

Building the Foundations of an Online Marketplace for Local Services

Abstract

With the proliferation of e-commerce, the Internet has created new opportunities to bring goods to market. Services, too, have been impacted by the Internet. Increased bandwidth, data security and application availability have all contributed to the growth in outsourcing and off-shoring. Despite the key role that the Internet plays today, it has not caught up with one important service segment. Local services, where consumer and provider must keep in close proximity, have remained for the most part offline. This white paper outlines the need for and the opportunity in having an online marketplace for local services, the service lifecycle and the challenges that a successful marketplace must overcome in each phase of the cycle, and, finally, the complete solutions that GenieTown (www.genietown.com) provides to meet the needs of customers and providers.

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Introduction

With the proliferation of e-commerce, the Internet has created new opportunities to bring goods to market. Traditional retailers leveraging their scale and infrastructure to sell small selection of products in large quantities are no longer the only game in town. By leveraging the web's unique characteristics, companies like eBay® have profitably catered to the previously underserved long tail and successfully monetized small number of transactions over an almost infinite inventory of unique – and sometimes bizarre – items.

Services, too, have been impacted by the Internet. Thanks to developments in telecommunication equipment and software, more bandwidth is now available, as are increased security and application availability. Together, these new solutions have changed the way services are rendered, enabling the growth in outsourcing and off shoring. In recent years we have witnessed an expansive service migration both at the corporate level (e.g. off shore call centers) and at the consumer level (e.g. off shore tutoring).

Despite the key role that the Internet plays today, it has not caught up with one important service segment. Local services, where consumer and provider must keep in close proximity, have remained for the most part offline. Whether home improvement, home services or personal services; be it kitchen remodeling, elder care or pet sitting – except for sporadic and anecdotal instances, the procurement, management, and provider selection of local services have not benefited from the Internet. In short, today there is no “eBay for services.”

This white paper will outline the need for and the opportunity in having an online marketplace for local services, the local service lifecycle and the challenges that a successful marketplace must overcome in each phase of the cycle, and, finally, the complete solutions that GenieTown (www.genietown.com) provides to meet the needs of customers and providers.

The Need for an Online Marketplace for Local Services

For the most part, customers seeking to procure local services have been relying on personal references and directory listings. To hire a caterer for a birthday party, you either call on your network or browse the Yellow Pages™. Intuitively, a personal reference may seem good enough (if you can get one) because the service provider is validated by someone you trust, but, often, that is not the case. Service quality is determined by numerous factors and, hence, can vary dramatically; your referring friend may have lucked out one time, but for you the service was a disaster.

Comparing providers is not easy either. Unlike products that have a fixed and easily measured set of characteristics (size, shape, color, cost of shipping, etc.), services are quite vague and service quality is subjective. For instance, who is the best house painter – one who does the job the fastest, one who always complies with customers' requests or one whose work helps the property appreciate in value? The answer is: it depends. It depends on the customer and on what

the customer wants. And customers don't always know what they want. They can frequently indicate what they don't want or don't like, but selecting the right service is tricky.

Local services pose a special challenge because they are personal and often involve the things that matter the most to us: our family and our home. Getting the wrong designer to work on your corporate website half-way across the world is one thing, but getting the wrong caregiver for an ailing parent can have dire consequences. With local services, the stakes can be high.

The Opportunity

The Internet has been proven to effectively lower barriers of entry, such as marketing and advertising costs, for individuals and companies seeking to conduct business without allocating large amounts of capital upfront. For instance, with a little setup work and minimal technical knowledge, people can set up a presence on eBay and begin transacting online.

Local service providers could potentially reap the same benefits from the Web. With the right level of support, any provider who can use email and browse the Web can set up shop online. Having the right infrastructure in place means that providers focus on the things they know and do best – render services – instead of being encumbered by marketing and logistical issues.

Finally, the Internet is an efficient tool to garner independent data, as well as opinions of unrelated individuals and build collective wisdom. This can be harnessed to develop provider reputation and increase customers' level of trust. Rather than rely on a small number of references, customers can leverage websites as a way to crowd-source ratings and reviews of service providers whom they consider hiring.

