

FUNDAÇÃO GETULIO VARGAS
ESCOLA DE ADMINISTRAÇÃO DE EMPRESAS DE SÃO PAULO

JACOPO MAGNI

STRUCTURING A STARTUP'S OPERATIONS IN AN EMERGING MARKET

SÃO PAULO

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Thesis presented to Escola de Administração de Empresas de São Paulo of Fundação Getulio Vargas, as a requirement to obtain the title of Master in International Management (MPGI).

Knowledge Field: Entrepreneurship

Adviser: Prof. Dr. Julia Von Maltzan
Pacheco

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Committee members:

Prof. Dr. Julia Von Maltzan Pacheco

Prof. Dr. Ricardo Ratner Rochman

Prof. Dr. Benjamin Rosenthal

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The accomplishment of this In-Company Project required months of hard work, carried out in four different continents, and iron commitment to overcome continuous uncertainties and real project turnarounds. However, the outcome would have been surely poorer and its achievement harder without the tireless help and endless support of those people who made this work possible.

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ABSTRACT

The present work analyzes the establishment of a startup's operations and the structuring all of the processes required to start up the business, launch the platform and keep it working. The thesis' main focus can therefore be described as designing and structuring a startup's operations in an emerging market before and during its global launch.

Such business project aims to provide a successful case regarding the creation of a business and its launch into an emerging market, by illustrating a practical example on how to structure the business' operations within a limited time frame. Moreover, this work will also perform a complete economic analysis of Brazil, thorough analyses of the industries the company is related to, as well as a competitive analysis of the market the venture operates in. Furthermore, an assessment of the venture's business model and of its first six-month performance will also be included. The thesis' ultimate goal lies in evaluating the company's potential of success in the next few years, by highlighting its strengths and criticalities.

On top of providing the company's management with brilliant findings and forecasts about its own business, the present work will represent a reference and a practical roadmap for any entrepreneur willing to establish his operations in Brazil.

KEY WORDS: Entrepreneurship, Startups, Operations, Emerging markets, Brazil, Beauty care, Internet, Ecommerce.

RESUMO

Este trabalho analisa o estabelecimento da operação de uma startup e a estruturação de todos os processos necessários para o início do negócio, seu lançamento e manutenção do trabalho e atividades. O foco principal da tese pode, portanto, ser descrito como o design e estruturação da operação de uma startup em um mercado emergente antes e durante seu lançamento global.

Um projeto de negócio como este tem por objetivo prover um caso de sucesso de criação de uma empresa e seu conseqüente lançamento em um mercado emergente, através da descrição de um exemplo prático de como estruturar as operações dentro de um período de tempo limitado.

Ademais, este trabalho também apresentará uma análise econômica completa do Brasil, por meio da análise das indústrias em que a companhia em questão está inserida assim como também por meio de um análise competitiva do mercado em que opera. Uma avaliação do modelo de negócio e de sua performance financeira para os primeiros seis meses de operações serão também conduzidos e apresentados. O objetivo principal é verificar o potencial que a empresa possui de alcançar o sucesso nos próximos anos, pontuando seus pontos fortes e fracos.

Além de poder com este trabalho fornecer aos gestores da empresa descobertas fantásticas e previsões de crescimento, esta tese representa uma referência e um mapa prático para qualquer empreendedor que deseja estabelecer operações no Brasil.

PALAVRAS CHAVE: empreendedorismo, startup, operações, mercados emergentes, Brasil, mercado de beleza, ecommerce, internet.

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Executive summary

Company overview

Vaniday is one of the most recent companies that Berlin-based venture builder Rocket Internet has launched worldwide. It consists in an online marketplace where customers can find and book beauty and wellness services on demand. It allows clients to discover new beauty professionals nearby, compare them, by accessing previous customers' reviews, and book appointments online. On the other hand, professionals can showcase their work, connect with potential and existing clients and grow their business. What is more, it provides professionals and salons with an online management tool to administer their schedules, optimizing their working time by filling up their schedule in an efficient way. After starting its operations in Brazil in the first months of 2015, the venture is now undergoing an aggressive international rollout and already operates in UK, France, Italy, Germany, Australia and UAE.

Objectives

The present work found its *raison d'être* in two main objectives, one descriptive and one analytical. Firstly, this work contextualized the project in an economic and corporate dimension, and explained what the ICP consisted in, what were its main goals, stages and results, as well as what key learnings it provided. Secondly, ultimate goal of the present analysis lies in evaluating Vaniday's potential for future success, in terms of profitability and scalability. Such evaluation took into account three main analyses:

1. External analysis, regarding Brazilian economy, startup environment and the outlook of the industries the firm belongs to;
2. Internal analysis, evaluating Vaniday's business model according to theoretical frameworks;
3. Vaniday's performance in the first months of operations, compared with that of Rocket Internet's previous Brazilian success Easy Taxi in the same stage of development.

Moreover, the present work also provided some theoretical contribution, by reviewing the existing literature about business models in an attempt to identify the most adapt framework to assess Vaniday's business model.

Project explanation and learning points

The In-Company project consisted in two main phases. Firstly, it was about establishing Vaniday's Operations department since its early days, designing and structuring all of the operational processes required to start up the business, launch the platform and keep it working. Secondly, following this initial conceptual phase, execution took over, as previously designed processes and tasks had to be performed and improved on a daily basis. The overall objective consisted in providing the venture with efficient operational processes that the company could rely on to achieve its goals and scale up.

As far as the project development is concerned, it consisted in five main phases, belonging to two macro-phases (*pre-operations and operations*) and representing ongoing processes performed in parallel until the present day. The initial phase of conceptually structuring the operational flow was then followed by two phases aiming to increase supplier base and quality of profiles, with the goal of enhancing the platform quality and customers' trust. The focus then moved towards bookings, as several and diverse initiatives were undertaken to boost the platform's growth and popularity. In the meantime, when the first bookings started to be received, a customer service structure was created in order to support both sides of the marketplace, improve user experience and increase customer satisfaction and, consequently, customer retention.

Overall, the project represented a unique learning experience from several points of view. Besides increasing the student's business sense and level of understanding of an Internet company's operations, the project also deepened his analytical and technical skillset and enriched his cultural flexibility and management style. The student will leverage on these newly acquired skills, competences and experiences in his future managerial or entrepreneurial career.

External analysis

The external analysis, aiming to contextualize the project in the overall economic situation, as well as provide the first element to evaluate Vaniday's future potential, took into account Brazilian economy, the three industries related to the venture (entrepreneurship, ecommerce and beauty care) and Vaniday's competitive environment, assessed using Porter's Five Forces framework.

Macro economically speaking, Brazil's economic miracle slowed down in recent years, after President Rousseff reached the power for the first time in 2011. National GDP, which steadily grew by an average 4% a year between 2002 and 2011 (World Bank, 2015a), grew by a timid 2.2% a year in Rousseff's first term in office, and eventually contracted by 1.9% in 2014, being reported to shrink by 3.1% this year and by another 1.9% in 2016. As a consequence, household consumptions dropped, while public spending surged, bringing public deficit up to 6.75% of GDP (The Economist, 2015). Due to such economic slowdown, unemployment rate reached 7.9% in October 2015 – and is expected to surge to 10% in 2016, declining exports produced a \$3.9B trade deficit in 2014 (that depreciated Real and fostered inflation), and inflation reached 10% at the end of 2015 for the first time after more than a decade. In the period 2002-2014 Brazil's population rose by 16%, surpassing 200 million people in 2013, mainly due to a 44% drop in infant mortality and to an increase in life expectancy at birth (World Bank, 2015a). As a consequence of 2002-2011 economic expansion, roughly 26 million Brazilians made their way out of poverty, joining a rising middle class. However, with wages growing slower than inflation, this slice of population is now endangered.

Entrepreneurship wise, Brazil ranks 120th worldwide as of ease of doing business, due to an average of 83.6 days required to start a new business in the country, compared to the 54.4-days world average and to the only 5.5 days required in Chile, currently Latin America's main startup hub (World Bank, 2015a). However, the tremendous opportunities offered by the country's growing Internet sector are attracting more and more foreign investors. As a consequence of the outstanding 139% mobile penetration (A.T. Kearney, 2015) and of the high amount of time Brazilians spend online every day, venture capital firms quadrupled investments in the country to \$197 million in 2014 (Levin, 2015), looking past the country's shrinking GDP and skyrocketing inflation. Simultaneously, public institutions are also undertaking valuable initiatives, such as SEED and Start Up Brasil programs, to support local startups, often partnering up with private investors to offer access to financing and networks of entrepreneurs. Such figures draw a positive outlook for Brazil's startup scene.

As far as the Internet sector is concerned, Internet penetration decupled since 2001, reaching 57.6% of the population in 2015, corresponding to around 108 million people. Such growth, boosted by an average 64% increase per year in the period 2001-2004, happened almost three times as fast as the World's average (World Bank, 2015a). What is more, government's National Broadband Plan is expected to address low rural broadband coverage and boost

Internet usage even further. As such, Brazil's Internet user base is expected to increase to 163 million by 2030, a growth of 51% over 2015. Mobile Internet subscriptions as a percentage of total mobile subscriptions stood at 46.9% in 2014, compared to 5.1% in 2009, and are expected to grow by another 25.1% by 2030 (Euromonitor - *Technology, Communications and Media: Brazil*, 2015). Monthly Internet usage in Brazil amounts to 28.7 hours per user with the Latin American average being 21.9 hours, as Brazilians spend more time on Facebook than Mexicans and Argentinians combined (Tech in Brazil, 2014). As of ecommerce, Internet retailing totaled \$12.3 billion in sales value in 2014, a growth of 79.8% over 2009, and is forecasted to grow by as much as 26.3% by 2019. Finally, m-commerce, whose overall sales increased by ten times within the past five years, is also expected to grow by another 282% by 2019, totaling \$5.6 billion in total sales (Euromonitor - *Internet Retailing in Brazil*, 2015).

Regarding the beauty industry, Brazil ranks first in the world in number of liposuctions performed and second in number of plastic surgeries (McKinsey, 2010). Furthermore, in spite of representing less than 3% of the world population, the country makes up 12% of deodorant consumption, with its citizens also spending more money on perfume than any other nation (Forbes, 2014). Such figures account for per capita spending on beauty and personal care of around \$260 a year, producing a total market size of R\$102 billion of sales in 2014, which makes Brazil the third biggest market in the world after the US and China (Euromonitor - *Beauty and Personal Care in Brazil*, 2015). Online retailing for beauty and personal care products grew by 22.5% within the last five years, up to 4% of total ecommerce sales, and it is forecasted to expand by another 7% by 2019 (Euromonitor - *Internet Retailing in Brazil*, 2015).

Lastly, Brazilian competitive environment, consisting in smaller players with sensibly lower investments, different business models and value propositions targeting different customers, does not constitute an imminent threat to Vaniday's success. What is more, Rocket Internet's weight in terms of much higher investments and more efficient structure and processes is likely to ensure the venture the position of market leader, creating high barriers to both substitutes and new entrants. However, the high bargaining power of both suppliers and buyers represents a serious threat to the venture performance.

Business model analysis

After reviewing the existing literature regarding business models, profitability-driven frameworks were discarded due to the high level of unreliability of financial indicators in startups and to the impossibility to access Vaniday's financial statements. Therefore, Hamel's framework (2000) was chosen, as it offers a more complete approach to both the internal and external environment, allowing the present analysis to easily match the venture's strengths with the current market opportunities. This business model analysis will represent the second criteria used to evaluate the venture's future potential.

After assessing the business model according to Hamel's framework, some conclusions can be drawn. Vaniday's model owns several strongpoints, from value proposition and customer benefits, to Rocket Internet's established processes and network. However, one very critical potential flaw has to be registered in the venture's business model. After new customers use Vaniday for their first booking with a new beauty salon, it might be hard for the company to retain such customers and make them perform further bookings. In such context, once a customer found the beauty professionals he is comfortable with, he might be tempted to book through off-platform from the second time onwards. Such offline booking would allow the professional to gain up to 20% more compared to an online booking, a gain that could translate into discounts for customers, creating a win-win situation for both client and professional encouraging them to quit Vaniday.

Initial performance assessment

Being the third element used to assess Vaniday's future potential, the venture performance within the first six months of operations was evaluated according to the main KPIs and compared to that of Easy Taxi – Rocket Internet most successful Brazilian venture – in the same period. When comparing the results in terms of supply and bookings obtained by Vaniday and Easy Taxi, some major differences in the external environment the two companies were born have to be kept in mind. For instance, when Easy Taxi launched its platform in 2012 smartphone penetration in Brazil was much lower than nowadays, as well as ecommerce and Internet purchases were less developed. Furthermore, while Vaniday could rely on Rocket's financial resources, operational structure and processes since its earliest days, Easy Taxi moved its first steps on its own, being acquired only five months after the launch. However, although such differences surely justify Easy Taxi's rather disappointing initial performance, it is undeniable that Vaniday had a much better kickoff. As a matter of

fact, the beauty platform, despite its business model turnaround, could gather before the launch twice as many suppliers as Easy Taxi had after six months of operations, and, due to such broader supplier base, steadily obtain more bookings.

Conclusions

ICP results

In terms of results, if we consider the operational KPIs regarding number of live professionals and bookings, the project could be defined as only partially successful, as the desired bookings' growth rate could only occasionally be reached mainly due to external factors. However, if we keep in mind that the project consisted in structuring the Operations department in a way that could drive the company's performance and support its future development, the project can be definitely considered successful, as it allowed Vaniday to onboard thousands of professionals and salons and to achieve positive and increasing levels of bookings.

Vaniday's potential

The overall economic situation of Brazil, where economic downturn is made even more critical by the unstable political climate dominated by chronic corruption scandals, accompanies the rigid and suffocating bureaucracy that does not foster innovation. Yet, the startup scene is rather vital and dynamic, although not fully encouraged and supported by public initiatives. Despite these legitimate concerns, Vaniday's outlook looks rather encouraging from an external perspective: Brazilian beauty industry is expected to prosper thanks to the increased demand within the lower-income layers of society and to the recent development of online channels, ecommerce will benefit from the expanding Internet infrastructures and smartphone penetration, while no credible competitors rise from the horizon in Vaniday's market. Furthermore, the venture's initial KPIs, compared to Easy Taxi's, together with the remarkable investments recently received from Rocket Internet, raise high – yet legitimate – excitement regarding the company's future performance and its possibilities to win the Brazilian market.

However, although both external factors and initial performance suggest positive short-term results, Vaniday's long-term success and scalability have to deal with the evident limitations of its business model. As emerges from the analysis, the firm's business model owns the right features, in terms of value proposition and customer benefits, required to establish a

successful leadership position. Nevertheless, concerns regard how long such leadership can last, and whether long-term profitability and scalability will be in fact limited by Vaniday's flaws regarding customer retention.

1 Introduction

Brazil's promising economic growth slowed down in recent years, as downturn kicked in, increasing the country's public debt and limiting households' expenditures. However, if there is one thing that Brazilian booming population and increasing middle class are not willing to sacrifice even in economically hard times, that is beauty care. As such, Brazil remains the world's third biggest market as of sales of beauty products behind the US and Japan. At the same time, Internet is reaching more and more Brazilians and mobile penetration is booming, creating the perfect conditions for ecommerce to flourish. In this scenario, despite the negative economic circumstances, Brazil's startup scene is roaring, supported by unprecedented local and foreign venture capital investments, as well as the first public acceleration programs.

Vaniday is an online marketplace where customers can find and book beauty and wellness services on demand. After just few months of operations and relying on a recent \$15 million seed-funding investment, the venture backed by Berlin-based Internet giant Rocket Internet is on the verge to gain market leadership in Brazil, as well as in the other six countries it operates in.

Taking place in the department of operations of the venture and consisting in the actual creation of the operational processes required starting up the business and making it scale, the In-Company project offers a unique learning opportunities and vast responsibilities, beside representing a vital step for the overall company's success.

The present work comprises two main parts, one descriptive and one analytical, having two distinct objectives. The descriptive part typical of an In-Company project and consisting in external analysis, internal company analysis and explanation of the project and its learning points, follows an outside-in approach, starting from a broader perspective that will be then narrowed down to a more practical dimension. This approach will be reflected in the structure of the chapters (i.e. from overall economy to individual company, to single department), as well as within the chapters (i.e. from general economic analysis to specific industries and market analyses). This section's objectives lie in contextualizing the project in an economic and corporate dimension, and explaining what the ICP consisted in, what were its main goals, stages and results, as well as what key learning it provided.

The analytical section includes the results of both the economic and business model analyses, and integrates them with the evaluation of the ICP results, having the ultimate goal of assessing Vaniday's potential for future success, in terms of profitability and scalability. This evaluation will take into account three elements:

4. External analysis, regarding Brazilian economy, startup environment and the outlook of the industries the firm belongs to (chapter 2);
5. Internal analysis, evaluating Vaniday's business model to assess whether the company owns the internal resources necessary to successfully adapt to the external environment (chapter 3);
6. Vaniday's performance in the first months of operations, compared with that of previously successful startups in Brazil (chapter 6).

Therefore, the present work will not only represent a detailed In-Company project report, but will investigate further the company's performance and outlook in order to assess whether it owns the right cards to win the business game it is in.

2 External analysis

As mentioned in the introduction, the first descriptive part of the present work will follow an outside-in approach, starting from the big picture and then narrowing down to a more practical dimension. As such, this first chapter will analyze the external environment the company operates in on a very broad level, while the following two will reduce the scope of the analysis, focusing on the company and, consequently, on the Operations department and the project itself.

Final goals of the present chapter lie in the assessment of the venture's competitive positioning within its market, and in the evaluation of its growth opportunities and future outlook according to Brazil's economic trends and to the performance of the related industries within the last 15 years.

To achieve the objectives above, a thorough literature review has been performed and several sources of data will be used. While the economic analysis will rely on data from the World Bank, the analysis of the three industries related to Vaniday's business will be based on an extensive Internet-based literature review, including both industry reports and experts' insights. Finally, the market analysis regarding competitive environment and consumer behavior will count on the precious insights gathered during a one-to-one interview with Vaniday Brazil's CEO, performed in São Paulo (Brazil) at the end of the project.

As far as the chapter's structure is concerned, this part will also adopt the outside-in approach, kicking off with a broad overview of Brazilian economic and demographic trends to contextualize the project in an economic perspective. The analysis' scope will then zoom in, taking into account the three industries related to Vaniday business (entrepreneurship, ecommerce and beauty care) and the specific market it targets.

Brazilian economy

Brazil is undergoing a period of economic and political turbulence, due to the disappointing performance of its economy and the credibility deficit of its government, undermined by corruption scandals that are causing protests all over the country. Despite the recent narrow success in 2014 political elections, ensuring her administration a second term in office, and the consequent renovation of her government aiming to gain back people's trust, President Dilma Rousseff is experiencing a rather disappointing 7.7% approval amongst Brazilian

electors, 11% lower than just four months before.¹ Main reasons to such popularity drop are the poor economic performance, in terms of low GDP growth and high inflation, that is negatively impacting households' purchasing power, and Petrobras corruption scandal supposedly involving President Rousseff, for which 66% Brazilians claim an impeachment trial to be started.² Although it is impossible to separate the country's poor economic results from the deep political crisis that is responsible for them, this chapter's objective lies in describing the recent Brazilian economic indicators with the aim of assessing the economic scenario the venture has to deal with. No contribution in terms of investigation on the potential reasons behind current Brazil's economic slowdown is expected from the present work. The analysis will therefore not dig deeper into political issues, limiting its scope to the mere Brazilian economy figures.

