



# Introduction to the Local On-Demand Economy (LODE) Video Insight Briefing Series



Q1 2016

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Chief Analyst & VP, Content

BIA/Kelsey

# Introduction



## BIA/Kelsey *Video Insight Briefing*: What is It?

- To complement our written reports, we are rolling out a new intelligence resource called the **BIA/Kelsey Video Insight Briefing Series**.
- These are a series of briefings BIA/Kelsey analysts will be completing quarterly on “tentpole” topical areas that are receiving the most investment, innovation, opportunity and curiosity. We will also cover topics as client demand dictates.
- ***What can you expect in a Video Insight Briefing?*** Presented in slide deck format, the briefing includes a video discussion of the presentation along with key links to multimedia assets about the topic. Our goal is to use a briefing on a particular subject to deliver meaningful insights and analysis via video you can watch at your convenience. This format also aggregates all our content by topic so it's easy for you to find and access. We will be available to discuss the briefing after you've consumed it as your convenience. We are also available for customized briefings.

This Video Insight Briefing zeroes in on ***the local on-demand economy (LODE)***. What are its fundamentals? How is it transforming local commerce? What were the biggest lessons from the sector’s “phase I”? And what are the lessons for local media companies and startups as we enter phase II? This presentation unpacks the key drivers, variables and analyst insight.

# Agenda



1. Video presentation - slides w/voiceover
2. Additional drill-down resources including Insight Paper, conference videos, reading list
3. Presentation: *Phase II of the On-Demand Economy*
  - LODE Phase I: What Did We Learn?
  - LODE Phase II: What Do We Know?
  - What Does it Mean For Local Media?

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# Video Presentation (Video Delivery of Slides 12-33)



**CLICK TO WATCH**

(Clicking opens a private web page on our YouTube channel.)



Mike Boland: The Local On-Demand Economy  
Speaking of Homejoy. Avoid "Leakage"  
*Provide enough value to justify a middleman position*

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# Local On-Demand Economy (LODE) Insight Paper



**CLICK TO READ**



*Insight Paper*

**Local On-Demand Economy:**  
The Uberfication of Local Services  
March 2015



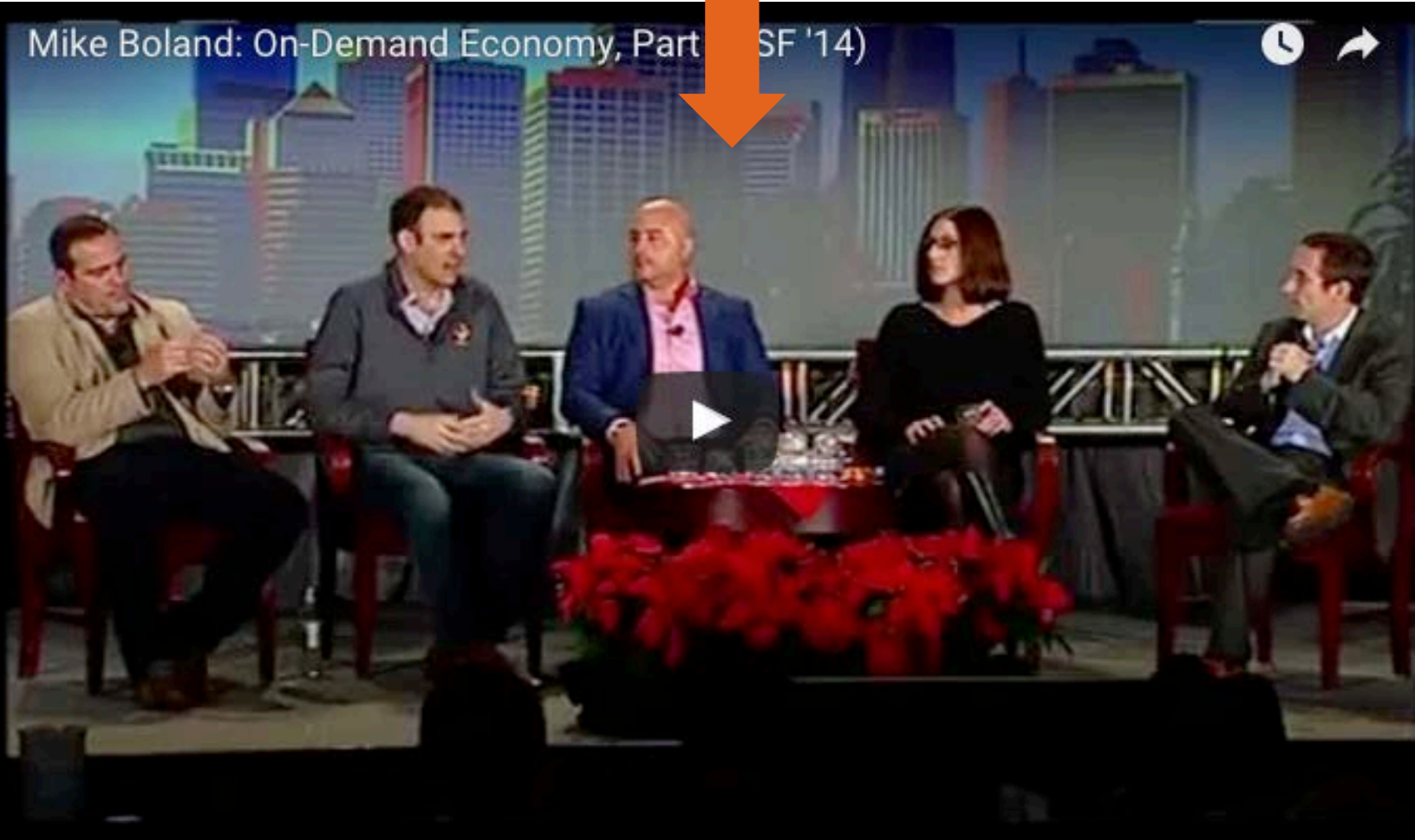
# Conference Video: On-Demand Fundamentals



