeliness of the response of the latter.

The economy is another key distinctive element that will be achieved through the use of the handyman, which presumably will require services at a lower price; to ensure that this happens, HelpMeAround will dedicate a section of the site to the publication of services' average prices.

Finally, one of the most important key factors for the platform is the trust, an essential element for the entire project; in fact, wanting to leverage the figure of the handyman, service applicants must trust these people and their work, delegating them to do the jobs they do not want to do.

### **3.7 Marketing Plan**

#### **3.7.1 Offer and positioning**

HelpMeAround wants to validate its business model and realize its vision becoming the reference tool for solving problems related to the housing services' world. The offer will focus on the rapid resolution of problems in terms of economy and flexibility, creating greater value in terms of Customer /Supplier satisfaction that will turn into advantages in terms of profitability and competitive advantage.

In line with the values that guide the startup and the characteristics of the user outlined through the analysis of the primary market, HelpMeAround intends to position itself pursuing a differentiation strategy that can both satisfy the need of professional services or delegate to handyman ordinary maintenance and tasks that do not require particular technical skills.

The business model will be supported by Suppliers' economic contribution (professionals and individuals) while it will always remain free for the Customer. To foster a rapid penetration of the sector, which can encourage the creation of a community of competent Suppliers and a good response rate, the service will be free for the entire 2019. For HelpMeAround a critical factor of success will be represented by the security and reliability of the services that will be carefully

assessed and monitored by the platform through the feedback mechanism and with sample tests. As an additional guarantee for the Customer, the data regarding the acceptance of the estimate will remain in an internal database, to be able to demonstrate the effective success of the intervention and prevent compromising situations for both parties.

The payment for the service performed will take place in cash at the end of the same (for the entire 2019), then the payment will be implemented via the platform: in this way Customer will pay the corresponding amount to HelpMeAround and subsequently when the platform has verified the correct performance of the service will transfer the money to the Supplier withholding a variable percentage.

### **3.7.2 Selling Price**

Consistent with the positioning, HelpMeAround intends to differentiate the price of its service in two distinct phases: market penetration phase and consolidation phase<sup>54</sup>.

1. *Penetration phase*: the service will be free throughout 2019 for all users of the platform, to facilitate the creation of a community of suppliers.
2. *Consolidation phase*: after a first phase of "trial" in which the suppliers will recognize the value of the HelpMeAround service, the payment method will be implemented through the platform. During this phase HelpMeAround will take from the total amount of the intervention a variable percentage, which will also take into account the nature of the Supplier (professional or handyman).

HelpMeAround offers a tailor-made service for all classes of customers:

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<sup>54</sup> Maarten C, W., Janssen, González J, L, M., *Strategic Pricing, Consumer Search and the Number of Firms*, *Oxford Academic*, volume 71, issue 4, *The Review of Economic studies*, 2004

- Customers End customers, based on feedbacks system, can choose the service categories and on which days of the week and in which time bands to receive the intervention.
- Suppliers have to compile an availability plan, in addition to the days of the week and the time slots in which they are held to be active, the maximum range. Then they will receive directly by e-mail the news of adverts compatible with their availability plan and one that can send free estimates. The mobile application permit to perform all operations quickly and immediately.

The HelpMeAround service will be launched on January 2019 only in the Metropolitan City of Turin and will be completely free until the end of 2019, to foster its dissemination. The customer service will remain forever free. Suppliers, thanks to the HelpMeAround service, will discover new job opportunities, so he will be provided with a monthly subscription plan, to be paid quarterly, but extremely convenient. In fact, the subscription will be 5 euros per month to be paid only if in the month in question will make at least one intervention. Failure to pay the subscription will result in blocking the supplier account. The payment of the subscription must be made directly on the site with the PayPal method, the only tool currently available. The payment of the service must instead take place in the manner agreed by the parties, outside the portal. Later, we will consider personalized subscriptions for those companies that will carry out numerous interventions every month; these subscriptions will consist of a share of more than 5 euros, a percentage of turnover or a mix of previous ones.

The HelpMeAround business model is overall superior in terms of flexibility and affordability for users. In fact, the end customer can receive quotes from certified companies, professionals or handyman, being able to evaluate proposals for different price ranges and professionalism. On the other hand, the Supplier will be able to take advantage of the opportunity to find new customers at negligible costs,

to be incurred only if they carry out interventions. The cost of the subscription is therefore negligible and recoverable with a single service.