According to the World Bank (2015a), Brazilian economy displayed high growth between 2002 and 2011, when the country's current GDP grew steadily by an average 4% a year, outperforming the still high 3.5% average growth Latin America experienced within the same period of time and a 2.7% World's average growth. During these years Brazil has been Latin America's leading economy, representing 43% of the region's overall current GDP in 2011 and getting out the 2008 global financial crisis in good shape. In 2009 Brazil's current GDP slew down by a small 0.2%, compared to Latin America's 1.6% and World's 2.1% contractions. As of GDP per capita, the country totaled a 2.7% average growth between 2002 and 2011, surpassing Latin America's 2.2% and World's 1.4% average growths and reaching \$13,042 per person in 2011. Such positive economic results not only allowed the country to overtake Britain and France and become the world's fifth largest economy in 2011, but also boosted employment rate, taking Brazil's total unemployment below EU and US levels in 2009 for the first time in history.

¹ http://www.em.com.br/app/noticia/politica/2015/07/21/interna_politica,670678/popularidade-da-presidente-dilma-rousseff-cai-para-7-7-diz-pesquisa.shtml.

² <http://noticias.terra.com.br/sete-razes-para-a-queda-da-popularidade-de-dilma,c5aa6421713cbb30249d662bd83dd2baqb28RCRD.html>.

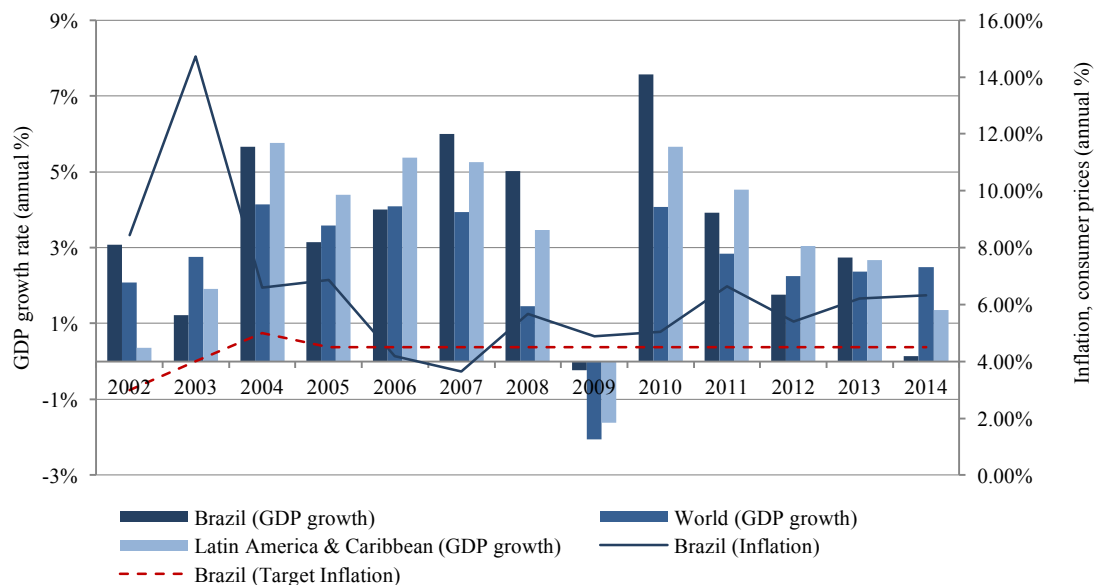


Figure 1 – Current GDP growth and inflation rates between 2002 and 2014 (Personal calculations with data from World Bank, 2015a).

However, the shining Brazilian economic dream vanished during President Rousseff's first term in office in 2011-2014. As reported by The Economist (2015), Brazil only grew by 2.2% a year, on average, during that period. After the slowdown, recession came. In 2014 nominal GDP growth rate contracted by 1.9% compared to the previous year, and is expected to shrink by as much as 3.1% in the present year and by another 1.9% in 2016.³ Overall, Brazilian current GDP growth rate contracted by 10% in the last three years (with nominal GDP increasing by a timid average 1.5% a year), despite Latin America and the World kept growing, both by some average 2.4% a year (World Bank, 2015a). In the period 2011-2014 GDP per capita grew by an average 0.6%, two times slower than Latin American average. As a consequence, The Economist (2015) points out, household consumptions dropped, while public spending surged. In the meantime, the percentage of unemployed workforce in Brazil started increasing again in 2013, reaching 7.9% in October 2015, and is expected to surge to 10% in 2016 – with young unemployment (aged 15 to 24) close to 20%.⁴

³ <http://www.wsj.com/articles/brazils-economic-crisis-beats-the-emerging-middle-class-back-down-1447115566>.

⁴ <http://www.economist.com/blogs/graphicdetail/2015/12/economic-backgrounder>.

Brazil is the 22nd largest export economy in the world, exporting almost \$300B worth goods a year and recording a \$19.7B trade surplus in 2015.⁵ With China, United States and Argentina as main export destinations, the country exports mainly iron, soybeans and crude petroleum.⁶ However, as a consequence of the recent economic downturn, exports slowed down, registering the first trade deficit since 2000 in December 2014. Back then the deficit was \$3.9B, a 4.4% decline from the previous year and the biggest gap since 1998.⁷ Due to such declining exports and negative balance of trade, Brazil's current account deficit grew from 2.1% to 4.2% of GDP in Ms Rousseff's first term in office, reaching 6.75% in 2014, as President sought re-election. For the first time since 1997 the government failed to save any resources to pay back creditors, while its expected primary surplus of 1.2% of GDP turned out to be a 0.9% deficit. The deteriorated fiscal balance led to a downgrade of Brazil's sovereign debt below investment grade in 2015⁸, depressing exports, depreciating Real even further – as fewer US dollars entered the economy – and boosting inflation.

Historically volatile inflation at consumer prices spiked again after Central Bank cut interest rates in 2011-2012. Annual inflation reached 10% at the end of 2015 for the first time after more than a decade⁹, well above the 6.5% limit imposed by Brazil's Central Bank and way above its 4.5% target.¹⁰

⁵ <http://www.tradingeconomics.com/brazil/balance-of-trade>.

⁶ <http://atlas.media.mit.edu/en/profile/country/bra/>.

⁷ <http://www.reuters.com/article/us-brazil-economy-trade-idUSKBN0KE1EP20150105>.

⁸ <http://www.oecd.org/eco/outlook/brazil-economic-forecast-summary.htm>.

⁹ <http://www.tradingeconomics.com/brazil/inflation-cpi>.

¹⁰ <http://www.economist.com/blogs/graphicdetail/2015/12/economic-backgrounder>.

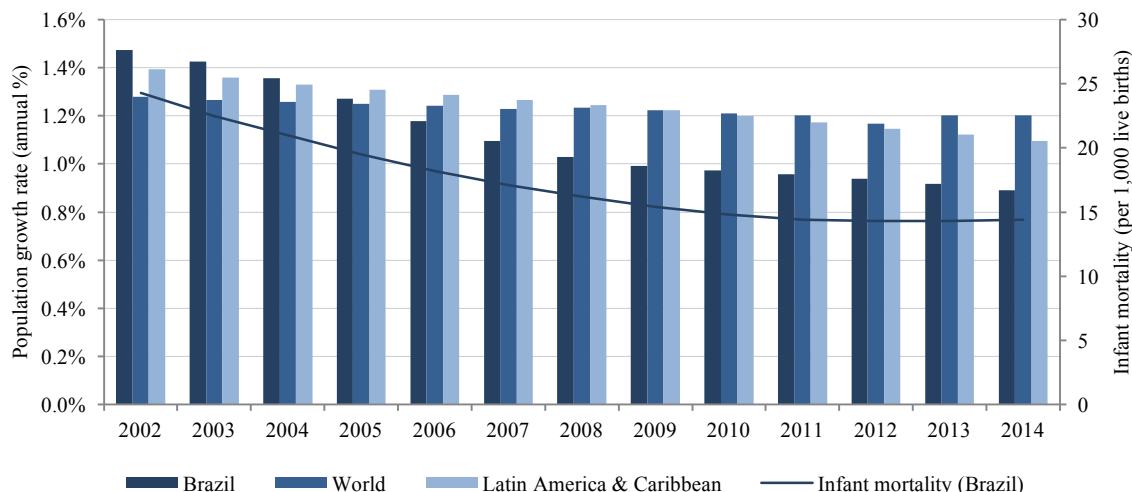


Figure 2 – Population and infant mortality development between 2002 and 2014 (Personal calculations with data from World Bank, 2015a).

As far as demography is concerned, in the last fifteen years, Brazilian population rose by 16%, in line with the 17% World's and Latin America's averages, and surpassed 200 million for the first time in 2013 (World Bank, 2015a). The main reasons for this demographic roar are related to the fact that life expectancy at birth, due to a sharp 44% drop in infant mortality in the last fifteen years (compared to an average 38% fall worldwide) and better life conditions of the progressively wealthier middle class, reached 73.9 years in 2013 (4.7% increase from 2001).

As a consequence of 2002-2011 economic expansion, roughly 26 million Brazilians made their way out of poverty, joining a rising middle class.¹¹ Between 2002 and 2012 the income of the poorest 40% population rose by an average 6%, compared to a 3.5% total population average income growth.¹² As such, the percentage of Brazilians living below the national poverty line went from 24.7% in 2001 to 7.4% in 2014, according to the World Bank (2015a). But what most of all describes the country's demographic changes is the evolution of the distribution of Brazilian population by income classes. According to OECD (2013), while in 2003 26.8% Brazilians belonged to Class E (defined as each citizen belonging to households with a monthly income below R\$1,085), 25.5% to Class D (monthly income between R\$1,085 and R\$1,734), 35.9% to Class C (monthly income between R\$1,734 and R\$7,475), 3.8% to Class B (monthly income between R\$7,475 and R\$9,745) and only 3.4%

¹¹ <http://www.ft.com/cms/s/0/70f8b4c4-d3e0-11e4-99bd-00144feab7de.html#axzz3x49KfCWU>.

¹² <http://www.worldbank.org/en/country/brazil/overview>.

to Class A (monthly income above R\$9,745), in 2014 these percentages changed to 8.1% for Class E, 15.6% for Class D, 55.9% for Class C (the new middle class), 7% for Class B and 6.1% for Class A.

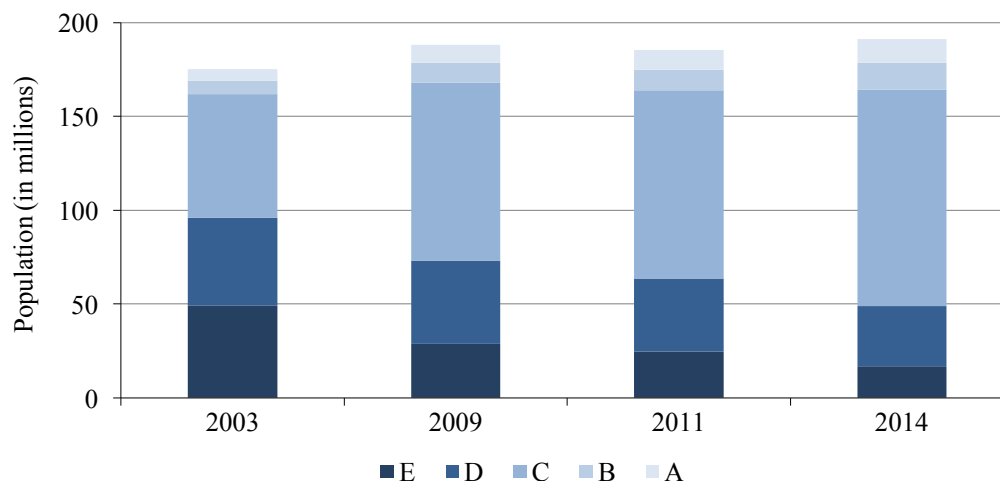


Figure 3 - Distribution of population by income classes in Brazil (OECD, 2013).

Such demographic trend also reflects in Brazilians' access to education. While, according to the World Bank (2015a), in 2006 more than 42% of national labor force only possessed primary education, while 29.5% had secondary education and only less than 9% had a University degree, in 2013 such percentages were 17.6% for primary education, 36% for secondary and 13% for University graduates.

However, with wages growing slower than inflation, around 35 million Brazilians belonging to lower middle class are vulnerable. As the Wall Street Journal (2015) puts it, those very policies that lifted millions of Brazilians from poverty to middle class are currently fueling the inflation now reducing their living standards. A recent research showed that the number of Brazilians being late on their payments grew to as much as 39% of the total adult population in September 2015.¹³

In conclusion, considering the data above, it can be observed that, despite the positive demographic trends that make Brazil an increasingly more populous country with a progressively wealthier middle class – due to the previous economic growth – and better life conditions – namely lower infant mortality and longer life expectancy, the country's macroeconomic and political scenario does not look as promising. Glory days when Brazil

¹³ <http://www.reuters.com/article/us-brazil-economy-trade-idUSKBN0KE1EP20150105>.

grew fast enough to reach the position of world's fifth largest economy are over, as GDP not only stopped growing, but also started contracting. Economic recession, however, seems to represent just the obvious and inevitable consequence of the unstable political situation President Rousseff's country lies in, dominated by thoughtless economic and fiscal decisions, chronic corruption and suffocating bureaucracy.

As far as the future of Brazilian economy is concerned, OECD (2015) says recession is expected to continue throughout 2016, due to needed fiscal adjustment, tighter monetary policy to put a leash to inflation and lack of investors' confidence in the political scenario.¹⁴ Thus, in spite of the positive demographic indicators, Brazilian economy does not provide the ideal conditions for any business to bloom and prosper.

Industry analysis

After examining Brazil's overall economic situation, the scope of our analysis will now narrow down to some specific sectors of Brazilian economy. The present paragraph will give the reader a detailed overview on the three industries Vaniday relates to. Firstly, Brazil's startup environment will be described, with the aim of understanding what being an entrepreneur in Brazil means. Secondly, data regarding Internet infrastructures and performance of the ecommerce sector will be analyzed. Finally, the analysis will focus on beauty and personal care in Brazil. The ultimate objective of this part consists in assessing the future outlook of the industries influencing Vaniday's business, in order to the venture's future potential.

2.1.1 Innovation and entrepreneurship

In order to grasp what Brazil means to entrepreneurship and what entrepreneurship means to Brazil right now, as well as to forecast what the country's startup environment will look like in the coming years, we need to start from one key figure: 8.3%. That figure represents by how much Brazil's *distance to frontier* (DTF) increased in the last five years. According to World Bank's *Doing business report* (2015c), Brazil ranks 120th worldwide in terms of ease

¹⁴ <http://www.oecd.org/eco/outlook/brazil-economic-forecast-summary.htm>.

of doing business.¹⁵ The *ease of doing business* ranking compares economies among them and displays to what extent the regulatory environment has changed compared to those of other countries. The rankings, which range from 1 to 189, are determined by sorting the aggregate DTF scores and rounding to two decimals. The so-called *distance to frontier* (DTF) score compares economies with regard to their regulatory best practices and represents the absolute distance to the best performance in terms of the report's selected indicators. When compared across multiple years, the DTF score shows how much the regulatory environment in an individual economy has changed over time. Scores are indicated on a scale of 0 to 100, where 0 represents the worst performance and 100 the best. Brazil's DTF increased by 8.3% since the World Bank started measuring it in 2010, going from 53.57 to this year's 58.01. Such low score, and the consequent disappointing ranking, that finds Brazil only 120th out of 189 countries, are based on the lengthy and heavily bureaucratic processes required to start a business in. Brazil's ranking even worsens if we consider only the cost, time and number of procedures needed to start up a new business. In this case Brazil only ranks 167th, among the world's worst 25 places to be an entrepreneur.

Currently the major South American startup hub, Chile ranked 41st as of ease of doing business in World Bank's ranking, representing a virtuous role model Brazil should aim to imitate in order to develop its primitive startup scene. Therefore, a comparison between the two countries can give an idea about how much Brazil still needs to grow to take over Chile as main Latin American innovation center. According to the same World Bank report, it currently takes as much as 83.6 days on average to start a business in the country, compared to a 54.4-days world average and to the only 5.5 days required in Chile. Such disappointing, yet timidly improving, figures speak for themselves regarding the still primitive stage of Brazil's startup environment.

¹⁵ World Bank Group, *Doing business data tables*, 2015, World Bank Group, retrieved from http://www.doingbusiness.org/reports/global-reports/~/_/media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB15-Chapters/DB15-Country-Tables.pdf.

Economy	Year	Rank (ease of doing business)	Overall DTF	Starting a business				
				Rank	DTF	Procedures required	Time (days)	Cost (% of income per capita)
Brazil	2015	120	58.01	167	63.37	11.6	83.6	4.3
Chile	2015	41	71.24	59	89.83	7	5.5	0.7

Table 1 – Doing business report results for Brazil and Chile (World Bank, 2015c).

However, in spite of Brazil's poor ranking in the World Bank index, there is more than meets the eye about Brazilian entrepreneurial scene. A research by Endeavour shows that more than three Brazilians out of four would prefer to be self-employed rather than work for someone else, compared to 37% in the European Union and 51% in the US.¹⁶ In fact, contrarily to what the World Bank index suggests, after the ecommerce boom as a consequence of higher Internet penetration in 2011, Brazil is currently the second most relevant startup center in Latin America after Chile, hosting almost half of Latin American startups according to AngelList.¹⁷ According to Startup Base, São Paulo is the richest state with 675 startups, followed by Minas Gerais (230) and Rio de Janeiro (180).¹⁸

The country's strong entrepreneurial attitude is accompanied by some interesting figures that, regardless the slumping national economy and some chronic limits in terms of high cost of capital, excessive bureaucracy and lacking infrastructures, make Brazil an attractive destination for foreign investments. According to Levin (2015), the already high mobile penetration of 1.39 phones per person is expected to grow even further, considering that smartphone sales rose by 7% last year and expanded by another 26% in the first two months of 2015. What is more, according to management consulting firm A.T. Kearney, 71% of Brazilians are reported to connect to the Internet at least once every waking hour (Levin,

¹⁶ R. Geromel, *Entrepreneurs, Not Soccer Players, Will Determine Brazil's Future*, 2014, Forbes, retrieved from <http://www.forbes.com/sites/ricardogeromel/2014/06/06/entrepreneurs-not-soccer-players-will-determine-brazils-future/>.

¹⁷ <https://angel.co/brazil>.

¹⁸ M. Rotaru, *Special analysis: overview of the Brazilian startup environment*, 2014, BBice+, retrieved from <http://www.b-bice-plus.eu/featuredarticle-startupbrazil/>.

2015). As a consequence of such exciting indicators, venture capital firms quadrupled investments in the country to \$197 million in 2014, the most since the Emerging Market Private Equity Association started tracking data in 2010, Levin continues. These record-breaking investments seem to look past Brazil's shrinking GDP and rising inflation, as well as to ignore the country's greatest constraint to investments in tech startups: the lack of talents. As reported by the United Nations, Brazil only produces 30,000 engineers a year, whereas South Korea, in spite of a population a quarter as big as Brazil's, has about 90,000.¹⁹

If private investments are increasingly hitting Brazil's startup market, that is also due to the progressively stronger support Brazilian government provides. Campinas, home of the University of Campinas in the state of São Paulo, and Belo Horizonte, capital of the state of Minas Gerais where Google established its Latin American R&D center, are the two major startup hubs. Belo Horizonte, and particularly San Pedro Valley – considered Brazil's answer to Silicon Valley – represent the country's entrepreneurship cradle, where the main governmental initiatives supporting innovation take place. There are two most important public programs supporting startups: SEED and Start Up Brasil.