An introductory view

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# Conference Video: Moving into Phase II

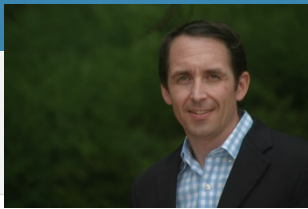


An intermediate view

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# Conference Video: On-Demand Best Practices

A Video Case Study from On-Demand Leader Porch

**CLICK TO WATCH**

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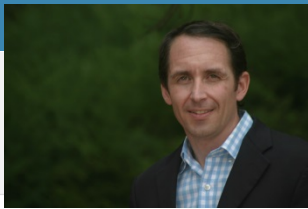
BIA/Kelsey NOW Morning Keynote: Joanna Lord

Joanna Lord  
VP, Marketing  
Porch

Feedback is your roadmap.

Time for feedback

BIA Kelsey



# Conference Video: The VC Take on LODE

Venture capitalists examine LODE Success Factors

**CLICK TO WATCH**

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**BIA/Kelsey NOW VC Panel**

**LODE Platforms & Services: Foundation of Local On-Demand Markets**  
4:35 pm - 5:00 pm

<b>William Hsu</b> Co-Founder, Partner, Musher Capital	<b>James Josephson</b> Co-Founder, Domus Ventures	<b>Rick Presslee</b> Managing Director, Concast Ventures	<b>Rob Siegel</b> General Partner, Xseed Capital	<b>Abid Chaudhry</b> Managing Sr. Dir., Industry Strategy & Insight, BIA/Kelsey	<b>Mitch Katzoff</b> Managing Co-Dir., Chairman, BIA/Kelsey

# Conference Interviews: On-Demand Voices

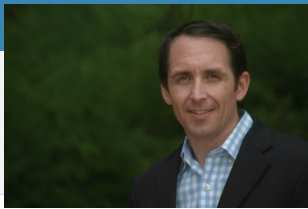


Executive Interviews from BIA/Kelsey NOW

**CLICK TO WATCH**

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# Further Reading: BIA/Kelsey Articles

Deeper analysis and analyst coverage of the topics covered in this presentation

## Highlights

[The On- Demand Economy Enters Phase II](#)

[An \\$18.5 Billion Market](#)

[Can Everything Be “Uberfied?”](#)



## Full Library

[BIA/Kelsey LODE Articles](#)