The pricing logic is based on receiving the majority of the revenues from the interventions of professionals, whose estimated average bill will be 100 euros, and to incentivize cheapest interventions of the handymen, whose estimated average bill will be 50 euros.

Further economic support will come from the so-called "sponsorships", i.e. the possibility for the Supplier to increase its reputation within the platform and consequently its turnover through a mechanism that will allow the latter to have a pre-emption on the vision of the request for intervention and the possibility to include in its supplier profile a "HelpMeAround certification label" as "Top Supplier". This mechanism will be implemented on September 2019 and it is estimated that they could represent a good part of the future revenues of the platform. The sponsorship mechanism will consist of a monthly fee, identifiable in a range between € 30 and € 50.

### **3.7.3 Advertising and communication**

*Online:* sponsorship campaigns through Facebook, Instagram and YouTube with the creation of ad hoc multimedia contents, banner ads in blogs related to home, interior design, do-it-yourself and gardening, SMS marketing and communication through the HelpMeAround blog.

*Offline:* use of discount codes from the value of 5 euros on the first request for action successfully completed. Volunteering at universities, libraries and major events, banners in specialized magazines related to the world of home, do-it-yourself and gardening, radio promotion.

HelpMeAround implements different strategies from the communicative and promotional point of view for the two Parties that make up the system:

- *Supplier.* In the first phase of creating a community, given the characteristics of the target, HelpMeAround will use traditional tools such as direct contact and telephone contact to establish the "hard core" of certified suppliers to rely on for the first launch phase; these meetings will be assisted and supported by periodic training e-mails on how to use the platform and update on the launch of the same. After the first phase of direct recruitment, HelpMeAround will invest in communication and promotion tools such as Direct Email Marketing, Facebook sponsorships, Google sponsorship and promotional codes to encourage the mechanism of word of mouth. On the handyman side HelpMeAround intends to undertake collaborations with professional institutes and professional training courses, and recruit "workers" through flyers at universities and professional institutes.
- *Customer.* For the official launch phase of the HelpMeAround platform would use digital media, this choice is justified by the young age of the target user and by his good propensity to use these tools.

#### **3.7.4 Distribution & sales**

With regard to Distribution & Sales HelpMeAround intends to pursue a double strategic line for the parts that make up the system: Customers and Suppliers.

Customer:

The customer experience will begin with the phase of awareness, i.e. with the first contact point between HelpMeAround and the potential Customer that will take place mainly through the digital channel; in this first phase HelpMeAround will try to "take a place" in the mind of the Customer and increase its reputation.

Initially it is estimated a high turnover of service applicants within the platform given the poor perception of the brand, however, the strategy of HelpMeAround will aim to encourage the greater inclination of Customers to the use of services, not only for necessary interventions, of which they do not have the skills, but also

the outsourcing of tasks for which they do not want to waste time, or simply no longer want to do.

Online research on the use of similar services shows an increasing Customers' attitude to use multiple platforms to compare prices and services; one of the main objectives of HelpMeAround will be to retain the visitor by making the "Top-of-mind" service through the mechanism of association between the platform and of the problem resolution.

Central element in the sales relationship with the customer is represented by the simplicity of use of the website and the free service, making the process more attractive and convenient than that of many competitors.

### **3.7.5 Customer journey: customer**

*Awareness:* first knowledge of the brand, the supplier is attracted by the possibility of gain and encouraged by the positive word of mouth of colleagues and advertising that have the intent to overcome the initial distrust or bad past experiences with competitors' services. The Customer comes across a problem related to the domestic environment and thinks of possible solutions; the use of direct and simple advertising is able to attract the attention of the potential user. Tools: strategy and tools described in the "communication and promotion" section.

*Consideration:* in this phase the potential customer starts the phase of research for solutions, checking online and across a plurality of alternatives, including HelpMeAround. Success factors: SEO, social network pages and customer support through the platform chat system, Google and Facebook sponsorships.

*Purchase:* the potential HelpMeAround customer discovered a plurality of alternatives to solve his problem and in the purchase phase he decides which one to use. Factors of success: Landing page and usability of the website, timeliness and reliability of estimates received, cost of service requested and broker fees (free in case of HelpMeAround).

*Retention:* as a result of the use of the service it will be important for HelpMeAround to ensure that it has been carried out flawlessly; great help will be given by the feedback mechanism present in the platform and maintaining the relationship with the customer to increase its propensity to use it again. Starting from the widely shared thought that "keeping a customer costs less than attracting a new one" the goal of HelpMeAround will be to encourage the Customer to use the platform again for other future actions. The tools used to make this happen will be discount promotional codes, feedback requests and processing functional prospects for the analysis of customer satisfaction. The growing importance of the main social networks such as Facebook, Instagram and LinkedIn, requires HelpMeAround to be present in an active way and to create a customer support service that will represents the real "business card" of the platform. Factors of success: Customer support, performance monitoring, feedback analysis.