The Startups and Entrepreneurship Ecosystem Development (SEED),²⁰ based on the successful Startup Chile program, was created in 2013 by the government of Minas Gerais state to foster the development of the local startup ecosystem, generating jobs and economic growth for the state. The program fosters a culture of innovation by attracting talents and promising business projects to the state and by connecting local entrepreneurs with worldwide innovation hubs. SEED's benefits include up to \$40,000 equity free public financing per team, office spaces, mentorship, training and, of course, a huge network of entrepreneurs and investors. Directed to both local and foreign businesses, SEED has become Latin America's second largest accelerator, *"bringing to life 73 companies from 12 different countries that together had R\$ 23 million in revenue until the end of 2014 and raised R\$ 10 million from private funds. Plus they influenced the life of 17,000+ people in 55 cities, considering most founders used to mentor and teach kids and young students on low-income communities"*, says Faria (2015). Notwithstanding the evident initial success, the program was shut down in April 2015 by the new government of the state of Minas Gerais. Despite

¹⁹ UNESCO, *Engineering: issues, challenges and opportunities for development*, 2010, UNESCO Publishing, retrieved from <http://unesdoc.unesco.org/images/0018/001897/189753e.pdf>.

²⁰ <http://seed.mg.gov.br/>.

trying to reassure that the program would go on, the government left dozens of startups without workspace and Internet connection overnight, arguing that only few businesses involved in the program were actually staying within the state and creating local development. Government will take at least six months to get the project back on track, wasting precious business opportunities and reformulating a stricter version of the program that will turn out to be less appealing to global projects.²¹

Launched in 2013 by Brazil's federal government, Start Up Brasil²² is a nationwide initiative that partners up with nine national accelerators in order to support the development of startups in the country. Appealing both Brazilian and foreign talents (25% of current startups come from abroad), accelerators offer business guidance, office spaces, financial support and networks of investors and entrepreneurs, hosting startups from six months to a year. This public-private partnership is part of the broader governmental initiative *TI Maior* launched in 2012, and it aims to support up to one hundred early-stage startups through a mainly private \$18 million investment. Start Up Brasil runs two public calls a year – one for accelerators and another for startups – and reviews applications based on business model, scalability and degree of innovation.²³

What emerges from the above literature review is that, in spite of the country's economic downturn and political instability, Brazil's startup scene represents a pretty attractive investment opportunity, as well as a rather dynamic market that aims to overtake Chile as major Latin America's startup and innovation hub in the coming years. The market is still primitive and far from reaching its full potential, due to the suffocating bureaucracy that lengthens the time needed to start a business, and to governments' lack of long-term perspective, which recently shut down SEED. However, local and foreign investors, attracted by the remarkable growth potential of the Internet sector, are seizing the opportunity and investing more heavily year after year. Public institutions are finally joining the scene and actively supporting startups development with the creation of new programs, while smaller

²¹ A. Heim, *How Brazilian startup program SEED lost track, and why it matters*, 2015, The Next Web, retrieved from <http://thenextweb.com/insider/2015/04/05/how-brazilian-startup-program-seed-lost-track-and-why-it-matters/>.

²² <http://startupbrasil.org.br/>.

²³ A. Heim, *An in-depth look at Start-Up Brasil*, 2013, The Next Web, retrieved from <http://thenextweb.com/la/2013/03/24/an-in-depth-look-at-start-up-brasil/>.

actors also give their contribution where big institutions still cannot get. For instance, funding platform Fundacity recently launched a new service allowing Brazilian investors to co-invest small amounts of money in local startups, together with experienced angel investors.

Brazil does not lack success stories: search engine Akwan was acquired by Google in 2005, while Easy Taxi, after being acquired by Rocket Internet, has already raised \$32 million funding and is now present in 30 countries. Considering the above, the industry outlook appears promising, although much work still needs to be done. According to SEED's president André Barrence, Brazil's final leap to become the main startup hub in Latin America is a matter of culture. *"I think there are many public problems that can be solved by entrepreneurs. In order to do that, big changes need to be made around providing financing to startups, but what we really miss is the culture of entrepreneurship and innovation, an education considering entrepreneurship as a viable career option for young talents"*, says Mr. Barrence.²⁴ The future development of Brazil's startup ecosystem will be reached by changing the perception of entrepreneurship and raising awareness on the beneficial impact it can have on the whole country.

2.1.2 Internet and ecommerce

Data from the World Bank (2015a) show that Brazilian Internet penetration increased by ten times since 2001, reaching 57.6% of the population in 2015, corresponding to around 108 million people. Such growth, boosted by an average 64% increase per year in the period 2001-2004, attained three times higher levels than the world's average. According to Euromonitor (*Technology, Communications and Media: Brazil, 2015*), despite a still low fixed-broadband penetration in the most inaccessible and poorest rural areas, tuned even more critic by the recent economic slowdown that weakens investments in telecom infrastructures, Brazil remains the leading country in Latin America as of Internet access, mobile Internet penetration and ecommerce transactions. Such increasing Internet diffusion in the last fifteen years was partly due to the progressively lower PC prices that enabled Brazil's emerging middle class to afford such devices at home.²⁵ Moreover, government's National

²⁴ A. Komarnicki, *Can Brazil become THE startup hub for Latin America?*, 2014, Fundacity Blog, retrieved from <https://fundacitylive.wordpress.com/2014/06/20/is-brazilian-startup-ecosystem-ready-for-more-angel-investing/>.

²⁵ M. Teixeira, *Internet usage in Brazil*, 2014, Tech in Brazil, retrieved from <http://techinbrazil.com/internet-usage-in-brazil>.

Broadband Plan is expected to address low rural broadband coverage and boost Internet usage. As such, Brazil's Internet user base is expected to increase to 163 million by 2030, a growth of 51% over 2015, Euromonitor (*Technology, Communications and Media: Brazil, 2015*) forecasts.

As far as mobile Internet is concerned, the above mentioned extraordinary levels of sales of mobile devices, mostly caused by the introduction of low cost smartphones, boosted mobile penetration up to 1.39 phones per person. As a consequence of such mobile penetration, Euromonitor (*Technology, Communications and Media: Brazil, 2015*) reports that mobile Internet subscriptions as a percentage of total mobile subscriptions stood at 46.9% in 2014, compared to 5.1% in 2009, and are expected to grow by another 25.1% by 2030. As such, country's main mobile operators are investing heavily in 3G and 4G networks to meet such demand for data services. Just to mention a few, Claro Brazil is reported to invest \$3.8 billion in its 3G and 4G networks during 2015, while Vivo has extended 4G services to 16 new cities, covering 77 million Brazilians at the end of last year.

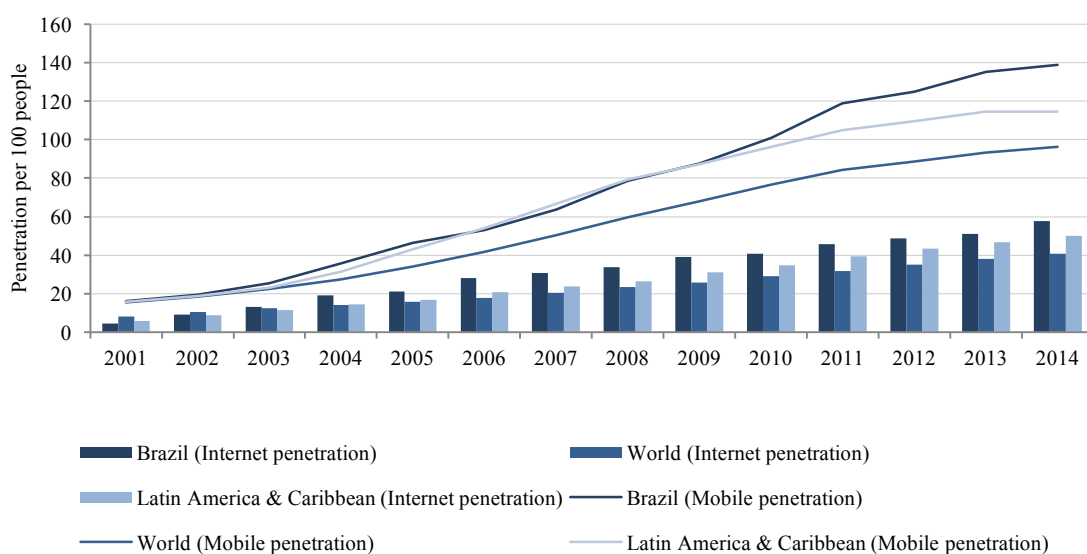


Figure 4 – Internet and mobile penetration between 2001 and 2014 (Personal calculations with data from World Bank, 2015a).

Brazilians are real Internet addicts. Data show that monthly Internet usage in the country totals 28.7 hours per user, compared to a 21.9-hour Latin American average. Furthermore, 26% of Brazilian users access the Internet on a daily basis.²⁶ Most of the time spent online

²⁶ <http://www.statista.com/topics/2045/internet-usage-in-brazil/>.

goes to social networks, as the average time spent on these websites by Brazilian users was found to be almost twice as much as the worldwide average. According to Tech in Brazil (2014), Facebook is the most common social network, where Brazilians are the most represented nationality after US residents, with 66 million users. The same research shows that Brazilians spend more time on Facebook than Mexicans and Argentinians combined.

With such remarkable and still improving figures, Brazil represents a land of opportunities for ecommerce platforms. According to Euromonitor (*Internet Retailing in Brazil*, 2015), Internet retailing totaled \$12.3 billion in sales value in 2014, a growth of 79.8% over 2009, and is forecasted to grow by as much as 26.3% by 2019. Such expansion rate represents one of the lowest in Latin America, showing the advanced maturity of the Brazilian market. Consumer electronics, apparel and footwear and media products represent the most purchased categories, expected to strengthen even further their position in the next years. Local retailers B2W and Via Varejo led the market in 2014, accounting for a combined 28% market share, while US-based Amazon and Walmart showed extraordinary sales growth. Finally, credit cards, offering the option of financing purchases through installment credits with partial payments made over time, represent the preferred payment method with a rate of 69%, while nearly one quarter of online shoppers use Boleto Bancário (a bank-released invoice entitling a client to pay a determined amount to a merchant, by simply depositing the amount in cash at any bank, supermarket or post office).²⁷

The fast growing mobile Internet penetration described above has translated into a dynamic m-commerce – online retailing via smartphones – segment, whose total retail value stood at \$943 million in 2014, more than ten times higher than five years before. What is more, such market is expected to grow by another 282% by 2019 totaling \$5.6 billion in total sales (Euromonitor - *Internet Retailing in Brazil*, 2015). M-commerce sales currently represent 7% of total e-commerce sales in Brazil, limited by the low level of safety perceived by customers that still prefer to purchase on PCs.²⁸ However, some companies are investing in specific interfaces to navigate online through mobile devices, which are expected to positively impact perceived safety and boost m-commerce (Euromonitor - *Internet Retailing in Brazil*, 2015). Moreover, considering Brazil's young population, m-commerce sales are projected to boom

²⁷ https://www.digitalriver.com/marketing_material/country-spotlight-value-brief-brazil/.

²⁸ M. Teixeira, *M-commerce in Brazil*, 2015, Tech in Brazil, retrieved from <http://techinbrazil.com/m-commerce-in-brazil>.

in the coming years, given that 70% of mobile purchases are currently performed by consumers aged 25-49.

Overall, Latin America keeps the position of second fastest-growing ecommerce market worldwide behind China. And Brazil, thanks to high Internet penetration, a roaring market for cheap mobile devices, and a progressively more diffuse digital culture, is leading such growth. Such promising trends simply make Brazil one of the most attractive markets worldwide for ecommerce platforms. World's online retail leader Amazon does not need to be told that.²⁹ According to Schoon (2014), the company totaled \$475 million sales in Latin America in 2013, growing by 140% from the previous year. Latin America was Amazon's fastest-growing market in 2013, developing 3.7 times faster than China, seven times faster than North America, and 8.3 times faster than Europe.³⁰

2.1.3 Beauty and personal care

Brazilians love taking care of their appearance. Just to give an idea, Brazil ranks first in the world in number of liposuctions performed, fourth for gym subscriptions and second in number of plastic surgeries after the United States, with 11.5 million operations a year (McKinsey, 2010). Furthermore, even though representing less than 3% of the world population, the country is responsible for 12% of deodorant consumption with the highest use worldwide, with Brazilians also spending more money on perfume than any other population (Forbes, 2014). Beauty in Brazil is therefore a big deal: Brazilians are responsible for per capita spending on beauty and personal care products of around \$260 a year, producing a total market size of R\$102 billion of sales in 2014 (Euromonitor - *Beauty and Personal Care in Brazil*, 2015), which in turn accounts to 1.8% of the country's GDP and 9.4% of the world's consumption.³¹ As a consequence of such astonishing figures, Brazil is currently the third biggest market in the world for beauty and personal care, after the US and China, way ahead of Japan, according to Euromonitor.

²⁹ <http://www.latinpost.com/articles/17861/20140724/brazil-leads-latin-american-ecommerce-growth-becoming-amazons-biggest-foreign-market.htm>.

³⁰ <http://www.latinpost.com/articles/17861/20140724/brazil-leads-latin-american-ecommerce-growth-becoming-amazons-biggest-foreign-market.htm>.

³¹ <http://www.premiumbeautynews.com/en/brazilian-cosmetics-market-grew-by,8021>.

If possible, figures for beauty services are at least as remarkable. According to FedecomercioSP, Brazilians spend annually R\$20.3 billion on services such as hairdresser, manicure and pedicure, 18% higher than spending on regular education, which accounts for R\$17.2 billion a year, and even exceeding the R\$19.9 billion spent annually on basic foods. Only in the State of São Paulo around 31% of households' annual income – R\$6.3 billion – is spent in beauty salons. Class C leads expenditures with some annual R\$11.8 billion, of which R\$3.7 billion in the State of São Paulo alone, followed by classes A, B, D and E.³²

As a consequence of the important economic growth the country experienced between 2001 and 2011, many Brazilians, as mentioned before, made their way out of poverty and joined the new middle class, relying on a higher disposable income. This newborn slice of population saw beauty and personal care as a symbol of the newly acquired wealth, thus increasing their expenditures in this category of products and services, boosting demand. As a result, the market grew by an average 14% in the past five years, while US and China achieved growth rates of just 2% and 10% respectively over the same period.³³ Such vision of beauty care as a symbol of wealth did not only lead to more beauty products purchased, but also further nurtured Brazilians' enthusiasm towards plastic surgeries, even among lower classes. This is why the Brazilian Society of Aesthetic Medicine, a plastic surgery clinic based in Rio de Janeiro, performed free aesthetic procedures on more than 14,000 patients since 1997.³⁴

After maintaining double-digit growth during the global financial crisis, the country's economic slowdown started in 2014 to have an impact on the beauty market, which continued to grow, although at a slower pace. Market analysts raised concerns regarding the industry outlook, arguing that beauty sales might shrink in 2016 for the first time after fifteen years, as consumers cut spending due to the current recession. Additionally, a sudden increase in the industrial IPI tax in July 2015 will force cosmetics producers to raise prices by roughly 20%,

³² http://www.jurisway.org.br/en/article.asp?id_dh=15268.

³³ <http://www.mckinseyonmarketingandsales.com/how-to-be-more-beautiful-in-brazil>.

³⁴ <http://www.dailymail.co.uk/news/article-2119099/Beauty-right-Brazils-poor-FREE-plastic-surgery-make-look-better.html>.

further pressuring the industry. Both factors, experts say, might potentially squeeze profits margins by 10% compared to 2015.³⁵

Nevertheless, the industry is solid. Despite the recent negative economic situation, consumers are not willing to stop their consumption of personal care products and services (Euromonitor - *Beauty and Personal Care in Brazil*, 2015). In fact, according to a report by McKinsey (2010), Brazilian new wealthy middle class, who already accounts for 65% of cosmetics consumption, is trading up to more expensive products, while, at the same time, low-income classes are joining the market too. As McKinsey (2015) puts it, Brazilians see consumption as a key indicator of social standing and financial health. Their rather indulgent and impulsive buying, seen as a reward for the daily struggles, makes Brazilians' purchasing patterns less dependent on their financial conditions. In fact, middle class exponents consider beauty and personal care as a necessary indulgence, not being willing to cut their spending even during recession, rather sacrificing other comforts.

At the same time, consumers are getting more and more conscious about the quality of the beauty products they buy. Products containing natural ingredients and natural resources, which had so far allowed Brazilian producers to perform outstandingly abroad, are nowadays also sought for by local consumers, boosting sales of local players such as O Boticário and Natura.

Such a promising industry ended up attracting more and more new entrants in the last years. In 2014 FMCG giant Unilever took the lead in overall beauty and personal care, with a total value share of 12%. Former market leader Natura Cosméticos, a 100% Brazilian-owned company, fell to the second position. Meanwhile, market also became more concentrated, as the consolidated market share owned by the five biggest players went from 37% in 2002 to today's 49%.³⁶

The increasing competition forced the existing players to differentiate their offer, for instance by adopting a multichannel sales strategy including online sales channels. Producers benefit from Internet retailing in different ways. On the one hand, products reach potential buyers without customers having to visit physical stores – a considerably important factor in an

³⁵ <http://wwd.com/beauty-industry-news/beauty-features/brazilian-recession-slicing-beauty-sales-10278418/print-preview/>.

³⁶ <http://www.mckinseyonmarketingandsales.com/how-to-be-more-beautiful-in-brazil>.

increasingly more congested country, where urban population went from 81% to 85.5% in the past fifteen years (World Bank, 2015a). On the other hand, online retailing allows companies to reach lower-income classes, living in peripheral areas of Brazilian cities and reported to represent more than 50% of total ecommerce consumers³⁷, in a more efficient way and facing lower costs than those implied by direct sales.

Despite the initial clash with the direct sales model typical of the beauty products industry, as the new online channel would generate unfair competition to the over two million sales reps operating in the country, online retailing has become a common practice in the sector during the last few years. For instance, former market leader Natura launched its own online channel called *Rede Natura* (“Natura Network”) last year. Rede Natura brings a new strategy in Internet retailing, in which consumers are connected with online consultants that process their orders for them. Such strategy aims to avoid the competition between sales reps and online retailing, by making the two channels work together. Rede Natura resulted in a 16% non-store retailing market share for the company in 2014, strengthening the firm’s competitive positioning.

Overall, Brazilian online retailing for beauty and personal care products grew by 22.5% within the last five years, up to 4% of total ecommerce sales, and it is forecasted to expand by another 7% by 2019 (Euromonitor - *Internet Retailing in Brazil*, 2015). Moreover, according to McKinsey (2015), ecommerce consumers grew by an average 35% a year between 2004 and 2013, when they placed as many as 88 million orders – a 32% growth over the previous year.³⁸ Considering that currently only 1% of overall beauty products sales happens online (compared to US 10%), opportunities in this industry seem just enormous. Such figures are particularly appealing to local and foreign investors: BelezaNaWeb, Brazil’s leading beauty ecommerce company, which few months ago raised \$30 million Series C round funding from a US private equity investor.³⁹

The industry outlook appears positive for Vaniday, not only as a result of the already high expenditures in beauty services middle class is responsible for and that are unlikely to contract anytime soon, but also considering that the increased awareness regarding the quality

³⁷ <http://www.mckinseyonmarketingandsales.com/how-to-be-more-beautiful-in-brazil>.

³⁸ <http://www.mckinseyonmarketingandsales.com/how-to-be-more-beautiful-in-brazil>.