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EDITOR'S NOTE:  
REFER TO SLIDE 5 FOR THE AUDIO/VIDEO DELIVERY  
OF THE FOLLOWING 20 SLIDES



# Phase II of the On-Demand Economy

*What Did We Learn from Phase I ?*



February 2016

Mike Boland

Chief Analyst & VP, Content

BIA/Kelsey



# Brief Intro

## About Me

- 10-year industry analyst
- Former tech journalist (Forbes, Business 2.0)
- Focus areas: Mobile, Social, On-demand
- Frequent contributor to Huffington Post, Business Insider, the Guardian, Street Fight



## About BIA/Kelsey

- 30-year market research and analyst firm
- Squarely focused on local media & technology
- Conferences, Consulting, Content
- Authoritative daily newsletter, blog, video production, podcasts





# The Local On-Demand Economy (LODE)



*Insight Paper*

**Local On-Demand Economy:**  
The Uberfication of Local Services  
March 2015



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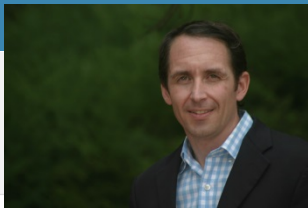
## First... LODE Fundamentals

LODE mobile apps summon products or services on-demand, to be fulfilled or delivered *offline*.

**For users:** LODE brings immediate needs to their fingertips.

**For providers:** LODE aggregates demand, creating marketplace transparency that reduces marketing and customer acquisition costs.

**The result:** Bringing buyer and seller together more efficiently and with *leaner unit economics*.



# How is That Different from What We Did Before?

## The Old Way



1. Tap (or speak) words into a search box.



2. See results.



3. Click the most attractive one – sometimes leading to directories with additional navigation.



4. Read reviews or other decision criteria.



5. Choose a business that appears to be the most reliable, proficient or inexpensive.



6. Contact that business to inquire about or retain its service.



7. Schedule service.



8. Fulfill and transact.



## The LODE Way



1. Launch a LODE app for a designated service.



2. Push a button to indicate an immediate need.



3. Service provider comes to or contacts you (paid automatically once approved).

## The Question: Why Now?

# LODE Drivers



**Mobility:** The starting point for LODE, as with many other tech trends, lies in hardware innovation. Mobility and the smartphone revolution have created high-power computing to go. This has shaped user behavior and expectations for immediately fulfilled needs. This trend will accelerate with the impending age of wearable technologies like smart watches.



**Cultural:** Consumers have been conditioned by the computing capacity in their pockets to expect immediate needs to be fulfilled in an on-demand fashion. This general urge and expectation to have the world delivered on demand is further accelerated by parallel trends in media consumption such as, VOD platforms like Netflix, Hulu, etc.



**Generational:** The Millennial generation – emerging as a key component of the buying-empowered adult population – has a well-documented sense of entitlement and immediacy that provides a receptive environment for on-demand services. The generation's characteristic aversion to ownership of physical goods is also conducive to several LODE services (i.e. relying on Uber versus auto ownership).



**Economic:** High unemployment has created a steady supply of service providers to fill the ranks of LODE's workforce. Millennials – in addition to being avid consumers of LODE services – also possess work habits that are conducive to the flexibility that LODE service providers enjoy. These factors will further accelerate as LODE services move up market to higher-end professions, such as professional, creative and technical fields.



**Geographic:** Balance in any two-sided marketplace is always hard to achieve. The above factors are creating growth on both supply and demand sides of many LODE services. This is further accelerated by the overall societal trend of more individuals living in cities. This general orientation creates a network effect that assists marketplace growth.



**Technological:** Lowered barriers to entry in the app economy have created an explosion of startups that build LODE marketplaces and extend into new verticals and feature sets. Authentication technologies (such as Facebook Connect), facilitate reputation as a form of security and enforcement that keep LODE marketplaces safe and attractive. LODE will also be the environment where mobile payments finally take root.



# LODE: A Game of Supply / Demand Balance

## Users

On-demand culture, millennials, urbanization, smartphone ubiquity

## Providers

Unemployment, flexibility, rise of the 1099 economy.



**LODE Formula:  
Find, Aggregate & Deploy Supply-Side Liquidity**

**“What we’re seeing is yield optimization.**

Uber in early days had a brick business which was town cars, but it was all the time in between rides that was the mortar. That’s the value that technology is finally extracting due to mobility.”

