Local services at the click of a mouse

LocalOye, a Bengaluru–based marketplace for local household and personal service providers, tries to win the local game slowly but steadily, writes **Anita Babu**

Aditya Rao's first professional tryst with Bengaluru was in 2009. When he had come for his first job at Mercedes-Benz as a mechanical engineer. Fresh from BITS Pilani, little did he know that six years down the line, he would be part of a digital wave that would sweep India.

Rao now heads LocalOye, a mobile marketplace for hiring local service professionals. It offers a gamut of services, from plumbers to electricians to mehendi artists and yoga instructors. The online platform, which went 'mobile-only' in July 2015 and later resumed some of its services on the desktop in September, helps users book and pay for services provided by its partners.

The journey

Rao founded LocalOye in October 2013 in Mumbai. It was during a usual brainstorming session after a couple of start-up stints that the idea of LocalOye struck him. "These days, anything and everything can be bought online but not services. Back then, we had nothing similar in the segment," he recollects. The firm was started as a platform to book banquet halls and catering services. He soon realised the problem was true for most other services — from health to beauty to home services and hobby classes. Sensing the potential, it began offering more services. LocalOye takes a cut for every successful service request. The service partners sign up with a prepaid wallet. Every time a service is delivered, the company deducts its commission. An average prepaid wallet of a service partner would be around ₹500.

The firm relocated to Bengaluru in June 2015. "Bengaluru was a natural choice because it is easier, with a perfect ecosystem and people with the right mentors," Rao explains. The relocation worked well. From just one city (Mumbai) in June, the company expanded to two more metros — Bengaluru and Delhi/National Capital Region — by August. In July, LocalOye was doing about 50 service requests a day, which has gone up to 3,000.

There are about 140 employees, with 25 powering the technology back-end. The firm claims it generates 70 per cent of service requests from the mobile and has 60 per cent repeat customers on its app, and 30 per cent overall. Its biggest city is Mumbai, closely followed by Bengaluru and Delhi. Rao is not shy to admit LocalOye journey's had been one with a lot of learning. In June 2015, the company had plans of rapid geographic expansion. However, the Delhi launch was an eye-opener and it realised categorical expansion makes more sense than adding more cities. "A local game is won city by city.

We had a lot of experiments," he says. "By September, we decided we would be in just three cities. I think the learning was that we don't want to be the Number Five player in 20 cities. Rather, we want to be the Number One player in two or three cities." Now, LocalOye offers services across 91 categories. By 2016, Rao plans to take this to 300.

The company recently joined the suite of other start-ups in the laying-off scene. About 60 employees were asked to quit. "On the technology front, things are more automated now. Earlier, our recommendations were mostly manual. We used to actually match our services with the requests on an excel sheet," Rao clarifies . It had also experimented by shutting down its website for a brief period, to solely concentrate on its app. "We don't lose out customers even if we're just on iOS. We will still be acquiring customers. It was an interesting learning to have the web platform because it doesn't harm. But, growth is still explosive on the app," says Rao.

The financials

LocalOye started operations by raising funds in seed rounds from angel investors like Sidharth Rao, founder of Webchutney, Haresh Chawla, former Network18 chief executive officer and an investor in Housing.com, Burrp.com, Askme.com, Bookmyshow.com, and Sachin Bhatia, co-founder of MakeMyTrip.com. The company has received $5 million in a Series-A round from Tiger Global Management and Lightspeed. "LocalOye has used data and mobile technology to deliver top-notch local services with high-quality, on-time and on-budget to a multitude of customers. We believe this end-to-end automation will enable the company to scale out to several million customers soon," says Dev Khare, managing director of Lightspeed Venture Partners.

While the company claims to be cash-positive in certain categories, break-even is not on the cards any time soon since it is focused on categorical expansion. LocalOye says it monetises 85 per cent of service requests with a healthy gross margin. "We will keep expanding to more categories and increase our repeat rates. And, category by category, get to positive margins, which we already do in some of our top categories," says Rao. The company, however, did not disclose its revenue targets.

Even as investors are looking a lot more into an appropriate model, Rao says they are still excited about the services space.

"What has changed is that they are thinking more into areas such as technology, automation and monetisation, too," he adds. The company is expected to raise the next round of funding only after the current quarter.

"We are very comfortable with our current burn rate; especially the way we are growing our business." The hyperlocal market in India witnessed a lot of disruption in 2015 with various start-ups emerging with multiple models, including food and grocery deliveries and intra-city delivery of services. While the segment has attracted a considerable amount of funding in 2015, it also witnessed a few startups shutting shop or merging with other similar players.

"The interesting time in the hyperlocal space is about to begin. We are in the early situation where the market for taxi services and e-commerce was three-four years ago. This year will be interesting. By 2017, the top three players will emerge and fight it out for the market share in terms of the number of customers. Consolidations are likely to happen in during 2016-17," Rao predicts.The market is getting more hyper, he says. "Local services market is at a nascent stage where it is growth from here. More competition is a good sign."

Aditya Rao (*centre*), (*foreground*) founder and chief executive officer of LocalOye, with his team

EXPERT TAKE

LocalOye is an interesting business that has grown significantly over the past year. Clearly, there is a massive demand opportunity for services like these. Justdial kind of models have become so commoditised that it is very difficult to find what we are actually looking for. This has given rise to a massive local services sector but only 10–12 companies are trying to solve the problem by getting qualified service providers.

Customers always want such providers. Traditionally, this sector has existed by word of mouth. However, some of these new companies are changing the scene for the better.

The uniqueness of LocalOye's business is the fact that all merchants that the company works with are qualified or are at least trained by the firm. The long-term opportunity here is to replace a Justdial or a similar classifieds forum.

However, two larger questions remain. One, what is the breadth of services one can offer so that it does not affect the frequency of services. For instance, some of the on-demand services the company provides, like a carpenter or an electrician are often occasional requirements for a customer. So, how can we develop a sustainable model for the service provider? On the other hand, if they include more services that a user might access every two days, then that would be more sustainable as a business model.

Two, with so much competition, how do you differentiate among each other, except for discounting? Most of these businesses have realised that one cannot compromise on quality. The differentiating factor needs to be more focused around the quality and variety of services.

Aakrit Vaish is co-founder and chief executive officer of Haptik