³⁹ <http://techcrunch.com/2015/06/15/belezanaweb-raises-30m-to-bring-brazils-beauty-market-online/>.

of beauty products and services might lead consumers to try new beauty professionals using better or more natural products and treatments.

Market analysis

The present chapter will take the external analysis of the environment Vaniday Brazil operates in to a more practical and narrower level. After analyzing Brazil's economic indicators and evaluating the performance of the industries related to Vaniday's business, we will now get closer to the company, assessing the market it has to compete in. This market analysis, taking into considerations the insights provided by the in-company interviews, will briefly describe the degree of competition in Vaniday's market. Such analysis will follow Michael Porter's Five Forces framework, which assesses the level of competition within industries based on the following five dimensions:

1. Industry rivalry;
2. Threat of substitutes;
3. Threat of new entrants;
4. Bargaining power of buyers;
5. Bargaining power of suppliers.

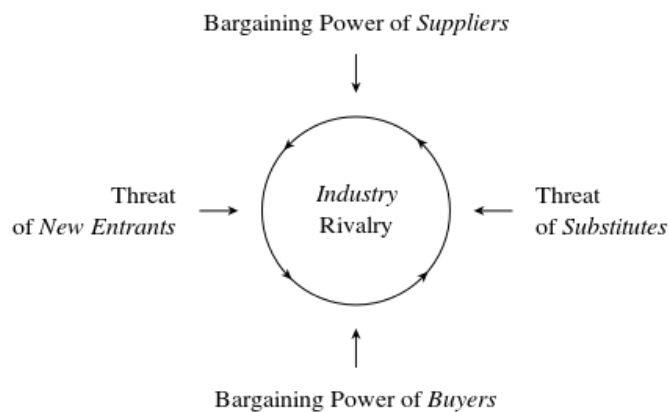


Figure 5 – The Five Forces framework by Michael Porter (Personal illustration, 2015).

2.1.4 Industry rivalry

Vaniday's Global CEO Maxime Legardez explains that “*we don't see any global competitors, we only see nationwide, new players entering the market*”.⁴⁰ As of Vaniday's competitive environment in Brazil, CEO Cristiano Soares points out that there are few and relatively young competitors. The reason lies in the fact that beauty market in Brazil has always been traditionally offline, and it is turning online only in recent years. Therefore, the only existing competitors started their operations in the last three years. Besides, given their lack of strong financial means, these players did not achieve the desired levels of growth, remaining smaller than Vaniday after just six months of operations in terms of number of professionals and bookings.

Although Vaniday's business model will be described and analyzed in depth in the next chapter, one very important consideration needs to be pointed out at this stage. Even before the venture started its operations in January 2015, the business model was conceived to address both independent professionals and salons in the market of beauty services. This decision was driven by the remarkable size of such untapped market: \$42 billion in combined sales, more than a quarter million registered beauty salons, and around two million independent professionals,⁴¹ making Brazil the world's third largest beauty and personal care market, after the US and China, as well as a huge opportunity. However, in June 2015 Vaniday made, at a global level, the impactful strategic decision of changing its target suppliers. From that moment on, the company would have not collaborated with independent professionals anymore, working exclusively with physically present beauty salons. Such business model turnaround had its roots in the low level of reliability of independent professionals: established physical beauty salons are easier to be charged a commission, and the quality of their services can be controlled and assured with no troubles, as explained later on in this paragraph. Conversely, independent professionals working at the client without a physical workspace are often unreachable when it comes to charge them a commission on their provided services, and the quality of these services is also harder to control. As

⁴⁰ S. O'Hear, *Vaniday, Rocket Internet's Beauty And Wellness Marketplace, Scores €15M Backing*, July 30th, 2015, Tech Crunch, retrieved from <http://techcrunch.com/2015/07/30/vaniday/>.

⁴¹ A. Heim, *Why Rocket Internet's new beauty marketplace Vaniday is launching first in Brazil*, 2015, The Next Web, retrieved from: <http://thenextweb.com/insider/2015/03/29/why-rocket-internets-new-beauty-marketplace-vaniday-is-launching-first-in-brazil/>.

imaginable, the decision to radically change business model disrupted the venture's operations, as many processes had to restart from scratch, and performance, since most of the bookings at that point came from services provided at home. The impact of such decision will be further discussed in the next chapter.

Mr. Soares identified four existing competitors in the Brazilian market: three rather small players and one rising star. Rio de Janeiro main player Trinks⁴² can rely on a solid supply base with many salons onboarded, although a still poor quality in both profiles and website design limits its expansion. Accelerated by Telefonica's Wayra, one of Start Up Brasil's nine accelerators, SalãoVIP⁴³ competes with Vaniday in São Paulo market, while Hora do Salão's⁴⁴ business model is a mixture between Vaniday and Trinks' ones. However, as Mr. Soares argues, *"none of these players is a marketplace, they all are rather schedule management tools, allowing the salon's owner to manage more easily schedules and bookings. They also allow clients to book online, but their main focus and feature lie in providing a management tool"*. Vaniday's main goal was to *"differentiate itself and offer the market a new value proposition, with the objective of bringing more clients to the salons and taking a traditionally offline market online. It can be said that, while the competitors are 60% management tool and 40% online booking system, Vaniday is rather an online booking system, providing also a management tool aside"*, Mr. Soares continues.

While these three players do not constitute real threats for Vaniday, due to their different business model and rather limited initial budget that slows down their growth, competitor Singu⁴⁵ looks way more promising. Backed by Brazilian Rocket Internet contender eGenius, Singu can rely on more consistent initial investments and it is experiencing high levels of growth after starting its operations few months after Vaniday.

However, as Mr. Soares observes, Singu presents a slightly different business model focusing exclusively on independent professionals, not on salons. The market Singu aims to is the world's third biggest, but it is very hard to capture, due to two factors: quality assurance and commission charge. First, as pointed out earlier in this paragraph, it is harder to validate independent professionals and assure the quality of the services they provide and the products

⁴² <http://www.trinks.com/>.

⁴³ <http://www.salaovip.com.br/>.

⁴⁴ <https://www.horadosalao.com/>.

⁴⁵ <http://www.singu.com.br/>.

they use through some kind of certification. This is mostly due to the fact that independent professionals often do not operate in their own physical space and cannot be reached regularly, making it harder to monitor their services on a constant basis. Conversely, professionals operating in physically established salons are more easily reachable and their work can be subject to quality controls using less resources – Vaniday’s account managers can visit a salon and check the work of more professionals at a time. Furthermore, the risks connected to sending clients to somebody’s domicile are therefore too high for the platform without any quality assurance. *“This is also the main reason why Vaniday changed its business model's focus despite initially targeting mostly professionals: salons are more trustworthy and easier to subject to quality control”*, Mr. Soares explains. Secondly, it is too difficult to charge individual professionals a commission on their services, as they often do not have a physical workspace or a CNPJ (Brazilian fiscal number for enterprises). Although it is much easier for young businesses like Vaniday and Singu to onboard independent professionals than those organized around salons, Vaniday’s bold business model turnaround should guarantee the company a bigger slice of the market in the long term, in spite of the short-term opportunity cost of sacrificing the majority of early bookings, typically coming from independent professionals providing entry services at the clients.

Customer retention is currently rather high, showing that existing customers come back for a second purchase and often even book services on a weekly basis. Such high levels of customer retention showcase the successful performance of the venture’s customer service.

However, what plays in favor of Vaniday, besides Rocket Internet’s structure and investments, is its value proposition to attract new customers. The previous economic analysis reported that Brazil’s urban population increased by almost 5% in the past fifteen years (World Bank, 2015a), making Brazilian cities – especially São Paulo – more congested. Due to the increased traffic, customers might be unable to reach their favorite and trusted beauty professionals when they need to (e.g. when they need a haircut or makeup on their way from the office to an appointment or night out). Vaniday’s business model would surely fulfill such needs, allowing customers to find new professionals on demand anytime anywhere. Additionally, Vaniday’s value proposition seems particularly appealing for foreigners visiting Brazil for business or leisure. Just like they check platforms like Tripadvisor when they look for restaurants or bars in a new city, basing their choice on reviews by previous customers, foreigners would surely rely on Vaniday to choose where to have a haircut in an unknown city, possibly next to their hotel.

Overall, the degree of existing competition in Vaniday's market can be considered rather low, as the few currently existing competitors present different business models, as well as rely on significantly lower resources – both financial and in terms of processes, knowledge and expertise – than Vaniday. Should Vaniday manage to win competition, the prize would be priceless. As anticipated in the previous industry analysis, Brazilians spend some annual R\$20.3 billion on beauty services, of which R\$6.3 billion in the State of São Paulo alone. Given that this state is the country's most populous with a total population of 41 million people in 2014⁴⁶, Paulistas are responsible for yearly per capita expenditures of around R\$154. Considering that Vaniday's initial focus is represented by the city of São Paulo and, thanks to a varied supply base including salons for any price range, the venture potentially targets all income classes, Vaniday aims to conquer a market worth R\$1.7 billion in annual expenditures (R\$154 annual average per capita expenditures in the State of São Paulo times 11 million people living in the Capital⁴⁷). Considering that the commission Vaniday charges on each service performed by its professionals ranges between 10% and 20%, potential revenues would average up to some R\$254.1 million a year.

2.1.5 Threat of substitutes

As pointed out before, Brazilian beauty market has traditionally been an offline market, which is turning online only in recent years. Being a newly created market, the first big players like Vaniday and Singu are getting started just now. Therefore, the only existing substitutes consist in the older smaller players having a different business model. These do not really connect customers and professionals, but simply provide salons with a schedule management tool. Such substitutes do not represent a real threat at the moment, but they would once enriched their business model to make it more similar to Vaniday's one. Simultaneously, new business concepts offering alternative services might be developed and enter the market in the future, threatening Vaniday's leadership. However, it must be considered that, by the time such events will take place, big players such as Vaniday and Singu, thanks to their complete value proposition and their superior financial resources, operational processes and market knowledge, will have already built a solid position hard to undermine.

⁴⁶ <http://www.brazil.org.za/sao-paulo.html>.

⁴⁷ <http://worldpopulationreview.com/world-cities/sao-paulo-population/>.

As of today, the only credible substitute to Vaniday is the very market Vaniday is trying to disrupt. In other words, the only reason why customers would choose not to join the platform would lie in their decision to stick to the traditional offline way of booking beauty services. Crucial step towards the venture's market success is to attract new customers, convincing them to "betray" their trusted beauty professionals and find new ones on the platform. However, such step seems as complicated as it is crucial, as it would require customers to break the existing relationship with their previous professionals. Given that such relationship is highly personal and based on trust, due to the significant role played by appearance in today's society, it would be hard to trigger such switch. In order to achieve the objective, Vaniday is currently insisting on two factors: supply size and variety, and convenience. On the one hand, increasing the number and variety of professionals on the platform, in terms of professional category, geography and price range, would increase the chances for customers to find the right match for their needs. On the other hand, the fastest and most immediate way to induce customers to try new professionals is by providing them with a short-term monetary incentive in the form of discounts for those customers trying the platform for the first time. An additional initiative aimed at increasing first-time customers might be represented by a referral program, where both the existing referring and the new referred customers would gain some sort of discount when the new client performs his/her first booking. The positive performance Vaniday achieved in the first months of operations was therefore highly dependent on the emphasis put on the creation of a consistent and varied supply base and to the discounts put into action to attract new clients.

2.1.6 Threat of new entrants

As already explained in the previous paragraphs, Rocket Internet's structure and investments are likely to set the gap between Vaniday and its competitors – both existing and potential. Potential new competitors can be represented by new beauty service marketplaces developed by existing global Internet retailers, such as Amazon or Latin America's ecommerce market leader B2W Group, which owns successful ecommerce websites such as Americanas.com and Submarino. Such big players would surely possess enough financial power and technical (IT and software) and operational (distribution and customer service) expertise to successfully enter Vaniday's market and potentially even succeed in surviving. However, such players purely sell products, and not services: such lack of service focus, combined with their total lack of knowledge of the beauty care industry, would jeopardize their financial resources and expertise, giving Vaniday an important competitive advantage. In other words,

such ecommerce giants are the most likely to manage to represent credible new entrants, however, Vaniday's knowledge of the service-oriented type of business and beauty care industry would still set an important gap with these players.

Overall, on their entrance in the market, new smaller competitors will have to face too high entry barriers, consisting in Vaniday's proved business model, well-oiled operational processes and strong financial means. Such barriers will ensure the company the position of market leader for the years ahead, seriously limiting new entrants' ambitions. To conclude, it can be concluded that the market the venture operates in does not present relevant threats of new potential entrants.

2.1.7 Bargaining power of buyers

In order to assess the buyers' bargaining power, it can be useful to first describe their behavior and characteristics of demand. Regarding customer behavior, data provided by the venture show that manicure represents the most purchased category during the first months of operations. Such category belongs to the so-called *entry services*, as it presents lower risk for new customers, being cheaper and having a lower impact on the person's appearance. *"Customers are now trying the service, therefore are less incline to take risks: this is why they opt for cheaper and less invasive services with a lower regret potential"*, Mr. Soares explains. According to Vaniday Brazil's Head of Operations Marcelo Franco, *"at some point the service nails at home was so successful that we had to hire more people for customer service"*. As a consequence, the venture's monthly average basket size – the average price of the services purchased in a given month – is still rather low, around R\$30, due to the prevalence of such less risky and cheaper entry services. However, the firm aims to reach a R\$100 average basket size within the next months.

As of customers' preferred channels, company's data suggest that they mainly book through the website, since the mobile app has been released more recently and still presented bugs. But, as Mr. Soares sees it, *"I am sure that the future of our business will be mobile"*. Unfortunately, Vaniday chose not to disclose any data regarding number of users and traffic on their mobile app and website, despite the student's request.

However, buyers' bargaining power seems to be rather high, considering that they could easily fulfill their needs offline, without accessing Vaniday's platform. For instance, customers could use Vaniday to search and compare professionals, without then performing an online booking. Such behavior would translate into no revenues for the platform,

threatening its profitability. This *switch potential* on the buyer side, in fact, represents the main issue and threat to the venture's business model. As further explained in the next chapter, customers might also choose not to book through Vaniday after the first time and once they found their favorite professional, enjoying the potential discount professionals might be willing to apply when not charged Vaniday's 10-20% commission. Customers' bargaining power is therefore high, requiring high levels of customer service in order not to piss them off and maintain high customer retention. Besides maintaining high levels of customer service both before and after sales, the most immediate initiative the venture is already adopting to hedge against the risk of losing customers after the first booking, is through further discounts. While an initial discount, as already suggested above, can motivate customers to try the platform for the first time, further discounts (e.g. one free service after the fifth booking or 10% off on the second booking in two consecutive weeks) could refrain them from leaving it, making it more convenient for them to stay and increasing retention.

2.1.8 Bargaining power of suppliers

Suppliers are strongly integrated in Vaniday's business model and value proposition, representing a crucial asset for the venture's success. As further explained in the next chapters, size and quality of the supplier base are crucial to attract customers and increase their trust in the platform, that in turn translates into online payments and more bookings. As a consequence, a loss of suppliers might affect consumers' trust, professionals' variety and availability, and therefore reduce bookings, weakening tremendously the firm's performance. The fact that professionals join the platform for free and are therefore also able to quit it with no costs, makes this threat rather significant, meaning a very high bargaining power of suppliers for Vaniday.

2.1.9 Conclusion

To conclude this market analysis, it can be affirmed that Brazilian competitive environment, consisting in smaller players with sensibly lower investments, different business models and value propositions targeting different markets, does not constitute an imminent threat to Vaniday's success. What is more, Rocket Internet's weight in terms of much higher investments and more efficient structure and processes is likely to ensure the venture the position of market leader, creating high barriers to both substitutes and new entrants. Moreover, the recent business model change, focusing on established salons, whose quality is easier to check, is likely to increase customers' trust in the platform, allowing for higher

average basket size and customer retention, as well as for a broader diffusion of mobile bookings. However, the high bargaining power of both suppliers and buyers represents a serious threat to the venture performance, requiring effective and efficient customer service and CRM structures.

3 Internal analysis

Thanks to the previous chapter, the reader should now possess a clear and comprehensive overview of the external environment Vaniday operates in. As such, the main forces impacting the firm's performance from the outside should have been identified, both macro- and micro-economically. Conversely, the present part of the work will provide an exhaustive internal analysis of the company and its business model. This part therefore aims to thoroughly describe Vaniday's business, to define how it started, at what stage of development it is now, and where it is going to be in the future. Apart from the merely descriptive purpose of making the reader aware of Vaniday's business model and internal environment, this chapter's main objective lies in the assessment of the venture's ability to adapt to the external environment described above. In other words, this part will evaluate whether the firm owns the internal characteristics required to seize the opportunities and respond to the threats that the external environment previously described presents. The latter will represent a good starting point to analyze Vaniday's actual potential for future success, in terms of scalability and profitability, which is this work's ultimate goal.

Structure wise, this chapter will consist in two paragraphs: while the first will provide an overview of the company, the second will comprise the theoretical part of the present work. With the aim of assessing Vaniday's business model, the existing literature about business models' analysis will be reviewed and described. Consequently, one framework will be chosen among the ones presented, and then applied to the firm's business model. Content wise, the second paragraph will take into consideration the venture's corporate mission and objectives, its sources of competitive advantage, internal structure and culture. This part will rely on exclusive and insightful interviews with Vaniday Brazil's CEO and Head of Operations, as well as on publicly available materials found on the Internet.

Company analysis

The present paragraph will shortly introduce Vaniday, what its business consists in and the main facts about the company. Moreover, a brief overview of the international venture builder behind the firm will also be given.

3.1.1 Company overview

Vaniday is an online marketplace where customers can find and book beauty and wellness professionals on demand. It allows clients to discover, through geo-localization, new services and beauty professionals nearby, compare them, by accessing previous customers' reviews, and book appointments online. On the other hand, professionals can showcase their work, connect with potential and existing clients and grow their business. What is more, it provides beauty professionals and salons with an online management tool to administer their schedules, optimizing their working time by filling up their schedule in an efficient way, also thanks to the higher number of bookings brought by the platform. Further, the company lately introduced an online payment system enabling customers to pay the services upfront, thus reducing the risks related to cash transactions. After starting its operations in January 2015 in São Paulo (Brazil), the venture launched Brazil as first market worldwide, featuring more than 100 salons and a total of 200 services at the end of the project. After Brazil, the website and the relative mobile app are already operating in Russia, United Arab Emirates, Italy, Singapore and Australia.

As any other early-stage venture, Vaniday also requires and relies on huge capital investments. However, unlike other startups at the same stage of growth, the venture is totally owned and controlled by the German venture-builder Rocket Internet. Therefore, Vaniday does not need to attract investments on the free capital markets and does not have to deal with any external investor or venture capital fund: Rocket Internet owns 100% of the company's shares, periodically fuels the venture's expansion through new capital inflows and is responsible for corporate strategy decisions. Unfortunately, when asked, neither Vaniday Brazil's CEO nor Rocket Internet accepted to disclose any figures related to the company's financials or to the investments the venture received over time from its parent company. Therefore, no financial analysis can be included in this work.

As of Vaniday's marketing strategy, as further explained later on in the business model analysis, the Brazilian subsidiary has very limited independence in terms of PR and marketing initiatives. While PR and media initiatives (presence on local newspapers, magazines, radio and TV, as well as physical events in Brazil) are managed from the local marketing team in São Paulo, all other marketing strategies are designed and put into action by the company's headquarters in Berlin, Germany. Besides PR, marketing activities mainly

consist in online marketing, hence SEO⁴⁸, SEM⁴⁹, affiliates programs⁵⁰, retargeting⁵¹, Facebook advertising and sponsored content, together with the company's official social media channels (Vaniday's official Facebook page, Instagram account and YouTube channel). All of the above marketing strategies and channels are managed from Berlin and only partially involve the Brazilian subsidiary, responsible for producing and checking the content that will be then used in Berlin.