The Local Service Lifecycle

As we can see, the procurement and delivery of local services engender unique challenges and opportunities. Solutions attempting to successfully cater to this market must do so comprehensively or run the risk of frustrating customers or providers (or both). To build a high-leverage marketplace, a systematic approach is needed.

One such approach is the local service lifecycle model. At the core of this model is a customer-centric continuum that runs through a series of action phases, beginning with the customer's initial interest in a service through the fulfillment of the service and the customer's recommendation of the provider to others. For ease of reference, we name these action phases: Explore, Communicate, Transact and Manage.

Since the procurement and delivery of services is a social phenomenon requiring at the very least the involvement of two individuals, generally speaking, we expect a fluctuating level of community involvement in each phase of the model. This complex interaction largely depends on the number of individuals with whom a customer makes contact for issues involving the

service (providers, providers' references, knowledgeable friends). Figure 1 shows the local service lifecycle.

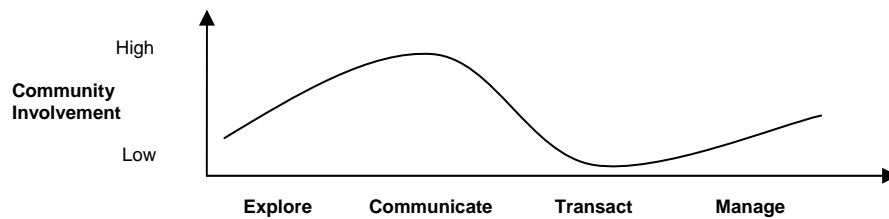


Figure 1. The Local Service Lifecycle

Customers seeking a local service – particularly first-time customers – begin by exploring options that match their needs. At the Explore phase, customers have numerous questions and are usually unclear about the particulars of the service. There may be issues that customers are not even aware of and do not take into consideration when doing their initial planning. To build on our previous example, when seeking a catering service for a birthday party to host at your home, you need to figure out if the caterer will cook the food in their own facilities or use your kitchen to do so. If the latter is the case, you need to ensure that your oven is large enough to accommodate your desired number of served dishes. As you learn more about the service, you can make more informed decisions. For instance, you may change your meal menu given the oven space and fridge space available to you.

Community involvement in the Explore phase is low because each customer anticipates direct interaction with one provider to solve one service need, rather than publicize their need. Many customers assume and even expect to have all their questions answered and all their issues resolved by the first provider they contact. This expectation negatively impacts providers, and we will address this challenge later in this paper.

Customers move from the Explore phase to the Communicate phase when they have a good understanding of the nature of the service they need and the parameters they should use to evaluate potential providers. In the Communicate phase, customers reach out to their social networks to seek out providers, or contact providers directly through service listings. Now that they understand the service they need, customers use this phase to pose questions to providers, evaluate their capabilities and quality of service. As the chart suggests, community involvement is increasing, as the customers makes more and more people aware of his or her service need.

Customers move from the Communicate to the Transact phases when they begin to receive bids or estimates for service. Customers reduce the number of potential providers by removing those who do not meet their service criteria, as well as solidify the terms of the service. Community involvement is decreasing as customers negotiate with fewer and fewer providers, until each customer accepts the bid or estimate of one provider.

Lastly, in the Manage phase, customers monitor the providers either directly or via a proxy. They track the progress of the service, any divergence from the agreed-upon terms and any

corrections that need to be made. Community involvement increases in this phase because customers share the output of the service or their experience with the provider (both good and bad experience) with their social networks.

Challenges Identified by the Local Service Lifecycle

Equipped with the Local Service Lifecycle model, we can identify critical challenges that customers and providers face during their interaction. In the Explore phase, customers are often confused about the service they need and have no idea what questions to ask. Their social network may lack the ties to quality providers and may not provide the right support to put customers on the right track. Providers, on the other hand, are not aware of new local customers who might benefit from their services.

Some customers combine the Explore and Communicate phases. They reach out to potential providers and ask to be educated about the nature of the service. This is typical, for instance, in large home-improvement projects, where a provider gives free consultation about the work that needs to be done. Although some providers benefit from giving these free consultations by increasing the customers' level of trust, many providers suffer from spending such valuable time only to see those customers taking that knowledge to a low-cost provider. Providers have difficulties evaluating customers' level of commitment and seriousness before investing time and energy in them.