*- Brendan Benzing,  
CEO, MyNeighbor*



# Case Study: Unit Economics





**BUT... It Doesn't Fly in Every Vertical...**



**vs.**



**HOMEJOY™**

UBER

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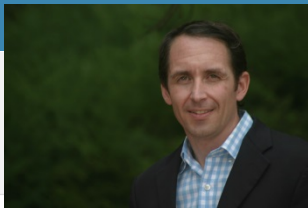
*Provide enough value to justify a middleman position*



UBER

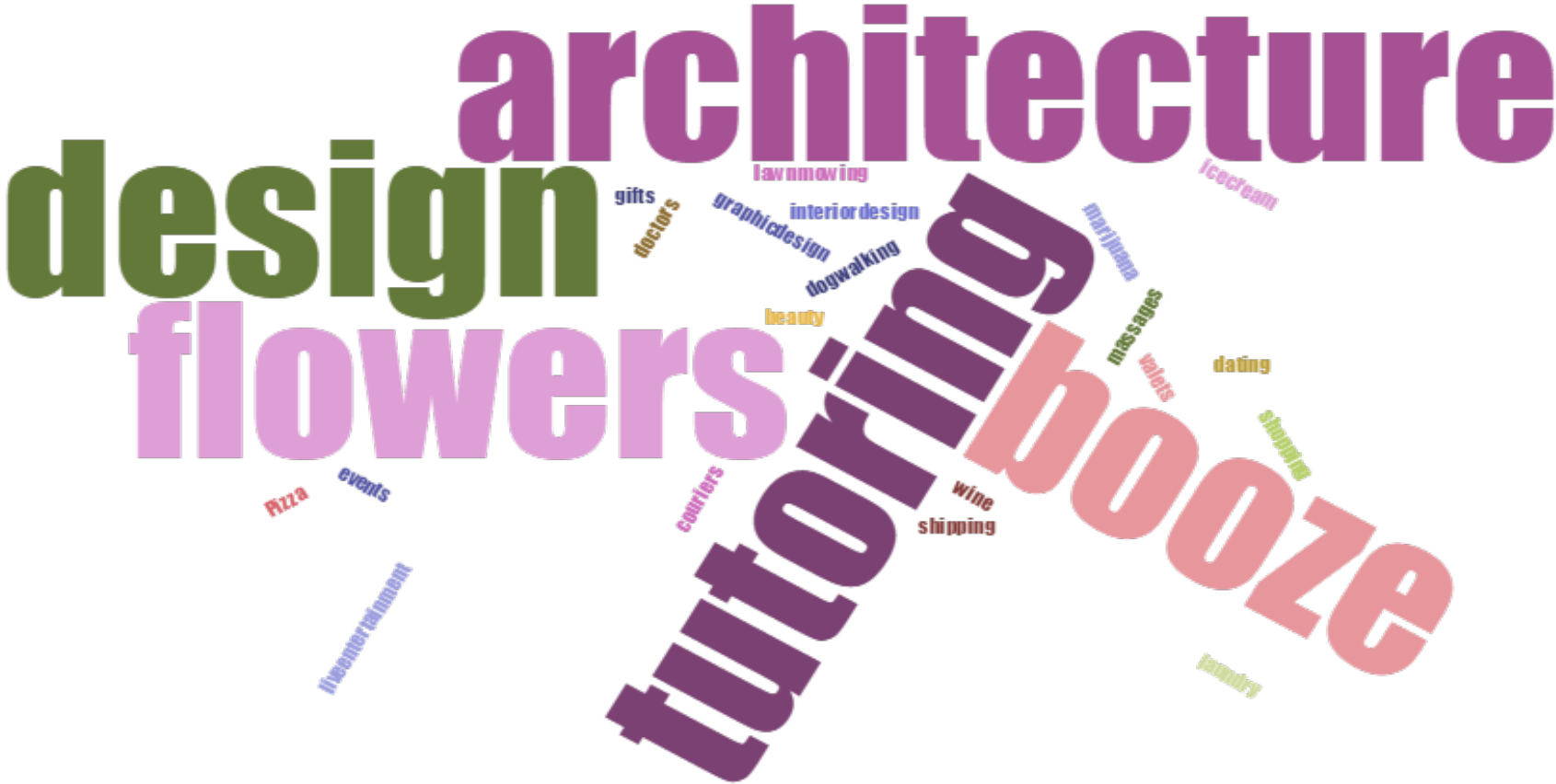


airbnb



# Phase II: Where is LODE Going Next?

- New local verticals: Up the professional ladder (doctors, Lawyers, architects, etc.)
- Millennials will fill these professional ranks: they love flexibility and autonomy.