3.1.2 Rocket Internet

The venture is backed by Rocket Internet, the Berlin-based leading Internet platform and venture builder outside the US and China already behind successful companies such as Zalando, Easy Taxi and Foodpanda. Rocket Internet was founded in 2007 and counts today more than 30,000 employees across its ventures, which operate in more than 110 countries across six continents. According to the company's website, they "*identify and build proven Internet business models and transfer them to new, underserved or untapped markets where we seek to scale them into market leading online companies*".⁵² Rocket Internet is then closer to the definition of venture builder, rather than to those of venture capital firm and incubator, as it is completely operationally involved in building companies by bringing together all of the key elements required to create a successful business: team, concept, technology and capital. The group's webpage⁵³ also explains that "*companies are quickly built for these business models using highly standardized and optimized processes, and then scaled to a leading position in each market. To build this global network of companies, in many complex markets, we have developed a unique platform, which systematizes and accelerates the process of identifying, building and scaling Internet companies*". Such platform is based on a global infrastructure, standardized operational processes that allow to build and scale new

⁴⁸ Search Engine Optimization (SEO) promotes websites by modifying their content in order for the website to rank higher in search engines, and thus appear first when users perform certain Google searches.

⁴⁹ Search engine marketing (SEM) involves the promotion of websites by increasing their visibility in search engine results pages primarily through paid advertising.

⁵⁰ Affiliate marketing is a type of performance-based marketing in which a business rewards one or more affiliates for each visitor or customer brought by the affiliate's own marketing efforts.

⁵¹ Behavioral retargeting is a form of online targeted advertising by which online advertising is targeted to consumers based on their previous Internet actions.

⁵² <https://www.rocket-internet.com/about>.

⁵³ <https://www.rocket-internet.com/about>.

companies in a repeatable way, a proprietary information technology, and a vast network of companies sharing best practices and leveraging synergies.

Business model analysis

As stated in the introductory chapter, ultimate objective of this In-Company Project is to assess Vaniday's potential for future success, in terms of growth and scalability, based on the overall Brazilian economic situation, the venture's business model and its performance within the project's duration, benchmarked with that of previously successful startups. Whilst the latter is put off to the next chapter and the economic analysis has already been performed, this chapter will evaluate Vaniday's business model, as well as representing the academic and theoretical part of the present work. This part therefore presents two main objectives, one theoretical and one practical: reviewing the existing literature regarding business models assessment and evaluating Vaniday's one. Such goals will be achieved by first presenting the existing frameworks for business models' evaluation, by then choosing the most appropriate to Vaniday's business and to the purposes of this analysis, and finally by applying such framework to our specific case.

3.1.3 Literature review

The present literature review explores the existing academic research about business models in order to identify the most appropriate framework for assessing the model of an Internet venture, such as Vaniday. Prior to starting this academic investigation, a question needs to be answered: *what is a business model?* No clear answer or definition emerges from the examination of the existing academic debate on the topic, which appears dominated by uncertainty and diversified perspectives. As Johnson (2010) puts it, "*there isn't really any consensus about what the term "business model" even means. A business model has to specify more than just how a company intends to make money. It also needs to include some information about why a customer would ever want to give the company any money.*" Morris et al. (2003) impute such lack of a shared common definition to the fact that "*little attention has been given to business models by researchers, with much of the published work focusing on Internet-based models*" (p. 726).

As Pateli and Giaglis (2003) explain, existing research on business models can be categorized in six main areas of contribution: definitions, components, taxonomies, representations, change methodologies, and evaluation models. Considering that the ultimate objective of the

present analysis consists in practically assessing Vaniday's business model, this literature review will focus on the existing contributions in terms of evaluation models, being unable to dig deeper into all other areas of contribution in this field, due to space constraints. However, in order to better understand the existing evaluation models for business concepts, it seems significant to first define what a business model is, thus including also a brief literature review about definitions.

The many definitions offered by the existing literature can be categorized in three groups according to their main focus: economic, operational and strategic. Those authors who focus on the economic aspects evaluate business models based on their ability to generate profits. For instance, Stewart and Zhao (2000) conceive a business model as "*a statement of how a firm will make money and sustain its profit stream over time*" (p. 290). At the operational level, business models are analyzed focusing on the internal processes and infrastructures that permit the company to create value. For example, Mayo and Brown (1999) refer to "*the design of key interdependent systems that create and sustain a competitive business*" (p. 20). As far as strategic definitions are concerned, the emphasis is on the firm's market positioning, competitive advantage, networks of alliances, stakeholders and growth opportunities. Slywotzky (1996), for instance, defines a business model as "*how a company selects its customers, defines and differentiates its offerings, defines the tasks it will perform itself and those it will outsource, configures its resources, goes to market, creates utility for customers and captures profits*" (p. 4). While some authors (Drucker, 1994) try to simplify the issue by reducing a business model to the mere "*representation of how an organization makes (or intends to make) money*", Morris et al. (2003) offer perhaps the most comprehensive and complete definition embracing economic, operational and strategic aspects, defining a business model as "*a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets*" (p. 727). A similar level of completeness is achieved by Johnson's (2010) definition, which incorporates economic, operational and strategic dimensions pointing out that "*every successful company operates according to a business model that incorporates four parts: a value proposition customers want, delivered through a coherent profit formula, which not only covers its overhead and margins but generates revenue at a certain volume and velocity, by employing certain key resources effectively through certain key processes.*"

The lack of a common shared vision regarding the definition of business model reflects in the high variety of frameworks that scholars developed to evaluate these models. Early contribution emphasized revenue streams and profit creation, as later on the focus moved towards more operational and strategic aspects. Progress in this field was hindered by the general lack of consensus over the key components of a model and, therefore, of the frameworks created to analyze it. From a theoretical standpoint, business model concept originates from central theories in business strategy literature, such as Porter's value chain and strategic positioning concepts, cooperative strategies by Dyer and Singh and transaction cost economies by Williamson (Morris et al., 2003).

The vast majority of the proposed frameworks is profit-driven and takes into account financial indicators, such as profitability and margins, hardly measurable in startups. For instance, Gordijn and Akkermans (2001) evaluate the economic feasibility of a business idea based on the economic utility it creates for all the actors involved. This profitability-based assessment takes into account the business' net in- and outflows, creating profit sheets for every actor or activity involved and then running a sensitivity analysis that considers various financial parameters. Also focusing on financial feasibility, Afuah and Tucci (2001) assess a business model's performance according to three aspects: measures of profitability, profitability prediction and business model component attributes. This framework compares the company's profitability indicators, such as earning, cash flows, margins and revenue growth rate, with those of industry competitors to appreciate the firm's potential in relative quantitative terms. Finally, Weill and Vitale (2001) evaluate e-business models focusing on those factors that affect the firm's profitability, such as level of ownership, access to key information, conflicts related to the combination of atomic models. However, these frameworks that simply consider profitability measures can hardly capture a business model's real potential, given the difficulty of identifying financial indicators or performing company valuations in startups.

Other frameworks assess business models from a broader perspective, taking into account far more aspects than just those related to financial performance. For example, Morris et al. (2003) developed a framework that evaluates business models based on three levels of decision making – named *foundation*, *proprietary* and *rules* levels – each consisting in six basic decision areas. While the foundation level defines the business model's six basic components (value proposition, customers, internal processes and competences, how the firm makes money, competitive strategy, and growth), therefore capturing the essence of the

model itself, the proprietary level describes the entrepreneur's ability to create sustainable advantage by approaching the foundation components in a unique way. Finally, the third and last rules level provides operational guidelines that ensure that the model's foundation and proprietary levels are translated into ongoing strategic actions. On the other hand, Hamel (2000) proposes a framework that allows firms to remove the business concept blind spots preventing them from seeing opportunities for business model innovation, by analyzing business concepts based on four components: core strategy, strategic resources, customer interface and value network. "*Underpinning the business model are four factors that determine its profit potential: efficiency, uniqueness, fit and profit boosters*", Hamel explains (p. 74).

3.1.4 Methodology

The use of profitability-driven frameworks based on financial indicators is rather hard in the case of startups, due to the high degree of unpredictability of their financial results, which would make the business model analysis quite unreliable. Furthermore, in this specific case, the impossibility to access Vaniday's financial details simply does not allow to perform a business model analysis based on profitability. Anyways, the higher level of completeness of the last two frameworks presented seems to be more appropriate to assess Vaniday's business model in a way that fully captures its strategic approach to Brazilian market and its value proposition to customers, both key aspects in a marketplace kind of business. Specifically, between the two frameworks proposed by Morris and Hamel, the latter offers a more complete and deeper approach to both the internal and external environment, respectively focusing on customer benefits and core strategy, and on market requirements and external actors, allowing the present analysis to easily match the venture's strengths with the current market opportunities. For this reason, Hamel's framework will be described in detail and successively used to examine Vaniday's business model.

As already anticipated before, Hamel's framework, aiming to remove the *business concept blind spots* that prevent companies from seizing innovation opportunities, identifies four major components of a business model: core strategy, strategic resources, customer interface and value network.

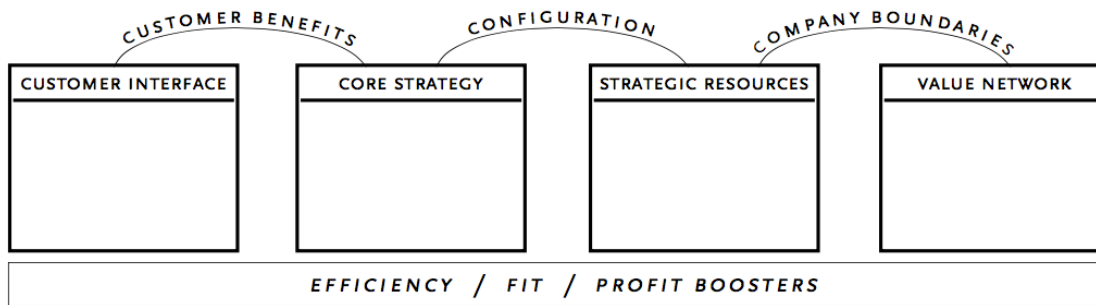


Figure 6 – Hamel's framework to evaluate business concepts (Hamel, 2000).

As Hamel (2000) explains (p. 74), the core strategy represents the essence of how the firm chooses to compete and consists of three elements:

- Business mission, including the company's overall strategic and performance objectives, value proposition and mission.
- Product/market scope, defining where the firm competes in terms of customers, needs it aims to fulfill, geographies, market share and product segments.
- Basis for differentiation, capturing how the firm actually competes and how it differentiates itself from its competitors.

Strategic resources are what a competitive advantage rests upon, according to Hamel (2000, p. 77). They are firm-specific, meaning that a dramatic change in the resource base can lead to business concept innovation, and include three sub-components:

- Core competencies, encompassing the firm's unique skills and capabilities that are valuable to customers and transferable to new opportunities.
- Strategic assets, consisting in brands, patents, infrastructures, data and anything the firm physically owns and exploits in unique ways that create value to customers.
- Core processes, embracing processes, methodologies and routines that transform competencies and assets into value for customers.

The third component of a business concept, customer interface, describes how a firm reaches its customers, which changed significantly with Internet advent, and, as Hamel puts it (2000, p. 83), consists in four elements:

- Fulfillment and support, referring to what channels the company uses to reach its customers, how it goes to market and what level of customer service it offers.

- Information and insights, refers to the knowledge that is collected from and used on behalf of customers, expressing how the firm improves their experience using the insights it extracts from customer interface.
- Relationship dynamics, assessing the interaction between company and consumers in terms of type, channels, frequency, customer feelings and loyalty, and using this information to innovate business concept.
- Pricing structure, explaining what for, how and how often a firm charges its customers.

The last component of a company's business model is, according to Hamel (2000, p. 92), the value network surrounding the firm that complements and amplifies the firm's own resources. Consisting in three elements, value network often includes choices in terms of outsourcing.

- Suppliers, describing how these are integrated in the business model and if they represent a source of competitive advantage and innovation.
- Partners, identifying what entities complement the company's offering through a horizontal type of relationship, and if these partnerships generate competitive advantage.
- Coalitions, composed of competitors that, having a common cause, collaborate to share investments, exchange knowledge and achieve innovation. Coalitions are more frequent in winner-takes-all types of markets.

These four components are connected by the three bridge elements of *configuration*, *customer benefits* and *company boundaries*. Intermediating between a company's core strategy and strategic resources, the bridge component configuration refers to the unique way in which competencies, assets and processes are combined to support a particular strategy. In other words, "*configuration highlights how great strategies rest on unique blending of competencies, assets and processes*" (Hamel, 2000, p. 81). Moreover, benefits offered to customer intermediate between the core strategy and the customer interface. "*Benefits are what link the core strategy to the needs of the customer*" (Hamel, 2000, p. 91). Finally, company boundaries bridge the gap between strategic resources and value network, referring to "*the decisions that have been made about what the firm does and what it contracts out to its suppliers, partners and coalitions*" (Hamel, 2000, p. 97).

Apart from assessing a business model based on the four main categories and three bridge components above, the framework also offers a way to evaluate the model's ability to generate profits, referred to as *wealth potential*. The following four aspects, in Hamel's view (2000, p. 99), determine such wealth potential:

1. The extent to which the business concept delivers customer benefits in an *efficient* way, which translates into customer benefits higher than costs sustained to produce them.
2. The extent to which the business concept is *unique* and different from those of competitors.
3. The degree of *fit* among the elements of business concept, considering that a business concept generates profits when all of its elements are mutually reinforcing and consistent, working together for the same final goal.
4. The extent the business concept exploits *profit boosters* that have the potential to generate returns above average. Profit boosters can be categorized into four main groups:
 - a. Increasing returns, in the form of network effects, positive feedback effects and learning effects.
 - b. Competitor lockout, namely preemption, choke points and customer lock-in.
 - c. Strategic economies, typically economies of scale, focus and scope.
 - d. Strategic flexibility, achieved through portfolio breadth, operating agility and lower breakeven.

3.1.5 Assessment

At this stage, after reviewing the existing literature about business models, choosing the most appropriate framework for our analysis and presenting it, theory will be put into practice, as Vaniday's business model will be analyzed according to Hamel's framework.

3.1.5.1 Core strategy

The first point that needs to be made clear is what exactly is Vaniday. In the words of the Co-Founder and Managing Director for Australia Alexandre Meyer, "*Vaniday is an international*

network that connects clients directly with a wide variety of beauty and wellness services".⁵⁴ Rocket Internet itself describes its latest creation as *"an online marketplace that aims to revolutionize the way customers find and book beauty and wellness services"*.⁵⁵ What needs to be pointed out is that, first of all, Vaniday is an online marketplace. Just as a traditional and physical one, also an online marketplace always puts in contact two different sides, in this case potential customers with providers of beauty services, making demand meet supply. *"At Vaniday, our ambition is to connect anyone with the beauty and wellness services they need, whenever and wherever our customers demand it - whether at the hair salon, their home or their office,"* explains Vaniday Global CEO and Co-Founder Maxime Legardez.

Regarding the venture's origins, as Mr. Legardez points out, Vaniday was born from an observation he made while living in São Paulo: *"Why can you easily book a taxi through Easy Taxi or order food on Foodpanda, and yet you can't do the same for beauty services?"*⁵⁶ The platform was therefore conceived with the aim to *"get beauty and wellness services delivered as easily as you can book a hotel, buy a plane ticket, or get a taxi to your door"*, continues Mr. Legardez. Mr. Meyer emphasizes the same point: *"beauty is one of the few segments that has still not fully transitioned from offline to online yet. In today's age one can easily book almost anything online or via an app. We wanted to do the same for the beauty and wellness industry, and we saw a clear need for a better way for customers to discover new beauty professionals and salons, which makes businesses more accessible and profitable in the process."* However, just like any other Rocket Internet venture, also Vaniday's birth was inspired by an existing proven business model that the German venture builder adapted to new untapped markets. In this specific case inspiration came from two marketplaces for beauty and wellness professionals: US StyleSeat (www.styleseat.com) and UK Wahanda (www.wahanda.com).

The venture's business model is rather straightforward. Vaniday partners up with beauty and wellness salons and professionals, offering them a free channel to advertise their business and

⁵⁴ N. McGowan, *Vaniday: Alex Meyer*, June 2015, Startups, retrieved from <http://startups.co.uk/vaniday-alex-meyer/>.

⁵⁵ <http://rocketinternet.pr.co/98877-rocket-internet-launches-beauty-wellness-marketplace-vaniday-in-brazil>.

⁵⁶ A. Heim, *Why Rocket Internet's new beauty marketplace Vaniday is launching first in Brazil*, 2015, The Next Web, retrieved from: <http://thenextweb.com/insider/2015/03/29/why-rocket-internets-new-beauty-marketplace-vaniday-is-launching-first-in-brazil/>.

showcase their work. These beauty and wellness providers join the platform for free, obtaining more visibility and access to a huge base of potential clients thanks to an individual webpage, where they can insert their contact details, a menu of the services they offer with descriptions, prices and time duration, and even pictures. Vaniday charges these professionals a fixed commission on the services provided thanks to the platform. This creates a win-win situation where salons only pay Vaniday for the additional bookings the website brings them. No bookings, no commission. On the other hand, the service is 100% free for customers, who can find beauty service nearby, compare professionals and book online whenever and wherever they are. Special discounts are often made together with some selected salons: this implies that clients never pay a service more than its original offline price.

In terms of the business' value proposition, the platform aims to take the beauty sector into the digital world, given the already high demand for digital and mobile control over physical services in other sectors. Variety is one of Vaniday's strongpoints, meant to fulfill all customers' needs. The offer comprises a broad range of beauty and wellness services, including hairdressers, makeup and nail artists, waxing professionals, beauticians, tattoo artists, massage therapists, personal trainers and yoga instructors, as well as different price levels. "*We offer customers a world of beauty opportunities*", says Mr. Soares.

Upon its foundation, Vaniday set the clear mission of being world's #1 website for beauty services. Such global mission is reflected in and achieved through the accomplishment of the venture's mission at a local level: being the market leader for beauty services in every country the company is present. The boldness of this mission is a consequence of the high level of pressure towards short-term results of the firm's international investors, and it constitutes Rocket's typical approach to new markets. As stated in several contexts by the German venture builder, the company only enters those new markets where it can consolidate as one of the three main players.⁵⁷ The venture's success in the Brazilian market is a key step towards the achievement of its global mission and worldwide success, considering the size of the beauty market in the country. Rumors about successful ventures spread quickly worldwide over the Internet within strongly connected industries, such as the startup one, mainly thanks to the many existing websites featuring the latest news (e.g. TechCrunch⁵⁸,

⁵⁷ <http://rocketinternet.pr.co/95868-rocket-internet-continues-its-global-growth-strategy-and-resolves-on-a-capital-increase-of-12m-new-shares>.

⁵⁸ <http://techcrunch.com/>.

TheNextWeb⁵⁹ and CrunchBase⁶⁰). Therefore, reaching a leading position in the world's third market for beauty services would provide the firm with the brand recognition, capabilities and know-how necessary to scale up globally.