Between the Communicate and Transact phases, many customers still lack the right parameters by which to evaluate potential providers. Without adequate backing of their social networks, customers do not know which questions to pose and what criteria to use to narrow down their provider search and find the right provider that meets their need.

In the Manage phase, many customers do not have a consistent and reliable way to track and manage their service providers. Contracts, receipts and communication messages are not stored in one reliable place and are often difficult to retrieve.

The table below summaries the challenges of the local service lifecycle.

Challenge	Impact on Provider	Impact on Customer
Asymmetric domain expertise		Misunderstand service issues and options, may not know how to seek help
Engage only for consultation	Invest time, money and resources educating customers only to lose them to cheaper providers	
Lack of evaluation criteria	May result in dissatisfied customers	May hire the wrong provider for the job
Lack of management tools		Inability to get the job done on-time/on-budget

Table 1. The challenges of the local service lifecycle

Previous Options

Given its unique characteristics, the Internet makes it possible to address the challenges mentioned above. This premise has been validated by the proliferation of websites that focus on the procurement and delivery of local services. These websites can be grouped accordingly:

- **Social networks.** These websites allow customers to meet online and discuss service-related issues. Website visitors post questions about services they need and seek advice on how to engage providers. As these website typically cater to the Explore phase of the local service lifecycle, customers must find providers and handle transactions elsewhere.
- **Online directory listings.** These solutions offer lists of providers, grouped by service categories and geographical locations. Website visitors either search for providers by typing keywords or browse existing directories. Some websites allow users to rate and review providers. While this group caters to the Communicate phase of the local service lifecycle it fails to generate social bonding among online visitors. Customers, for the most part, struggle alone with the complexities of service procurement and derive little support from other site visitors.
- **Lead generators.** These sites collect customer information and service requests, which they then feed to providers. They typically charge providers for any lead regardless of its quality. The return on investment is low because providers are not guaranteed income for any dollar spent to secure those leads.
- **Job posting and bidding.** Several websites allow customers to post online jobs, or service requests, and have providers bid on those jobs. Customers can communicate with providers via the websites, manage bids and select the winning providers. These sites lack the features to support social bonding among site visitors. Other than reviewing user reviews, customers do not learn from other customers' experiences.
- **Project management.** These are for the most part generic websites that allow visitors to track tasks or projects online. These websites can be leveraged to track services although, for the most part, they are not created specifically for services.

Some websites cherry-pick features from different groups, catering to different points across the local service lifecycle. In addition, there are websites that fall into specialty or niche categories, such as do-it-yourself websites that encourage visitors to take on projects by themselves instead of hiring a provider.

While numerous service-centric options already exist online – some of which have gained the media attention – there is no one website that provides a complete solution and meets all the challenges inherent in the local service lifecycle. In short, the Internet still lacks the “eBay for local services.”

The GenieTown Approach

GenieTown.com is an online marketplace for local services, where customers hire service providers who are typically outside of customers' networks and who have demonstrated over time an adequate level of service quality. Customers and providers transact in a safe and trusted manner, benefiting from symmetric rating and reviews. GenieTown offers an open environment in which any type of service can be requested and marketed.

We will now review the main objectives of customers and providers in each phase of the lifecycle, and how GenieTown addresses these objectives.

Phase: Explore

Customer objectives: Learn about the service, identify initial pool of potential providers

Provider objectives: Market services

GenieTown features:

- **Community Articles.** Service providers and savvy customers continuously post articles on GenieTown. Website visitors read the articles and comment on them.
- **GenieTown Answers.** An online forum where website visitors post questions and answers about services needed. Those posting questions are notified when new answers are provided online.
- **Provider Profile.** Each service provider has a unique profile page that describes the provider and services offered. Providers upload personal photos, portfolio images, videos, and textual descriptions.

Phase: Communicate

Customer objectives: Discuss service parameters with providers; narrow down the list of potential providers

Provider objectives: Generate leads

GenieTown features:

- **Provider Reviews.** Prior to selecting providers, customers access provider ratings and reviews written by other, likeminded customers. Customers get to learn about providers and benefit from the experience of others.
- **Share with Friend.** Website visitors can forward provider profiles to friends and family members in a click of a button.
- **Messaging tools.** Customers and providers communicate regarding projects and service requests using the online messaging features.