*Advocacy:* the last phase of the use of the platform; this phase turns out to be particularly important for HelpMeAround to incentivize the word-of-mouth and enjoy the benefits deriving from customer satisfaction, increase in brand awareness (both on the customer and on the supplier side), trust and propensity to use. The will of the customer to reuse the service and the propensity to recommend it to others will be of central importance in the strategy of HelpMeAround also through the understanding of any complaints of malfunction or lack of satisfaction with the service. Success factors: Customer care, promotional codes, mail marketing to stimulate engagement and loyalty.

### **3.7.7 Customer journey: supplier**

Despite the division and representation of HelpMeAround users in two parties, Customer and Supplier, the latter represents for HelpMeAround what for the companies that operate in traditional business are the customers in the strict sense, since for the platform the Suppliers will provide economic support to the activity

through the payment of monthly fees or subscription fees. For this main reason the phase of contact and sale of the service turns out to be particularly important and critical for the success of the business idea.

On the supplier side the customer journey turns out to be much easier than that of the customer: in the first stage the suppliers are contacted through traditional channels such as direct or telephone contact and are attracted to the use of the platform for the possibility of increasing their business and customer base; in the subsequent stages their satisfaction will be based on the number of interventions that they will be able to accomplish thanks to the platform and the amount of commissions to be paid to the intermediary, which in the case of HelpMeAround are lower than the average sector. Factors of success: approach with the supplier, training on the correct use of the platform, number of operations performed, amount of commissions for using the service.

### **3.7.7 Purpose**

The reason for HelpMeAround to exist can be illustrated through a metaphorical vision of the business model that can be represented in a tree, made up of roots, a stem and finally, in the upper part by branches.

The roots represent the main hidden difficulties that could lead to the use of the HelpMeAround service, that is the ever-lower propensity to perform first-hand housework, the change in the lifestyles of the middle class and the greater propensity to delegate tasks using the digital channel. The second constituent element is represented by the stem of the tree, i.e. the visible and measurable part, metaphorically representative of the difficulty of people in researching and finding solutions that deal with problems related to the home environment. The upper part, represented by the branches, represents the future developments of the sector and the technologies that will be used and will dictate the rules for the players that will operate in the home services market. Finally, there could be another element, the

fruits that will represent the main profit opportunities for the companies that will know how to impose and propose the best business models.

If we look at the complete picture we can realize the true "Purpose" of HelpMeAround that supports its mission and vision: to support the change of people's lifestyle, proposing an innovative tool for solving domestic problems, following changes in the sector and maximizing profits from the business. This purpose is shared with the customer to create a healthy and lasting link with HelpMeAround which represents the soul of the company itself.

### **3.8 Organizational plan**

The internal organization of the work aims at a division of tasks between the five members of the company HelpMeAround s.r.l.; the following roles are consistent with the various areas of the startup.

Alberto Di Stolfo will deal with the analysis and development of the business, in particular, all the strategic operations aimed at maintaining competitive advantage, managing the database of suppliers and customers and evaluating the quality of the proposed service. Through the data processing and research will provide a monthly reporting on the evolution of the HelpMeAround project.

Marco Defilippi represents the commercial aspect of the startup, with the main task of the recruitment of Suppliers and Customers of the platform; under his perimeter and competence there is also the formulation of the pricing strategy pursued and the feasibility from the economic and financial point of view; he is the interface of the startup with the external environment and also deals with relationships with external stakeholders.

Riccardo Di Marino is the link between the activities related to the business and those of development of the web platform; his role imposes the responsibility for managing relations with the company Mediaki, developer of the web platform, in

addition to all the back and front-end development tasks that compete with him. He is also responsible for the development of applications for Android and IOS mobile.

Marco Campofiorito, takes care of the communication through social channels and customer support, the platform is present on: Facebook, Instagram and LinkedIn, which are expected to invest heavily in Lead Generation campaigns. Customer support is done through the online chat tool *Zandesk* and through the official mail of which Marco is responsible.

Filippo Del Ninno is the Business Advisor, a figure important for all strategic decisions. He deals with team management and work planning for goals and deadlines. In addition to the contribution of know-how, it also deals with the small expenses necessary for the first period of business development.