- Software for LODE workers to manage disparate “gigs” (Think: CRM for LODE)
- Beyond just the “1099 economy” of individuals... Local businesses will acquire new new customers through on-demand.



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# Local Businesses: Will They Use LODE?

Acquiring customers in real time via On-demand could appeal to SMBs.

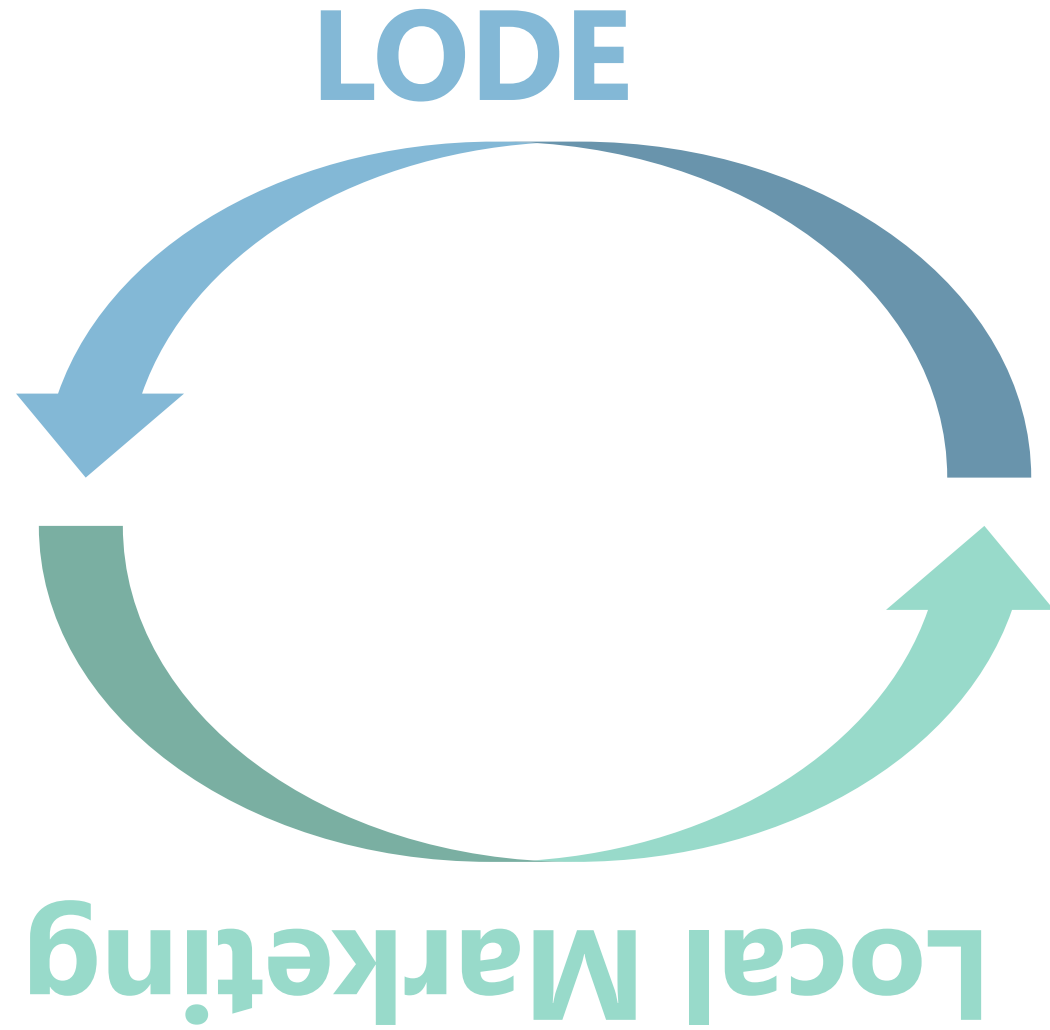
... or could it move further up-market to the “mid-market” segment: car dealers, realtors, etc.?