To achieve this mission, the venture needs to evolve from new entrant to market leader. Such market advancement goes through the accomplishment of some more tangible operational objectives, regarding the firm's growth in terms of supply base, and bookings: Vaniday's two main KPIs⁶¹. As of suppliers, the initial objective of reaching 1,000 professionals before launching the platform set by the management was reached within a month. However, after business model was turned around in June 2015, excluding independent professionals, the venture set the new goal of signing 1,000 salons by end of September 2015. On the other hand, as far as bookings are concerned, the company set the brave objective of reaching and maintaining a 50% weekly growth rate. The business model change represented one of the main factors impeding the achievement of such objective, considering that booking increased by a timid 5-10% a week in June 2015. As explained by Vaniday Brazil's CEO Mr. Soares, financial objectives, such as breakeven point⁶², have not been set yet, given the lack of existing companies having the same business model and that Vaniday's results could be compared to.

Regarding the venture's performance measurement system, the above-stated objectives are fully reflected by the general KPIs. These KPIs refer to the two areas of supply and bookings explained in the next chapter and can be formalized in the following indicators: number of online salons (regarding supply), number of bookings, revenues and average basket size, and ratio between approved bookings and cancelled bookings (regarding bookings). Apart from these general KPIs, the venture's performance is also measured through a couple of traffic and marketing indicators, such as the number of visits on the website/app, and the conversion rate⁶³. In order to give the reader an idea of what a good conversion rate looks like,

⁵⁹ <http://thenextweb.com/>.

⁶⁰ <https://www.crunchbase.com/>.

⁶¹ Key Performance Indicators (KPIs) are quantifiable measures companies use to compare their performance with their strategic and/or operational objectives.

⁶² Breakeven Point (BEP) is the moment in time when a company's revenues equal its costs, considered an indicator of financial sustainability.

⁶³ In ecommerce, Conversion Rate is defined as the percentage of single visitors or users that actually performed a purchase.

ecommerce platforms typically target 1-2% (percentage of visitors making a purchase out of total visitors), while Vaniday achieved a still acceptable 0.8% during its first few months of operations. This was particularly achieved thanks to the company's good performance on Facebook, which has been the best channel for conversion rate, due to its high penetration in the country. Brazil ranked third worldwide for Facebook penetration with some 71 million users in 2014, corresponding to a 35.5% penetration.⁶⁴

After highlighting the company's mission and main objectives, the interview with Mr. Soares also provided some rather precious insights regarding the main challenges Vaniday's business model had to deal with in order to establish in Brazil. "*Online market in Brazil is still primitive, especially when it comes e-commerce*", Mr. Soares argues. This is mainly due to the still developing Internet infrastructures in some Brazilian regions and to the still considerable safety issues regarding online payments. "*We need to shape a new culture, and public institutions have the responsibilities to show us the way, by investing in better infrastructures and supporting startups through lower bureaucracy and easier access to financing*", Mr. Soares continues. "*But the moment seems to be the right one*", given the increasingly higher smartphones penetration and the consequent expansion in the activities performed online, such as online banking. Besides the evident limitations of the Internet industry, Vaniday's CEO also identifies a further challenge, specific to the beauty industry but still related to suppliers' trust. He points out that "*Brazilian beauty salons are a traditionally offline market: convincing a 60-year-old hairdresser working in a small salon in the outskirts of São Paulo to rely on an online tool to manage her bookings is a hard and lengthy process that implies building trust on a personal level*". A primitive Internet and ecommerce infrastructure is therefore not the only issue, since the biggest challenge consists in getting a traditionally offline market to go online. This is the mountain Vaniday Brazil needs to climb, although the initial result of 1,000 professionals onboarded before the launch suggests that things are moving in the right direction.

As of market scope, as mentioned before, Vaniday launched its platform in Brazil as first country worldwide before starting an international rollout. It is now present in Russia, Singapore, United Arab Emirates, Italy and Australia. Target customers are both those willing to try out new salons in their own city, maybe close to their office for emergency reasons, and the travelers that need to find a beauty professional abroad.

⁶⁴ <http://www.statista.com/statistics/268136/top-15-countries-based-on-number-of-facebook-users/>.

Finally, although no real competitors currently exist in Brazil – as the market analysis previously explained – the firm differentiates itself by focusing exclusively on established beauty salons, and by offering professionals an actual marketplace to advertise and sell their services instead of just an internal management tool, as most competitors do.

3.1.5.2 *Strategic resources*

Mr. Soares clearly identifies what are Vaniday's sources of competitive advantage. Firstly, what sets the gap with existing and potential competitors are obviously Rocket Internet huge initial investments. The great initial capital grants the company a consistent marketing budget, allowing for high marketing expenses to attract more customers and grow faster. However, Vaniday Brazil CEO also points out that being backed by Rocket Internet means way more than just strong investments. According to him, Rocket ensures a "*deep understanding of the market and knowledge of the online business in general, allowing for faster growth by learning from other ventures and other countries how to drive the business better*". What is more, Rocket ventures can rely on proven internal organization and processes, as well as proprietary technologies to develop apps and websites way faster than competitors, reducing time-to-market. Finally, if we consider Rocket Internet as a network of successful Internet companies, the synergies among them can speed up the learning process, reducing the number of mistakes required to learn management lessons. These represent the main strategic assets the venture owns and exploits to create value for customers.

Apart from the advantages of having Rocket Internet behind its shoulders, Vaniday sensibly benefited from the early acquisition of competitor Glym⁶⁵ in March 2015. Such strategic move brought not only existing customers, but also a profound market understanding and knowledge in the person of the co-founder, who joined the new venture as Brazil CEO. Needless to say, the acquisition also produced the effect of eliminating probably the biggest competitor existing on the market at that time.

According to Mr. Soares, Vaniday's value proposition to salons also represents a strongpoint. This includes premium services, such as professional photo shootings at the salons' to increase the quality of profiles and drive more bookings, as well as a better looking website design. "*Most salons already have schedule management tools, but don't know how to*

⁶⁵ Glym was the online marketplace for beauty services created in Belo Horizonte, in the State of Minas Gerais, by current Vaniday Brazil's CEO Cristiano Soares, acquired by Rocket Internet in early 2015.

promote themselves and drive bookings: this is what Vaniday helps them with”, concludes Mr. Soares.

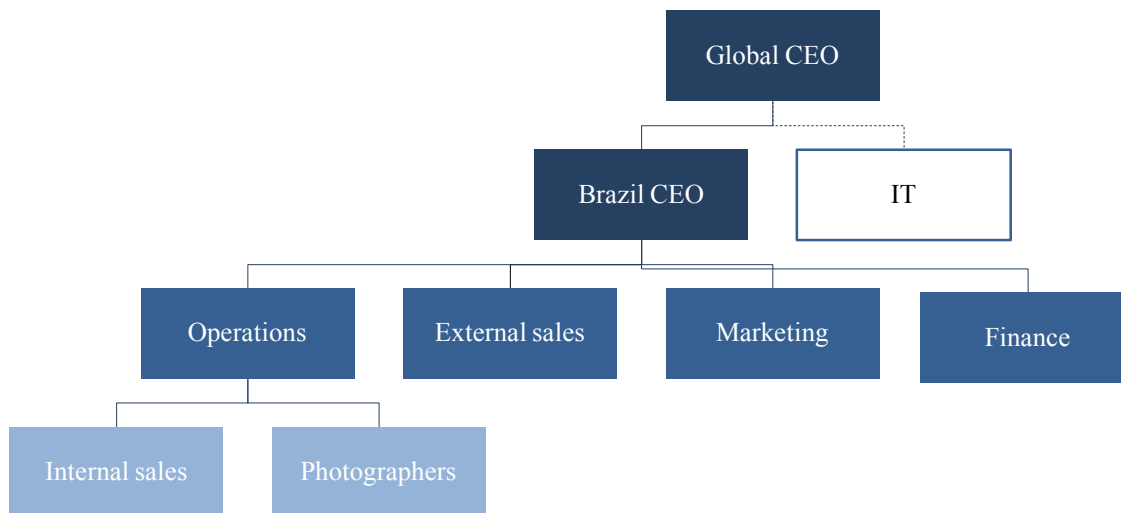


Figure 7 – Vaniday’s organizational structure as of June 2015 (Personal analysis, 2015).

Although core internal processes and methodologies will be explained in depth in the next chapter, evaluating the venture’s organizational structure can help understand how it transmits the above value proposition to customers. From an organizational point of view, two premises need to be made before diving into a description of the venture’s organizational structure. First, the way the company is internally structured and functions highly depend on its still limited size and stage of development. Therefore, Vaniday Brazil presents a rather simple and straightforward organizational structure, being a small 9-month-old startup. Secondly, despite presenting a functional type of structure built around few main areas of competence or departments, Vaniday’s first weeks of operations were characterized by rather undefined responsibilities and interchangeable roles. As often happens in the very first weeks of a startup’s life, *“everybody does a bit of everything”*, explains the Head of Operations Marcelo Franco, and Vaniday makes no exception, as *“at the beginning we were all structuring internal processes, visiting salons to sell the platform, and onboarding professionals, regardless of each person’s ideal area of competence”*. This roles interchangeability, despite originating some confusion in terms of operational tasks and responsibilities, indeed fosters a horizontal and collaborative culture, based on informal feedback and transparent communication. Such team-like working environment is something that shapes the corporate culture and provides the venture with the flexibility required to deal with the uncertainties of a new and fast business.

Due to the strong growth experienced in the first months of operations, the company organizational processes and structure have changed significantly over time. Towards the end of the internship the company comprises a total of 18 employees, divided in the four main departments of Operations, External Sales, Marketing and Finance. The responsible for each department directly reports to Vaniday Brazil's CEO Cristiano Soares, which in turn is responsible for the overall venture performance in front of the Global CEO Maxime Legardez.

The department of Operations is undoubtedly the most numerous one, and it is responsible for many and very different tasks, from lead generation, to onboarding, to bookings management and customer service. It currently includes more than ten members, divided in the three teams of Operations, Internal Sales and Photographs. Given that the establishment of such department is what the In-Company project consisted in, the in-depth analysis of its structure and functioning will be put off to the next chapter.

The External Sales team consists of three account managers mainly operating outside the office. They are responsible for customer relationship management and for gathering the professionals' onboarding details that the Operations department will then upload onto the platform. Since the account managers' tasks and responsibilities are strongly connected and, in part, depending from the department of Operations, a more thorough analysis of the external sales team will also follow in the next chapter.

Both the Finance and Marketing departments consist of only one member. The finance department's responsibilities lie in managing the venture's bank account, payroll of the employees' salaries and handling any kind of inflow and outflow. As far as the marketing department is concerned, its responsibilities are limited to offline marketing initiatives and PR, because online marketing, which represents the main marketing activity of an Internet startup, is concentrated in Vaniday's Berlin HQ.

Finally, a dedicated IT team develops the company's website and mobile app, besides uploading onto the platform the profile contents (details and pictures) provided by the Operations department. However, such IT team, led by Vaniday's CTO Renato Todorov, operates in Berlin for Vaniday Global and not only for the Brazilian subsidiary. This team's members directly belong to Rocket Internet and therefore cannot be included within Vaniday Brazil's employees.

As already mentioned above, the venture's corporate culture strongly encourages open communication and feedback, and mutual support in solving problems. This kind of collaborative and supportive culture, based on the concepts of ownership and responsibility, is common in startups, whose members often feel like a team where everyone is equally responsible for the company's success, and therefore more motivated to contribute to its results. However, such working environment is particularly present in Vaniday Brazil, fostered by the initial interchangeability of roles described before. On a more practical level, this working culture can be seen in the informal and friendly internal environment, as well as in the many team-building activities organized within and without the office during the first months of operations. What is more, the management team has always celebrated the venture's achievements, pushing each member to reach his goals through gratification.

3.1.5.3 Customer interface

Vaniday operates exclusively online, using its own website and mobile apps to reach its professionals and customers and make supply meet demand. Furthermore, the venture also reaches both sides of the marketplace through other channels when it comes to contracting suppliers and providing customer service. Suppliers are initially contacted via phone and email and then personally visited by account managers and photographers. Customer service, on both sides, is made via email, phone and online chat built in the website.

Customer service aims to make sure that services are actually provided and that a high level of performance by professionals is maintained. Both customers and professionals are therefore contacted before and after each booking, both confirmed and cancelled, in order to understand what went right or wrong and what Vaniday can improve. Such insights are highly valued and used to improve performance and user experience. The latter has the obvious objective of increasing customer satisfaction and customer retention, keeping professionals on the platform and making satisfied customers come back and perform one more booking, which happened frequently in the first months of operations.

As far as pricing is concerned, Vaniday is completely free of charge for customers, which never pay a service more than its original offline price. On the other hand, professionals can create a Vaniday account and manage their bookings also for free, while a commission between 10 and 20% is applied only to those bookings obtained through the platform.

3.1.5.4 Value network

While the venture does not make part of any coalition of competitors, it does have suppliers and partners. Suppliers can obviously be found in the beauty and wellness professionals performing their services through the platform. They are one of the business model's main components, as well as one of the sides of the marketplace, and the firm's success directly depends on the quality of their profiles and of the services they provide. They are therefore completely integrated in the business and their quantity and quality constitute a source of competitive advantage. As of partners, Vaniday can rely on a broad network of successful Rocket Internet ventures, to activate synergies, exchange knowledge, share processes and best practices with, thus reducing the time required to learn and improve.

3.1.5.5 Bridge elements

In terms of configuration, the company relies on its unique and impactful resources to achieve its goals. Rocket Internet's investments, market knowledge and processes are crucial elements to take the position of market leader soon after the global launch and consolidate it before expanding to other cities and countries. What is more, the superior value proposition to customers, compared to that of competitors, also leads to higher levels of user experience and customer satisfaction, allowing the company to achieve both its KPI objectives and its long-term mission.

As far as benefits are concerned, benefits for both the supply and demand sides are evident. Clients on Vaniday can filter professionals by service, price, location, or ratings, access to professional profiles with complete bio, pictures of work and full menu of services with direct online booking, compare professionals through customer satisfaction ratings, pay in-app, and receive email and push notification reminders of their appointments. On the other side, beauty professionals can stand out, increase their volume of business, engage customers and manage their schedule with the integrated management tool. This is achieved through a win-win situation where suppliers get charged only when they increase their business through the platform, making Vaniday a must-have for any professional in the industry.

Regarding company boundaries, these can be identified in Vaniday Brazil's level of autonomy from Berlin HQ. In that regard, Brazil can take some independent decisions in terms of operational structure and procedures, but has no autonomy regarding marketing, branding or strategy. The latter is due to the fact that all countries need to present

homogeneous marketing, PR, communication, business model and branding, and remain consistent around the same product.

3.1.5.6 Profit generation

Vaniday's ability to generate profits can be evaluated only based on the three aspects of uniqueness, fit and profit boosters, as the present work cannot judge if the firm delivers customer benefits efficiently (with benefits higher than costs), not having access to its financials or cost structure.

However, it can surely be concluded that, considering the competitive analysis and sources of competitive advantage mentioned above, the firm's business concept is rather unique in the market it operates, offering clients more and better services than any other competitor. This of course impacts positively the company's wealth potential. Furthermore, it can be observed that Rocket Internet's established processes and methodologies, which were already proven successful in other businesses, present a high degree of fit among the different elements of the venture's business concept. Such efficient organization, where all components move together towards the same common goals, increases the wealth potential.

Finally, considering the venture's offering, its value proposition and the characteristics of the market it operates in, two types of profit boosters can allow it to generate profits higher than the average. Vaniday can obtain increasing returns leveraging positive network effects, both on the same side and cross-sides, positive feedback effects, bringing more actors on both sides of the marketplace, and learning effects, leading to better and more efficient operational processes. The venture can also rely on strategic flexibility in the form of portfolio breadth: given the high degree of offering's diversification and the several types of professionals onboard, Vaniday can serve a broad range of customers, with a huge variety of tastes, purchasing patterns and habits, and levels of expenditure.

3.1.6 Conclusion

Overall, to conclude this business model analysis, we can affirm that Vaniday's model owns several strongpoints, from value proposition and customer benefits, to Rocket Internet's established processes and network. However, one very critical potential flaw has to be registered in the venture's business model. After new customers use Vaniday for their first booking with a new beauty salon, it might be hard for the company to retain such customers and make them perform further bookings. This can be due to the highly personal nature of

beauty services, where trust and personal relationships matter. In such context, once a customer found the beauty professionals he is comfortable with, he might be tempted not to book through Vaniday from the second time onwards, as professionals might ask him to book offline. Such offline booking would allow the professional to gain up to 20% more compared to an online booking, a gain that could translate into discounts for customers, creating a win-win situation for both client and professional encouraging them to ditch Vaniday.

4 Project explanation

Following an outside-in approach, this work has so far investigated the macro- and micro-economic dimensions of the venture under examination. After the industry and company analyses above, regarding respectively the external environment the venture operates in and its internal capabilities and business model, the present chapter will make a further step and dig even deeper into Vaniday's operations. Continuing in the same direction, the focus will now move inside the company, taking into account the only Operations department, where the student interned for four months and that represented the project's subject.

The project takes place in the department of operations of the venture, and it consists in actually establishing the whole department since the very first steps and structuring all of the operational processes required to start up the business, launch the platform and keep it working. It can also be affirmed that the project *is* the department of operations. The overall objective consists in providing the venture with sound and stable, but in the meantime lean, operational foundations, the legs the company will stand upon and move towards success and profitability.

The project, already highly challenging per se, is made even more attractive by the fact that it covers the first and crucial stages of the venture's life, taking place in the very first months before, during and right after the platform's global launch. What is more, further interest is added by the fact that the project takes place in an emerging economy and rapidly growing market, such as Brazil. The project's focus can therefore be described as *designing and structuring a startup's operations in an emerging market before and during its global launch*.

The present chapter will offer a complete analysis of the project, starting by defining its objectives, timeframe, expected results, and importance for the company as a whole. Furthermore, a thorough description of the operations department and its current day-to-day functioning will also be provided, together with a timeline showing what phases the project went through (including respective objectives and challenges for each phase). Finally, the student's individual contribution to each of the phases, in terms of tasks and responsibilities, will be presented, and the link between the project and the student's academic background explained.

Project definition

As previously mentioned, the project takes place before, during and after the venture's global launch, consisting in both setting up the very structure of operational tasks and processes that allow the company to work and function, and performing such tasks on a daily basis. At this stage, it is already possible to operate a distinction between the pre-launch phase of structuring the department and its processes, that can be called *pre-operations*, and the actual execution of those operational activities aiming at developing the business by making it work and grow, that can be referred to as actual *operations*. The project, and therefore the internship, covers both macro-phases, although the present work will analyze more deeply the second one, as most of the student's individual responsibilities focused on this area. A thorough description of the single phases the project went through will follow later on in this chapter.

On a more practical level, the *operations* macro-phase of the project – and the department of operations itself – focuses on two macro-areas of activity: supply and bookings.

1. *Supply*: Initially, a suppliers' base solid enough to launch the platform needs to be created. This is achieved by contracting new professionals and importing their details into the company's database, through a process called *onboarding*. At a later stage, a positive relationship with the existing suppliers has to be maintained and their number and quality increased;
2. *Bookings*: After launching the platform, bookings need to be managed, while a CRM and an efficient customer service structures established and maintained.

Internal and external teams managed by the operations department perform such tasks: creating a structure and daily procedures able to lead these teams to achieve the venture's objectives is therefore the project's core focus. A description of the day-to-day functioning of the operations department will be included later on in this chapter.

The project started at the beginning of March 2015 and lasted four months, until the end of June of the same year. Considering that the team was formed and started to actively operate in mid-January, and that the platform went online on March 29th, the internship took place in a crucial moment for the company, covering the month before and the three months after Vaniday's global launch. The internship entirely took place in the city of São Paulo in Brazil.