In addition to the work conferred by the members, HelpMeAround s.r.l. in May 2018, entered into an agreement with the University of Turin and with the Politecnico di Torino, for the development of curricular internships, so that it can periodically integrate a new resource to the team with variable skills and according to the need the period requires. This agreement allows to increase the workforce without negatively affecting the company's financial statements. The selection of the trainee resources will take place through interviews and curriculum evaluation based on the needs of the startup. HelpMeAround also plans to outsource certain activities such as using DEM or planning marketing campaigns.

HelpMeAround is an s.r.l. company falling under the category of Innovative Startup. The property is divided into units, in particular: Del Ninno Filippo 51%, Campofiorito Marco 25%, Defilippi Marco 8%, Di Stolfo Alberto 8% and Di Marino Riccardo 8%. The team does not exclude any redistribution deriving from the entry of shareholders, business angels or Equity Crowdfunding funds. The headquarters of HelpMeAround s.r.l. is in Corso Castelfidardo 30 / A, at the incubator of innovative companies of the Polytechnic University of Turin.

### **3.9. Implementation Plan**

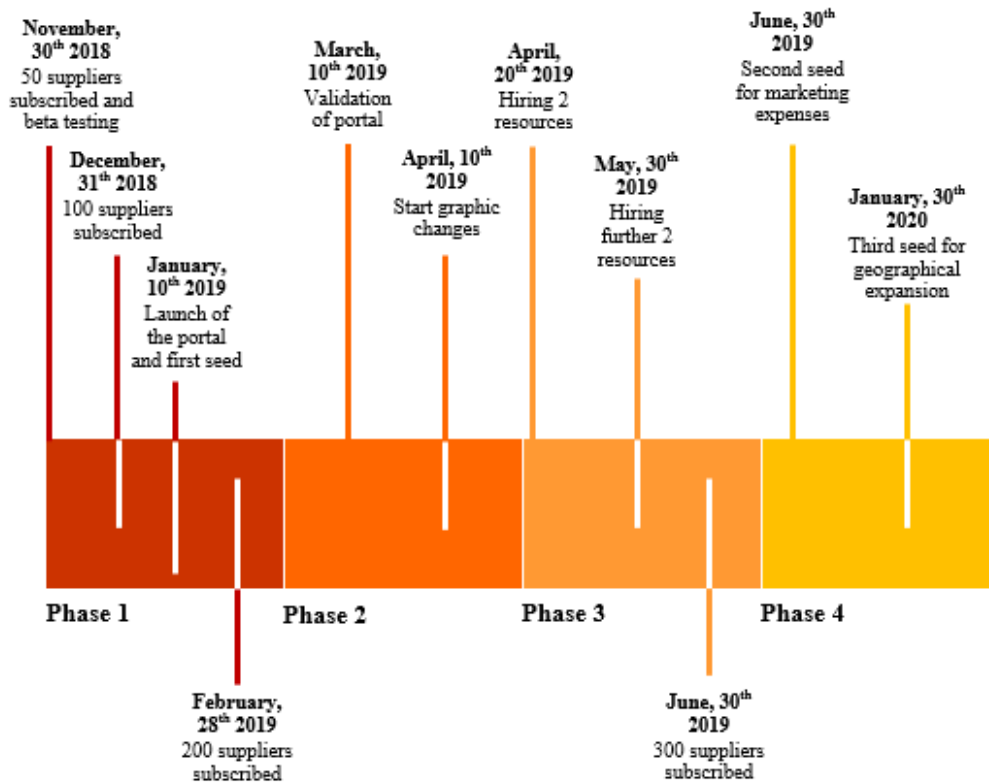
The Implementation Plan was structured by dividing the objectives by areas, in particular represented by the commercial area, the IT area regarding the development of the service, the area of human resources management and finally the investment activities by the shareholders or third.

Proceeding by order, in detail, we observe the objectives regarding the acquisition of suppliers (suppliers) in the Turin area of the commercial area. The main objectives will be achieved for 50 - 100, minimum number needed for the launch of the portal, and then reached 200 suppliers subscribed, thanks to the first seed. The official launch of the HelpMeAround portal is officially scheduled for January 10, 2019.