Phase: Transact

Customer objectives: Pick the best provider for the service needed

Provider objectives: Win the job

GenieTown features:

- **Comprehensive Bidding System.** Customers can create service requests; add and remove providers from those requests; request, accept and reject service bids; and exchange messages with providers. Providers can track their service requests online, send and retract bids, and exchange messages with customers.
- **Email Notifications.** Customers and providers are automatically notified via emails whenever a change in their service requests takes place.
- **Dashboard View.** The website provides both customers and providers with a quick snapshot of their service requests. Users see new incoming messages and changes in their service requests.

Phase: Manage

Customer objectives: Have the service fulfilled satisfactorily

Provider objectives: Finish the job quickly; ensure customer satisfaction; seek repeat business

GenieTown features:

- **To-Do List.** Customers and providers share to-do lists for activities that need to take place for each service request.
- **File Cabinet.** Customers and providers upload, manage and share files pertaining to the service request.
- **Write Reviews.** Both customers and providers get to rate and review each other at the end of the transaction. Other users take advantage of this information.

As we show above, the GenieTown approach addresses the key concerns of both customers and providers by covering the entire lifecycle. A benefit summary is outlined as follows:

Customer education. Services can be as simple as mowing one's lawn or as complex as remodeling a kitchen. The GenieTown website provides customers with an efficient way to get educated on desired services, so that they can make informed decisions regarding hiring providers and setting up project terms.

Robust marketing tools. Providers have access to a robust set of marketing tools to promote their services. Customers seeking help find the providers on the website, access important information about them and finally contact those providers directly. GenieTown continuously adds new features to provider profiles, enabling individuals and companies to better highlight their offerings.

Community Involvement. Providers can further market their services by taking an active role in the online community. A mini-profile of the provider is displayed whenever a provider posts an article or answers a community question. And the more often customers encounter a provider's name on the website, the more their level of trust with the provider increases.

Ease of transaction. Customers and providers are asked to conduct their business on GenieTown. The website offers a set of features that makes it easy to view and control their service requests, manage and respond to bids and communicate freely.

Service management. GenieTown offers a set of features to track ongoing service projects online. Since customers can better control their projects while exploring, communicating or transacting, GenieTown essentially changes the model by pulling the Manage phase earlier in the lifecycle. Symmetric ratings ensure that both provider and customer review each other.

Summary

Despite technology and social advancements that have simplified various aspects of our lives, the procurement and delivery of local services have not changed significantly and the process is fraught with challenges and inefficiencies. The local service lifecycle, made up of four connected phases, highlights the benefits that an online marketplace for local services must provide in order to be a successful and lasting solution.

GenieTown provides a comprehensive feature set that meets the demands and challenges of the local service lifecycle. With its vibrant social community, collection of service articles, user forum, robust bidding system, symmetric user ratings, and project management tools, the website offers customers and service providers with a solid platform on which to transact.

About GenieTown

GenieTown is where clever people connect to buy and sell local services. Customers find everything they need for their projects, from information and answers to their questions to people who can actually get the job done. People with skills, expertise, and passion in a wide range of areas use GenieTown to offer their services. These “Genies” build credibility and trust through answering questions from customers, submitting articles and giving competent advice. Through their contributions and jobs well done, Genies increase their ranking on GenieTown. GenieTown enables service markets to emerge and thrive by creating opportunities for people to express and demonstrate their abilities, ambitions and passions.

Today, most products can be purchased on the Internet and virtual services are available on a global level. Local services that require physical presence of the provider are still hard to find online. GenieTown leverages the power of the Web and matches consumers with local service providers in a safe, efficient, and trusted manner.

GenieTown not only features home improvement service providers in the San Francisco Bay Area but provides the opportunity to anyone to become a Genie and offer services on a local level as well as seek service providers.

Founded by a group of Stanford entrepreneurs in late 2006, GenieTown is funded by angel investors and is located in Palo Alto, CA.

To learn more and start using GenieTown today, visit <http://www.genietown.com>.

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