While the general objective can be found in designing the venture's operations and keeping the department up and running, to make the company develop, more tangible and easily

measurable objectives can be identified specifically for each phase, and they will be presented in detail at a later stage within this chapter. Overall, as pointed out above, Vaniday's day-to-day operations focus on two main macro-areas: *Supply*, which can be further split into *Inside sales* and *Onboarding*, and *Bookings*. Therefore, the project's success can be evaluated in a tangible way according to its degree of achievement of the objectives and KPIs set at the beginning of the company's operations. The KPIs for the operations department can be identified as follows, according to the department's three main areas of activity:

- *Supply - Inside sales*: number of signed professionals, with specific targets regarding geographical area (within the city of São Paulo) and professional category. The goal was to sign twenty-five new professionals a day per sales rep.
- *Supply - Onboarding*: number of signed professionals whose information was onboarded and whose profiles were live on the platform, with specific targets regarding geographical area, professional category, and percentage of profiles with pictures. However, as 100% of signed professionals get onboarded and go live at some point in time, the crucial onboarding KPI relates to the timeframe required for that to happen. This can be referred to as "*sign-to-live timeframe*" and it measures how many days it takes for a signed professional to go live on Vaniday's platform. Having an ideal goal of 14 days, it is the most significant measure of the company's operational efficiency.
- *Bookings*: number of bookings, with the goal of 50% constant weekly increase.

The degree of accomplishment of the above stated KPIs and objectives will be assessed later on in the critical analysis part of the present work, where the company's potential for success will be also evaluated, according to its business model and the performance achieved within the first months of operations, compared to that of comparable startups at the same growth stage.

At this point, it seems worth spending a few words about the quality of the services provided by Vaniday's professionals. Some might argue that, considering that ultimately Vaniday's performance in terms of revenues depends on returning customers, which in turn are related to customer satisfaction and high quality of the services provided, it would be appropriate to include some metric related to customer satisfaction among the above operational KPIs. Such argument appears logical at first glance, as, given the rather high customer acquisition costs, retaining existing customers is the key to reach a critical mass of bookings to ensure revenues

and profitability. In order for the customers to return, Vaniday must reach high levels of customer satisfaction, which in turn is linked to assuring the quality of the services provided. However, reaching high levels of satisfaction and retention seems to be the objective of a later stage of the company's development and cannot be considered among the main KPIs of the structuring phase the project focuses on. Therefore, retention rate (as an indicator of customer satisfaction and quality of the services) will definitely represent one of the main KPIs at a later stage, while the company's success in its early days, as Vaniday Brazil's CEO explained, was evaluated based on the size of its supply base and the bookings growth rate.

Still, it is worth explaining in what way Vaniday assures the quality of the services provided by its professionals, which, as pointed out, is crucial for customer satisfaction and retention. Just as most of the businesses of its kind, Vaniday controls and assures the quality of its services in two ways – directly and indirectly:

1. Direct control: thanks to its customer service structure, the Operations department directly checks the quality of the services provided by gathering immediate and direct feedback from both parties (professional and client). This way the company can always make sure that the customer had a pleasant experience and encourage him to perform a second booking. At the same time, in case the customer is not fully satisfied, this kind of direct feedback is crucial to find out what to improve, apologize with the client and possibly offer him some kind of economic incentive to perform one more booking, and finally train the professional on how to improve or exclude him from the platform in case of unprofessional behavior.
2. Indirect control: at the same time, as most of online marketplaces, Vaniday also presents a transparent system of ratings and reviews given by previous customers. This way the marketplace kind of regulates itself and self-assures the quality of the professionals on the platform and of the services they provide. In case of poor services or unprofessional behavior, previous clients will give a bad rating and/or a negative review to the professional: such rating and reviews will become public on the platform and discourage future customers to perform a booking with the same professional or salon.

Project importance

After defining the project and stating its timeframe, objectives and purposes, the present paragraph will shed light on the relationship existing between the project's success and the

overall company's results, with the aim of highlighting the importance and relevance of the project for the overall organization. It can be affirmed that, especially considering the project's broad scope and practical nature, its positive outcome would enable Vaniday to rely on effective operational processes, thus allowing the venture to be successful. The project can therefore be considered as a crucial step towards the venture's success, which would be hardly possible in case of failure. This is due to three main reasons, identified as follows.

In order to adapt to their development and keep up with their success, startups evolve fast and are subject to continuous change regarding their strategy, value proposition, operational processes and, also, organizational structure. As expected from such a small, young and fast developing business, Vaniday Brazil's internal organization changed significantly throughout the internship. When the project started, the structure included a Co-Founder responsible, among other things, for Finance, a Managing Director responsible for PR and Marketing, a Head of Sales responsible for five external sales reps and the department of Operations, composed of two people, responsible for four inside sales reps.

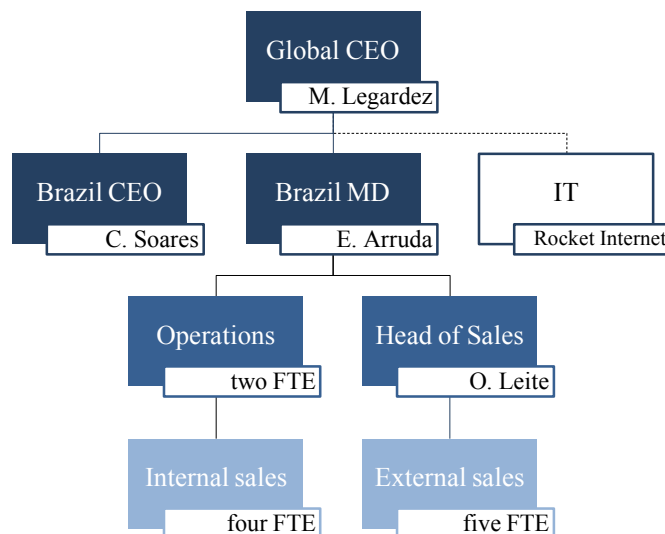


Figure 8 – Vaniday's detailed organizational structure as of March 2015 (Personal analysis, 2015).

When the internship ended four months later, a more developed organization had been put into place and comprised the venture's Co-Founder and CEO, a Marketing Director, a Financial Director and an Operations department including four people and responsible for two photographers, three Account Managers and six inside sales reps.

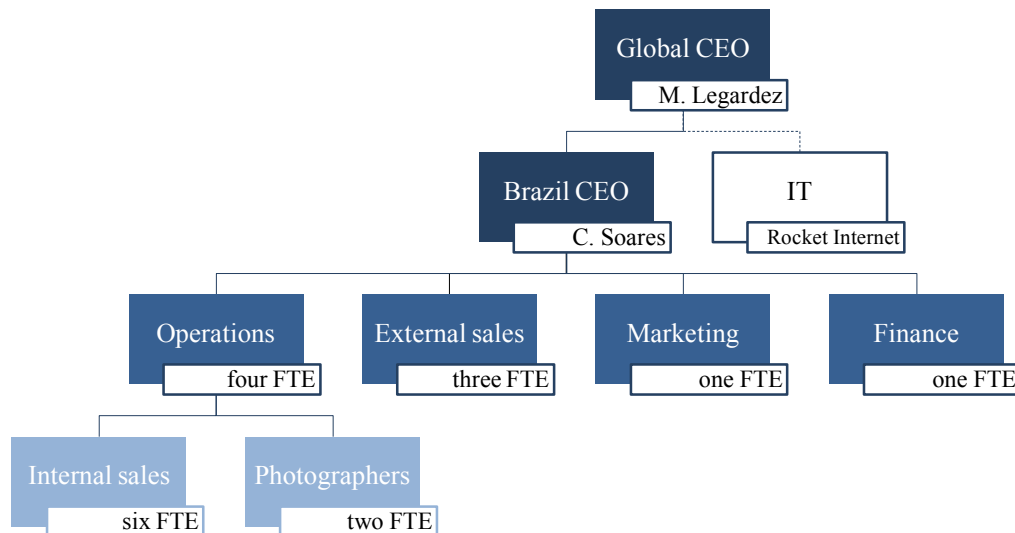


Figure 9 – Vaniday’s detailed organizational structure as of June 2015 (Personal analysis, 2015).

As mentioned above, the project consists in setting up the venture’s Operations department and allow for its daily functioning. Indeed, the project can be identified with the Operations department itself. Therefore, in order to explain the relevance of the project for the company as a whole, it is worth understanding the importance of the Operations department for the venture’s success.

Firstly, as showed in Vaniday’s organizational structures illustrated above, the significance of such department for the company lies in its size. Since the company’s very first days, it has been the department comprising the highest number of employees (between six and fifteen) and performing the majority of tasks and activities, as explained later on in this chapter. This aspect already suggests to what extent the project impacted the company.

Secondly, should the department’s dimension, in terms of both individuals and activities, not be enough to explain its importance, Cristiano Soares (Vaniday Brazil’s co-founder and CEO) suggests a different way of looking at it. When asked about the degree of independence of Vaniday Brazil from the company’s Berlin headquarters, Mr. Soares points out that, while “*all countries need to have the same marketing, communication, business model and branding, and remain consistent around the same product they share*”, each country “*can take some autonomous decisions in terms of operations*”. Such degree of independence makes Operations the only department Vaniday Brazil can distinguish itself from other countries, with the aim of adapting to local specificities. Allowing for a more effective local adaptation, which in turn helps Vaniday better penetrate Brazilian market, the Operations department, and therefore the project, plays a crucial role for the company and its success.

On a more general level, the project importance for the company can be observed by just considering that the KPIs according to which the venture's performance is assessed are tightly connected to those of the Operations department. In fact they correspond to the operational KPIs mentioned in the previous paragraph, as the company's more general performance indicators consist in number of bookings and number of live suppliers (directly depending on the two main activities of the department of Operations), and approved bookings/cancelled bookings ratio (strongly influenced by customer service, still part of the Operations department).

Considering the above, it can be concluded that the Operations department and its correct functioning are what the company and its development are based on, a powerful and greased engine that makes the car move. The project and its success are therefore simply essential for the venture. What is more, as perfectly synthesized by Marcelo Franco (Vaniday Brazil's Head of Operations), "*being the first country to launch, Brazilian operations represented the benchmark for the other countries in terms of leads generation, onboarding, customer service, bookings management and reporting*". Hence, the project plays a crucial role not only for Vaniday Brazil, but also for the venture's worldwide success.

How the Operations department works

At this stage, after defining the project, its objectives, timeframe, KPIs and importance for the overall company's results, it would be useful to present the project's outcomes in terms of structure and day-to-day functioning of the Operations department. The present paragraph will attempt to thoroughly describe Vaniday's operations and the department's organization, resources and objectives with a double purpose:

1. Illustrate the project's results in structuring the venture's Operations and executing them;
2. Provide the reader with a complete understanding of how the company works on a daily basis, which will in turn allow the reader to better dive into the different phases the project went through. The latter will represent the object of the next paragraph.

The department of Operations is the core of Vaniday Brazil's daily activities, it keeps the platform working and consists of three main areas, which the student contributed to establish and manage daily. These three main operational areas roughly correspond to the three macro-areas of activity mentioned above, and can be identified as: *Inside sales*, *Onboarding* (both

belonging to the *Supply* macro-area) and *Customer service* (related to *Bookings* and their management). The activities connected to each area, despite being performed by independently working teams, are interconnected and mutually depending as parts of a whole operational flow.

The operational flow Vaniday platform is based on stands upon five steps, roughly going from the *lead* identification (identification of new potential suppliers through internet searches) until the customer service following the booking. These five steps include the three main areas of operational activity mentioned above and two further ones that, despite being performed by people not belonging to the Operations department, are fully integrated into the process. The five steps can be identified as follows:

1. Inside sales;
2. External sales;
3. Onboarding process;
4. Professional photographer;
5. Bookings management and customer service.

4.1.1 Inside sales

Vaniday's operations begin with the inside sales team, an internal team that first looks for potential leads on the Internet (using Google search, Facebook profiles, blogs and other online sources) and then reaches out to these contacts via phone. These leads must fulfill certain requirements, which change overtime according to Vaniday long-term objectives in order for them to generate revenues later on in the process. Instead of creating generic leads and checking at a later stage if they meet the requirements, the internal team only generates leads complying with the criteria in the first place, opting for lower quantity but higher quality.

The internal sales team then gets in touch via phone and email with these leads and sells the platform by pitching and highlighting the benefits for salons (i.e. professional shooting, more bookings with less pressure on the salons owner, "*we win only if you win as well*", etc.). The two processes are separated and happen in different moments, because "*everyone can create leads, but not everybody can actually sell*", says Mr Franco. Phone calls are made through the software X-Lite, using VT Net as calling system. As of phone provider, Vaniday signed a R\$ 3,000 franchise with IDT: tariffs are R\$ 0,03 towards landline numbers and R\$ 0,40 towards mobile numbers.

The inside sales team mainly operates on the online CRM platform Salesforce, where the great majority of all operational activities takes place. Leads are created on Salesforce and their status updated over time, going from *New* as soon as the lead is created, to *Cold call* after the first call is made, to *Closed* after the contract is signed. As many information fields as possible need to be filled in for every lead, but the most important ones are, by far, the ones related to the lead's contact information (telephone, email), number of professionals, commission percentage and lead's rating. The fields website and Facebook are crucial for the lead to be highly ranked. A history of the activities is also updated to keep track of the status of the negotiation. This team is also responsible for scheduling professional photo shooting with the salons.

While, at the beginning of the internship the inside sales team could rely only on four employees, after four months it included six stable members and occasionally contracted external freelance contributors to generate extra leads when needed.

4.1.2 External sales

The external sales team, consisting of three account managers, also works on Salesforce, transforming the existing leads into accounts once the contract is signed. Every account manager is responsible for keeping his accounts updated on Salesforce and filling in the relative information. The most important fields in the account page are by far the ones regarding address information, contact details, number of employees and status of the onboarding process. Gathering onboarding information is the most valuable activity for the Operations department among those performed by the external sales team. The account managers visit salons that already signed a contract with Vaniday and collect their onboarding information: salon's information (name, full address, email, telephone, fiscal number, number of employees, bank account details and contract details) and professionals' information (full name, profession, email, telephone, working hours and services performed, including price and duration for each of them). Such data are recorded on a spreadsheet that is either sent via email to the Operations department or uploaded on Salesforce as account's attachment.

One of the main issues of the process lies in the lack of information exchange within the salons: it happens often that when account managers visit a salon the owner is unaware of Vaniday because either the internal sales team or the account manager approached the wrong

person. In this case the process goes back to the internal sales team that has to convince the owner, slowing down the whole process.

While, when the internship started, the external sales team was composed of five sales reps reporting to the Head of Sales, after the decision of making the inside sales team responsible for signing contracts, thus reducing the external sales team's responsibilities to the only account management and onboarding information gathering, the team got limited to three account managers.

4.1.3 Onboarding process

The onboarding process includes the core activities of the department of Operations, which, being performed internally, represented the student's main tasks and responsibilities during the project. The process starts with the Onboarding template containing the salon and its professionals' onboarding information received from the account managers. Such information, once received by the Operations team, needs to be imported in a Google Sheet, which is shared with the IT team that, once a week, imports into the platform the salons and professionals having all the required information filled in. At this stage each new professional onboarded receives a numerical ID code that will identify that single professional from this moment on. A successful Vaniday profile relies not only on good quality information, but especially on great pictures. For this reason, onboarding also consists in organizing and indexing the pictures received by Vaniday's professional photographers (whose activity is described in detail below) or the professionals themselves. All these activities are performed by the Operations team on Google Drive: the professionals or Vaniday's photographers upload the pictures on Drive, divided by salon and edit them. Once the new pictures have been edited, the Operations team is responsible for indexing them, while the IT team imports them into the platform, together with the onboarding information. The Operations team, in change of performing these activities on a daily basis, doubled in size during the internship.

4.1.4 Professional photographer

Vaniday Brazil counts on two professional photographers (one directly employed by the company and another working as freelance), which are not part of the Operations team, but play a relevant role in the operational flow. They are involved in the onboarding process described above, as they visit salons and take pictures of professionals, services performed and the salons themselves. The inside sales team schedules the photo shooting sessions by

calling the salons and agreeing with their owners. The photographers then upload and edit the pictures they took on Drive, where the indexing process can begin.

4.1.5 Bookings management and customer service

Customer service starts as soon as the salon goes live, as professionals need to be taught how to use the platform, keep their schedule and accept bookings. At the same time, customers need to receive support on how to use the website and perform a booking.

Once a booking is made through the website or the app, the Operations department receives an email with the contact information of both the customer and the professional. A confirmation email will be automatically sent to the customer after the professional accepts the booking. Nevertheless, the inside sales team will get in contact with both the professional and the customer to make sure that the booking is real and it will be provided. In the frequent case that the booking gets cancelled by the client or does not get accepted by the professional, the inside sales' call can be crucial for the booking's eventual success. In particular, should the professional be, for any reason, unable or unwilling to provide the service on the day and time chosen by the customer, the Operations team is responsible for finding another professional, operating in the same area and with a comparable price level, able to attend the client on that day at the closest possible time. In such case the booking is referred to as *rescheduled* (60% not confirmed bookings are currently rescheduled, 40% cancelled). Once the booking is confirmed, customer service also reminds both customer and professional via email, SMS and phone call three hours before the appointment time. After the service is actually provided, professional and customer will still receive a follow-up call from the inside sales team, aiming to evaluate the quality of the service provided and recommending the client to rate the professional on the platform and perform another booking soon.

Together with a large suppliers' base that increases the platform's perceived quality and inspires trust, the high customer satisfaction that only an effective customer service can produce drives bookings and helps the company grow and achieve its development objectives. This is why the Operations department's main activities are those related to the two macro-areas of *Supply*, in terms of inside sales and onboarding process, and *Bookings*, in terms of customer service. Furthermore, consequently to this explanation, the importance of the Operations department (and therefore of the whole in-company project) for the company, discussed in the previous paragraph, should now appear even clearer to the reader.

Project phases and timeline

At this stage, the reader should have a clear idea of what the project consists in, how its success impacts the overall company performance, and even what the project outcomes were, in terms of how the Operations department was structured and how it operates on a daily basis. The present paragraph will attempt to retrace the main phases the project, and the Operations department, went through, illustrating what steps led to the establishments of the practices and processes described above. For each phase, main objectives and challenges will be described, together with what solutions the student and the rest of the team put into action to succeed. Finally, this part will also highlight the student's individual contribution, in terms of tasks and responsibilities, to each phase or challenge. Most of the insights contained in the present paragraph were obtained during a one-to-one interview with Vaniday Brazil's Head of Operations Marcelo Franco, which took place in São Paulo in June 2015.

4.1.6 Student's position and responsibilities

Firstly, it seems worth describing what position and responsibilities the student had throughout the internship and what tasks he was mainly accountable for. In Mr. Franco's words, the student was "*the second best person in the whole company to ask about how our operations work, having a complete overview of all the processes and tasks*". Being the only intern in the venture during the whole project, the student had the chance to be exposed to a broad variety of tasks and assignments, mainly within the area of Operations. Such variety provided the student with a very deep first-hand knowledge about the venture's functioning, having a clear idea of all of the processes taking place in the whole company as well as of what actions need to be put into practice in order to start up an online business. This complete operational knowledge allowed the student to be the first option to ask in case anybody in the company needed any detail, figure or piece of information quickly or any task needed to be performed efficiently.