In the second area we find the IT development, entrusted to the external company Mediaki, after the validation of the product and the testing phase (MVP) will pay more attention to the graphic part using external professionals, from April 2019. Consistent with the marketing strategy HelpMeAround intends first to provide a functional product and then also to take care of the graphic interface with the user. In the third phase, the human resources to be integrated with the expansion of the business are identified, coherently with the latter HelpMeAround intends to directly involve two resources from April 2019 and further two from May 2019. The number of resources follows the logic of an estimate based on development, however, may change at any time if necessary. HelpMeAround will also be able to count on the agreements stipulated with the Turin Polytechnic and with the University of Turin for the reception of trainees.

In the last section of the Organizational Plan, the prospectus relating to the capital injections, to cover communication and marketing expenses, June 2019 for the business expansion phase and finally, in the long term, 2020 for entry into other geographical areas.

Figure 3.14: *Organizational plan*



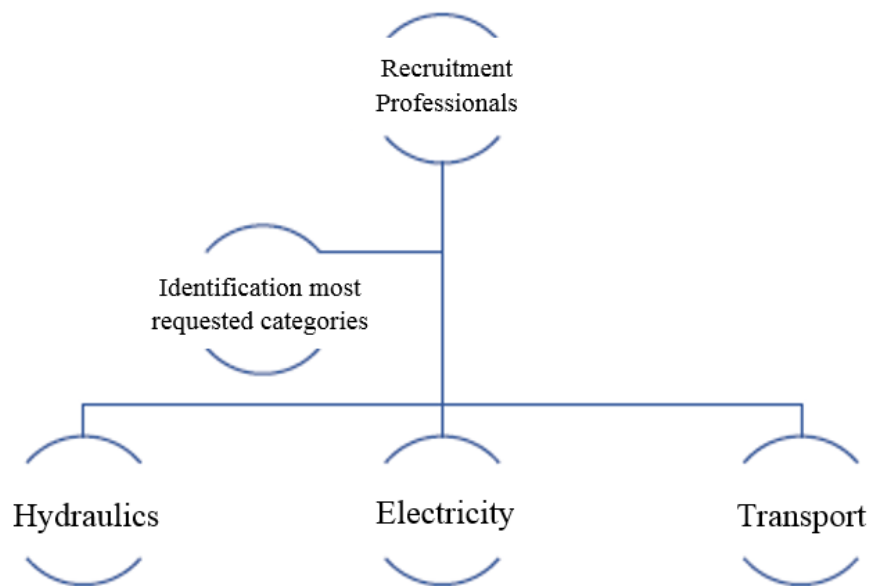
Source: self-made

HelpMeAround will propose itself on the market initially with 3 of the 10 categories of work, the criterion of the choice will be based on the number of suppliers present in order to guarantee a high quality of the offered service. Subsequently the other categories of work will be progressively introduced. Important analysis data also derive from the use of the tool provided by Google - Google Trends. This tool made it possible to observe that research in the search engine in the metropolitan area of Turin is focused on the categories of Hydraulics, Electricity and transport of objects. This source of data is useful for us to understand which services are most in demand and can provide valuable information even during the decision to expand in other Italian cities.

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Figure 3.15: *Organizational plan*



Source: self-made

### 3.10. Financial Plan

The following documents are a first estimate of the income statement and of the forecast cash flows for the first five years. Therefore, as they are still being processed, we remind you that they do not represent a definitive version, totally correct and reliable.

### 3.10.1 Income Statement for the first 5 years

Figure 3.16: *HelpMeAround Income statement*

|                                 | 2018               | 2019               | 2020               | 2021             | 2022             |
|---------------------------------|--------------------|--------------------|--------------------|------------------|------------------|
| <b>Revenues</b>                 | <b>0,00</b>        | <b>0,00</b>        | <b>46.670,00</b>   | <b>66.185,00</b> | <b>95.860,00</b> |
| COGS                            | 0,00               | 0,00               | (2.251,71)         | (3.000,39)       | (4.214,35)       |
| <b>Net Income</b>               | <b>0,00</b>        | <b>0,00</b>        | <b>47.418,29</b>   | <b>63.184,61</b> | <b>91.645,65</b> |
| <b>Services costs</b>           |                    |                    |                    |                  |                  |
| Suppliers                       | (2.000,00)         | (2.000,00)         | (2.000,00)         | (2.000,00)       | (2.000,00)       |
| Rents                           | (6.000,00)         | (6.000,00)         | (6.000,00)         | (6.000,00)       | (6.000,00)       |
| Accounting and Lawyer           | (1.500,00)         | (500,00)           | (500,00)           | (500,00)         | (1.000,00)       |
| Advertising and Promotion       | (550,00)           | (2.250,00)         | (6.000,00)         | (11.000,00)      | (18.500,00)      |
| Depreciation and Devaluations   | (4600,00)          | (4.800,00)         | (5.000,00)         | (5.000,00)       | (5.200,00)       |
| <b>Human resources costs</b>    |                    |                    |                    |                  |                  |
| Salaries                        | 0,00               | 0,00               | (24.000,00)        | (24.000,00)      | (24.000,00)      |
| INPS                            | (900,00)           | (3.750,00)         | (3.750,00)         | (3.750,00)       | (3.750,00)       |
| <b>Total Operative Expenses</b> | <b>(15.500,00)</b> | <b>(19.300,00)</b> | <b>(47.250,00)</b> | <b>(52.250)</b>  | <b>(60.450)</b>  |
| <b>Gross Profit</b>             | <b>(15.500,00)</b> | <b>(19.300,00)</b> | <b>168,29</b>      | <b>10.934,61</b> | <b>31.195,65</b> |
| Taxes                           | 0,00               | 0,00               | 0,00               | (2.304,12)       | (6.995,90)       |
| <b>Net Profit</b>               | <b>(15.500,00)</b> | <b>(19.300,00)</b> | <b>168,29</b>      | <b>8.630,49</b>  | <b>24.199,75</b> |