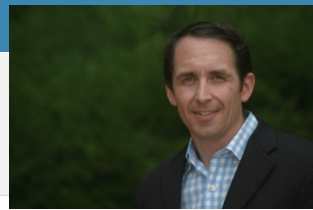


# If So... Will This Displace Local Marketing \$

Could **LODE** flip the local marketing model that we've known for decades?

.. And could that siphon local ad dollars??





# ...A Scary Thought. Here's the Good News

## LODE could have a net positive impact by growing the local addressable market

- The \$150B local ad spend (BIA/Kelsey) includes a fraction of national and local businesses.
- Quick math: 19 percent of the 27 million businesses in the U.S. advertise. *That leaves 81 percent untapped...*
- LODE offerings could appeal to that broader market of businesses that don't currently advertise.
- This aligns with a key trend we're tracking in local: broadening services beyond just advertising and marketing.
  - This broader bundle includes operational tools such as payment processing, reservation system, etc..
  - Operational tools solve real pain points and can be an easier sell.
  - There are higher switching costs to something like a reservation system than say... an ad campaign.
  - Churn – a classic killer in local advertising – is therefore much smaller.
  - Operational tools go hand-in-hand with ad offerings (Think: marketing/loyalty programs and payment systems).
  - LODE services can fill these gaps as a local business *platform*





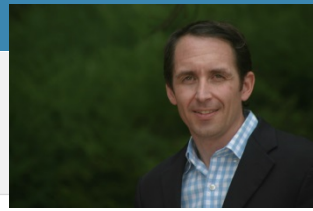
# Conclusions & Action Items



## It's All About Education and Action

- Companies currently selling local media or advertising should gain an advanced knowledge of LODE – both its fundamentals and ongoing evolution.
- Best practices, current and evolving, will develop quickly and require a keen eye to learn winning strategies. This education by immersion is the first step towards devising and deploying LODE products.
- If LODE services displace marketing in some situations, an early lead for local media companies could offset any potential losses to core products caused by new LODE entrants.
- If LODE is indeed a threat, media companies who embrace it can own their destiny, versus those who ignore it and are forced to realize too late that it is causing attrition to core revenue streams.
- Similar lessons have been learned by industries facing disruption; and faced with the decision to embrace a new – albeit threatening and potentially cannibalistic – channels.
- Moreover, LODE should be viewed more as opportunity than threat. This can come about by embracing it and uncovering its potential sources of new business growth.
- LODE's customer acquisition efficiencies make it tenable for service providers who can't afford traditional marketing. Therefore, its addressable market could exceed local advertising's current boundaries to a larger SMB universe.

# Conclusions & Action Items, Cont'd



- LODE's potential for new business growth is coupled with potentially increased average revenue per advertiser (ARPA) among local advertisers.
- It can also boost retention, given that many LODE services also fulfill SMB operational needs (demand aggregation, scheduling, payment processing, etc.). These have higher switching costs for businesses than advertising and marketing.
- In incorporating LODE into service bundles, local media companies have an advantage over LODE pure plays. This is due to existing sales channels, economies of scale, and compatibility with existing advertising and marketing offerings.
- There is also a one-stop-shop appeal in that SMBs and 1099 operators can save time with a single provider for both marketing and LODE-based customer acquisition tools.
- Early integration of LODE services by traditional media companies can establish familiarity and education. This will be required during LODE's beginning stages when an early mover advantage can be gained in building knowledge, brand, and network effect.
- Media companies should carefully consider the pros and cons of building versus partnering. The former requires greater investment and reward. The latter, via API integration, can involve little risk and utilizes best or breed functionality in a given area. The cost for this fast-tracked functionality is a revenue share with the API's owner.
- Based on the speed at which LODE is moving – a component of the speed and nimbleness of app development environments – any LODE strategies and product rollouts will need to happen much faster than is typically done by local media companies. The innovation cycle will be a function of weeks, not months.



# Questions & Comments:



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