Source: self-made

### 3.10.2 Breakeven Analysis and Forecast Cash Flow for the first 5 years

Figure 3.17: *HelpMeAround Breakeven Analysis*

|                                   |            |
|-----------------------------------|------------|
| Contribution margin per unit      | 4,78       |
| Fixed costs estimated for 5 years | 195.748,00 |
| Turnover estimated for 5 years    | 211.715,00 |
| Breakeven Turnover                | 203.904,17 |

Source: self-made

It is estimated to reach the break-even point around the end of 2021, three years after the launch of the product, considering that in 2018 it will be offered free to all users.

Figure 3.18: *HelpMeAround Cash Flows Analysis*

|                           | 2018        | 2019       | 2020        | 2021        | 2022        |
|---------------------------|-------------|------------|-------------|-------------|-------------|
| Initial cash              | 0,00        | 8.050,00   | 4.550,00    | 6.113,29    | 15.803,78   |
| Sales                     | 0,00        | 0,00       | 35.565,00   | 62.245,00   | 85.560,00   |
| Investments               | 35.000,00   | 5.000,00   | 10.000,00   | 0,00        | 0,00        |
| Cash available            | 35.000,00   | 13.050,00  | 50.115,00   | 68.358,29   | 101.363,78  |
| Cogs                      | 0,00        | 0,00       | (2.251,71)  | (3.000,39)  | (4.214,35)  |
| Salaries                  | (900,00)    | (3.750,00) | (27.750,00) | (27.750,00) | (27.750,00) |
| Advertising and Promotion | (550,00)    | (2.250,00) | (6.000,00)  | (11.000,00) | (18.500,00) |
| Suppliers                 | (24.000,00) | (2.000,00) | (7.500,00)  | (8.000,00)  | (9.000,00)  |
| Accounting and Lawyer     | (1.500,00)  | (500,00)   | (500,00)    | (500,00)    | (1.000,00)  |
| Taxes                     | 0,00        | 0,00       | 0,00        | (2.304,12)  | (6.995,90)  |
| Total cash outflows       | (26.950,00) | (8.500,00) | (44.001,71) | (52.554,51) | (67.460,25) |
| Net Cash Available        | 8.050,00    | 4.550,00   | 6.113,29    | 15.803,78   | 33.903,53   |

Source: self-made

### 3.10.3 Notes on tables

For the preparation of the prospectuses we have considered a linear monthly growth of the active suppliers:

- 3% for 2019;
- 2% for 2020, due to the slowdown due to the saturation of the Turin market;
- 4% for 2021, thanks to the opening of the portal in the city of Milan.

The only variable costs considered are those relating to PayPal's fees, currently the only payment method considered for suppliers' subscriptions. The costs will be 0.35 euros per transaction, plus 2.2% of the amounts. For 2021 it will be convenient to

subscribe to the premium service PayPal Pro, which provides for the monthly payment of 29 euros, plus 0.35 euros per transaction, plus 1.7% of the amounts. According to the Breakeven Analysis, breakeven turnover will be achieved in the last quarter of 2021.

In order to cope with monetary exits, on the other hand, two more important injections of capital will be needed in the years 2018 and 2019, with an estimated value of 5,000 and 10,000 euros. For the moment we do not consider the possibility of requesting bank loans, but any changes in the sources of financing will be assessed over the years.

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