Overall, the student covered the second highest position within the Operations department, directly reporting to the Head of Operations and to Brazil's CEO. As far as daily tasks are concerned, during the first month the student performed any task within and without the Operations department at least once, mainly focusing on increasing the suppliers' base quality and quantity (acquiring new professionals, gathering their data, onboarding them onto the platform and indexing their pictures). After the launch, on the other hand, on top of the tasks previously performed, the student was also responsible for bookings management and

customer service, for controlling the performance of the inside sales team, and for reporting Brazil's Operations results to Berlin HQ on a weekly basis. The latter was constantly done throughout the internship and consisted in creating an elaborated Excel report containing the weekly results of each area of the Operations department, in terms of statistics regarding suppliers, customers and bookings.

Finally, the student was involved in designing the venture's operational processes in the very first weeks of the internship, and, thanks to the high degree of knowledge acquired and to the clear overview on the department's performance, he could take the initiative and improve such processes or establish new practices during the rest of the project.

4.1.7 Project's phases, challenges and individual contribution

The Operations department went through several phases, each having different challenges and objectives. Overall, Vaniday Brazil's operations can be divided into two macro-phases, *pre-operations* and *operations*, and a total of five phases. Only one of these phases has a limited duration, while all of the others can be seen as ongoing processes that continuously improve and progress over time, and that still happen nowadays. The Gantt chart below graphically shows the duration of the project and of the phases it is composed of.

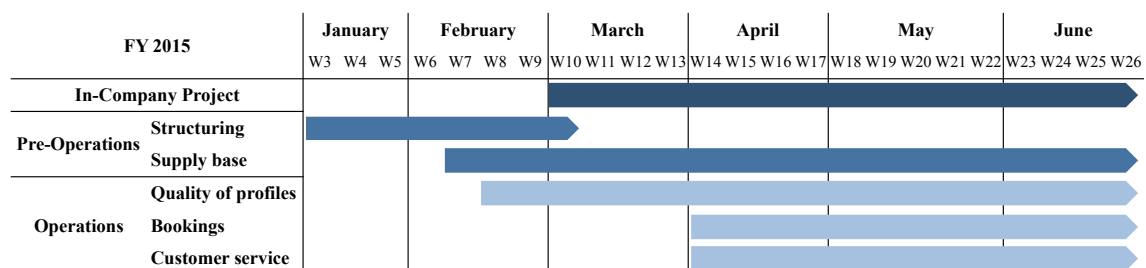


Figure 10 – In-Company Project's Gantt chart with macro-phases and phases of the project (Personal analysis, 2015).

4.1.7.1 Pre-operations

The *pre-operations* macro-phase comprises all of the phases and activities required to design the venture's operational structure and set up those practices that will make the actual operations work. Specifically, it consists in two distinct phases, aiming at structuring the department and creating a big enough suppliers' base.

1. *Structuring* (approximately from January 10th to March 10th, 2015). Operations began even before the business started its actual operations, while waiting the platform to be ready. After writing terms and conditions for suppliers and customers, the priority

was designing all of the processes and operational flows that would have made the platform and the purchasing process work. During this period, the whole user experience from customers' registration to booking confirmation and providing of the service was ideally conceived and practically structured. Practically speaking, transactional emails to confirm and remind bookings, registration stages and required information, webpages design and search system went from theory to practice. This phase's main goal was creating a structure good enough to support after-launch operations and to be compatible with the product's nature and business concept, so that product and operational flow could perfectly fit one to the other. This was a trial and error process that went through several mistakes before finding the right operational flow. The main challenge of this phase consisted in the lack of companies to use as benchmarks in order to see if the direction the venture was moving towards was correct. The created structure would have proved itself to be right or wrong only once the platform would have been up and running, thus it was subject to continuous changes and minor adjustments at later stages, in order to correct mistakes and adapt to new needs. Such improvement process never ends, being a consequence of that internal learning that goes along with experience, sometimes creating frustration. This phase's importance for the venture's success appears quite evident, considering that efficient processes and a smooth user experience can increase the number of professionals, customers and therefore bookings, helping the company be profitable and scale up. Within this phase, the online payment provider and the ERP software to be used as management tool for salons were chosen and the contracts negotiated, in order to have them available once these functions would have been ready. However, integration with ERP systems has not been developed yet, representing the only operational delay in the initial goals. Since the internship started on March 3rd, the student could not contribute extensively to this initial phase. However, during the first days of the internship, the student could take part to the setup of the operational processes on the suppliers' side, by creating the Excel spreadsheets that would have been used as templates for the professionals to fill in their onboarding information. In addition, the student also worked on the inside sales team's side, creating the script and phone call flow the team would have used to approach new leads, as well as the template they would use to categorize the leads' information.

2. *Supply base creation* (approximately from February 10th, 2015 and ongoing). The objective of getting enough supply to launch the platform (1,000 professionals) was this phase's main one and it was achieved within four weeks. The secondary goal of supply variety, related to the number of professionals per category and geographical area and aiming at reaching a critical mass of supply challenges faced during this phase were mainly two and related to getting professionals to sign the contract and join the platform without having a name or a website to show them, and creating an onboarding template that could be transformed into a good script by the IT team, with the risk of having to change the template once the professionals database had already been created in the wrong format ("*but fortunately we got it right*", says Mr. Franco). One of the key decisions was made at the beginning of March when the local competitor Glym was acquired and Mr. Soares started as new co-founder: back then it was decided to eliminate the external sales team and sell only through the inside sales team. A phone provider was selected and the contract negotiated. At that point, some sales reps got promoted to the inside sales team and others to account managers. Glym's acquisition turned out to be a key move to achieve the 1000-professionals target, as it was much easier to convince already online professionals to join the new platform than offline ones to go online (70% of the final 1,000 professionals came from Glym through internal sales, while only 300 professionals were acquired by external sales reps visiting salons during the first month). Once Glym professionals were onboarded, the focus moved to the Facebook leads coming from the pre-launch landing page, and then to the *self-signup* inbound leads. This supply creation phase actually never ends, although it evolved to a more professional process throughout the months. This phase represents one of the most important steps to create a successful marketplace. A big and deep enough supplier base (in terms of professionals' variety and quality of profiles) actively increases the platform's quality perceived by customers, which in turn trust the website and feel comfortable paying online, thus increasing traffic, bookings and revenues. During this phase, the student performed several and various tasks, which was crucial to develop a clear overview on the operational activities and perform tasks independently during the following months. Although the student himself visited some salons to sell the platform and signed contracts with few dozens professionals, the majority of his tasks related to the onboarding process of the signed professionals: creation of databases shared with the IT team, gathering of professionals' information, creation of reports to keep the

phase's main and secondary objectives under control and consequent decision on what geographical area or professional category the inside sales team should focus on when generating new leads.

4.1.7.2 *Operations*

The second macro-phase named *operations* consists in the actual tasks and processes aiming to make the company function and scale, and follows the department's structuring and supply base creation. Comprising three phases, actual *operations* focus on enhancing the quality of the profiles, in terms of both more and better details and pictures, managing bookings to make sure that the services are actually provided, and having an effective customer service that increase customer satisfaction.

3. *Quality of profiles* (approximately from mid-February 2015 and ongoing). Once the first salons signed and joined Vaniday, account managers started gathering onboarding information and pictures. Initially this process was lengthy and inefficient, as Vaniday expected the salons to spontaneously provide their information by filling in a form that was sent to them. Given the high level of inaccuracy and inefficiency of this practice, account managers were put in charge of visiting salons and gathering this information themselves. The same thing happened with pictures, as professional pictures shot at the salons' by Vaniday photographers substituted the initially popular selfies. Pictures quality and information accuracy were the main issues at this phase. As already mentioned before, the quality of online profiles, in terms of more accurate details and higher quality pictures, increases customers' trust, making them more incline to rely on online payment methods and, therefore, magnifying the venture's chances to scale up. Needless to say, this phase represents another crucial step for Vaniday's development, highlighting once again the project's relevance for the company's performance and success. This phase was probably the one where the student's contribution was more evident, as he processed over time the majority of the professionals' information and pictures uploaded on the website, before the Operations department hired two more people and these tasks could be delegated. On top of processing information and creating big onboarding databases shared with the IT team, the student was responsible for constantly analyzing the onboarding results in order to decide what professionals categories and geographical areas were lacking quality profiles and ask the inside sales team to get them. Thanks

to the broad operational knowledge acquired over time, the student had the chance to take the initiative and improve the onboarding process, for instance by creating the new onboarding template used by the account managers to obtain information until the present day.

4. *Bookings* (approximately from the beginning of April 2015 and ongoing). After the website was launched on March 29th and once the previous processes had been established as daily practices and responsibilities had been split clearly, the new objective was to maximize the venture's results and grow, in terms of number of customers, professionals and bookings. This fourth operational phase therefore had the objective of scaling up the business, by increasing bookings by 50% on a weekly basis. However, the goal of 50% weekly booking growth rate was only rarely achieved due to several reasons. For instance, the many bank holidays during the first month of operations severely limited bookings' growth. This happened because, although the day before a bank holiday was typically very prolific for bookings, it did not compensate for the bookings lost during the holy day itself. Another limit was represented by the high impact that targeted online marketing had on driving bookings. In fact bookings of some kind of service happened only when this service category was highly promoted through the online marketing channels, implying the need for strong marketing investments that were not always compatible with the venture's budget. This phase's main challenge lied in the uncertainty regarding how to increase bookings. Many attempts were made, some were successful and some were not. For instance, customers that started performing an online booking but did not complete it were called and offered support by Vaniday's customer service (described below), allowing for a higher conversion rate (bookings/webpage visits). Furthermore, the business model was expanded to the B2B market through an initiative called *Vaniday In-Company*. This initiative consisted in partnering up with companies and sending selected beauty professionals to perform their services at these companies' work spaces, creating a win-win situation: Vaniday could rely on a higher number of single bookings, professionals could attend more clients a day, and companies could nurture their employees morale. *Vaniday In-Company* actually brought in many new bookings before being abandoned, together with independent professionals, when Vaniday slightly changed its business model in June 2015. Other marginal initiatives meant to boost bookings included: improving the quality of

profiles through professional photographers and the setup of discounts and promotional initiatives. Obviously, this phase had a strong influence on the company's overall performance, as increasing the number of bookings directly impacts the venture's profitability and development. The student played an important role during this phase, as, firstly, he helped set up the customer service structure (explained in detail below), and especially he was given high responsibilities within Vaniday's B2B initiative. Regarding the latter, the student was responsible for spotting and contacting potential companies Vaniday could partner up with and even negotiate with them, on top of supervising the actual performance of the services at the partners' workspaces.

5. *Customer service* (approximately from the beginning of April 2015 and ongoing). Customer service represents one of the keys to success for an online business. Thanks to an efficient and lean customer service structure, the company can improve user experience and satisfaction on both the customer and professional sides, therefore increasing conversion and retention rate (respectively, how many people visiting the website actually perform a booking, and how many customers book more than once). The customer service structure was set up after the platform went live thanks to the software Zendesk, in order to respond to the many questions coming from customers via phone, email and on the chat integrated in the website. A new role was established so that a member of the inside sales team could attend each professional and client, instantly accessing their contact details, after every booking was made. Automatic confirmation and reminder emails were also set up and the whole operational flow to manage bookings designed. As already mentioned, the importance of customer service for the venture's success is tightly connected to conversion rate, as this phase allowed the venture to handle bookings and make sure none of them gets lost in case professionals cannot attend. As Mr. Franco points out, *"the biggest challenge at this point is providing a high level of service for everyone and achieve high levels of customer satisfaction despite not having a great product yet, in order to promote the company's image and reputation, and get professionals feel taken care of and love the platform"*. Within this phase the student helped conceive and design the whole operational flow regarding booking management, on top of practically creating automatic emails and phone calls pitch.

The five phases described above represent the steps Vaniday went through in order to successfully set up its operations, as well as the stages the whole project consisted in. The table below provides a more synthetic summary of the project's phases, clearly stating objectives, challenges and the student's contribution. At this point the reader should have developed a clear understanding of the project's purposes and results, as well as of the student's contribution to their achievement.

Phase	Importance for the company	Student's tasks and responsibilities
Structuring	Efficient processes and smooth user experience increase number of professionals, customers and bookings, helping profitability and growth.	<ul style="list-style-type: none"> • Setup of the operational processes on suppliers' side; • Creation of script and phone call flow to approach new leads.
Supply base creation	Quality and quantity of supplier base increases platform's perceived quality, trust and comfort with online payments, boosting traffic, bookings and revenues.	<ul style="list-style-type: none"> • Negotiations and sales at salons'; • Responsible for onboarding process.
Quality of profiles	Quality of profiles increases customers' trust, reliability on online payment methods and, therefore, magnifies venture's chances to scale up.	<ul style="list-style-type: none"> • Analysis of onboarding performance and strategic decisions on supply increases; • Onboarding process optimization.
Bookings	This phase directly impacted number of bookings, influencing venture's KPIs, profitability and growth.	<ul style="list-style-type: none"> • Customer service structure setup; • High responsibilities in B2B initiative: partnerships, negotiation, and supervision.
Customer service	This phase allowed venture to handle bookings more efficiently in case professionals couldn't attend, increasing user experience, customer satisfaction and therefore retention rate.	<ul style="list-style-type: none"> • Design of operational flow regarding booking management; • Creation of confirmation emails and phone calls pitch.

Table 2 – In-Company Project's phases with student's individual contribution (Personal analysis, 2015).

In June 2015 Vaniday Global made the strategic decision of abandoning the independent professionals it had been working with until then, and only focus on beauty salons, as these are more reliable and, due to fiscal reasons, easier to be charged a commission. As a consequence, after this business model turnaround, the whole operational process started again from acquiring a critical mass of suppliers, before focusing the venture's efforts on boosting bookings. In this specific case, a critical mass of suppliers aims to cover all of the geographical areas targeted (those showing the highest demand during the first months of operations), before moving to other areas, to the whole metropolitan region, and then to other cities.

Project's importance for Vaniday and lessons learnt

At this point it seems interesting to consider to what extent and in what way this project, and this thesis, add value to Vaniday. As far as the in-company project is concerned, its importance and relevance for the company have already been explored in detail early on in this chapter and mainly consist in the two functions of structuring the whole company's operational structure and executing all of the tasks and processes necessary for making the business work. The degree of success of the project for the company will be assessed in detail later on in this work.

As of the present thesis, it aims to create value in two main ways:

1. providing Vaniday's and Rocket Internet's management with brilliant findings and forecasts about its own business, for them to learn more about their previous mistakes not to repeat them in the future;
2. representing a reference and a practical roadmap for any entrepreneur willing to establish his operations in Brazil.

These two objectives will be achieved by pointing out the right moves, as well as the not-to-repeat mistakes that Vaniday made in its first few months of operations. The following table summarizes both best practices and not-to-repeat mistakes and represents a useful list of guidelines for various actors:

- Vaniday's management can learn from its previous mistakes and leverage the lessons learnt for the future;
- Rocket Internet can also get valuable insights from Vaniday's experience and apply them when launching new ventures in Brazil;

- Foreign or local entrepreneurs willing to set up a business in Brazil can surely use these guidelines to reduce their learning process and mistakes, in order to have a faster and more efficient startup phase and save precious resources in terms of both money and time.

Best practices	Not-to-repeat mistakes
Focusing on established salons rather than independent professionals ensures quality of services and makes it easier to charge commissions and stabilize revenue streams.	Centralizing all online marketing activities in Berlin, far away from the local market and delegating them to people not speaking the local language creates bottlenecks for content generation and lack of local adaptation.
Rocket Internet's highly connected network of companies allowed for great and frequent communication, exchange of expertise and synergies.	Such a distant marketing team hardly integrates with the rest of the organization, making it harder to measure the impact of marketing activities on the company's performance.
Expansion through acquisitions allows to acquire industry expertise and reduce learning process and mistakes.	Using only one standard product, completely not customized to local tastes and needs, developed by a product team too far from local markets.
Hiring international talents and business students as interns provides great business knowledge at affordable prices.	Changing strategy after few months of operations is surely better than after years, but can still jeopardize the work done until that point. A better strategic evaluation upfront can help avoid this issue.
Great autonomy given to young talents to take responsibilities and shine. Such empowerment fosters employees commitment and boosts team spirit.	The team lost three executive members within the first six months of operations and changed at least ten other people: such a high turnover rate undermines synergies, team spirit and confidence. Better recruitment is the key to avoid this problem.
Very good team spirit and working culture, fostered by frequent and regular meetings that increased sense of ownership and commitment.	Having Rocket Internet as only investor ensures great capital availability and constant investment inflows, but that has the high cost of giving up on the strategic decision-making process.
Winning mentality and motivation to 'make it happen no matter what' shared throughout the whole	The expansion to the UK, Germany and France was too hasty, did not assess competition and did not wait

Best practices	Not-to-repeat mistakes
organizational structure and within all the countries through frequent communications.	to have established operational practices. All three countries were shut down a few months after launching.

Table 3 – List of Vaniday’s best practices and not-to-repeat mistakes (Personal analysis, 2016).

Relation to the student’s academic background

To conclude the project explanation, this paragraph will attempt to shed light on the link between the project and the student’s academic background.

Firstly, it is easy to relate the internship to the several entrepreneurship courses the student took during its academic career. Working in the fast-paced and dynamic environment that only a startup like Vaniday can offer provided the student with the chance of putting into practice the broad theoretical knowledge acquired throughout the years of study at ESADE Business School and FGV-EAESP. Particularly, the studies within the fields of entrepreneurship and business development turned out to be highly relevant for the internship and helpful to set up the venture’s operations.

Moreover, the international dimension of both the content and the location of the student’s Master Degrees are fully reflected in the internship. ESADE emphasizes its multicultural character by underlining the coexistence of 30 different nationalities within the MSc in International Management alone⁶⁶. Furthermore, as perfectly stated by the MIM’s Academic Director Marc Vilanova, “our Master focuses on training people to become international managers: managers that have to worry about international issues and challenges that companies face”⁶⁷. The project embodies such international perspective, as it takes place in a highly challenging international environment, such as an emerging country, allowing the student to test his international management skills. What is more, the *Mestrado Profissional em Gestão Internacional* (Master in International Management) the student completed at FGV-EAESP in Brazil, and specifically the several courses in the areas of Brazilian economy and doing business in emerging markets it included, also prepared the student for such

⁶⁶ <http://www.esade.edu/management/eng/programmes/master-international-management/international-experience>.

⁶⁷ <http://www.esade.edu/management/eng/programmes/master-international-management>.

professional challenge, making this project the perfect chance for him to test his theoretical background.

However, the most effective way to assess the validity of the project for the student's academic background is to relate it to the main objectives of the ESADE MIM. ESADE sets five main objectives for the MSc in International Management⁶⁸, namely:

1. *Construct a systemic understanding of a company and manage the paradoxes inherent to international operations, such as local-versus-global or conflicting stakeholder demands;*
2. *Embrace complexity, including how it frames the cultural, economic and political context, how it affects business practice, and how it can be managed;*
3. *Acquire analytical skills and critical thinking, challenge assumptions, and understand the value of intangible assets;*
4. *Identify global issues and problems in relation to companies, and integrate them into core business policies and activities;*
5. *Develop the competencies necessary to implement global strategies in the different functional areas of a company such as operations, organization, marketing and finances.*

The project reflected each of the objectives above to a certain extent. Firstly, the understanding of the complexity of a company's international operations was ensured by the tradeoff between adapting the platform to Brazil's market specificities and keeping a consistent product in every country. The global/local tradeoff, as well as the clash between long term corporate strategies to make the venture scale up and the need for short-term results implied by the investors' expectations, often played an important role in the communication between Vaniday Brazil and the company's Berlin HQ, offering a unique learning experience.

Secondly, the fact that the internship took place in Brazil represented a great chance for the student to practically understand the complexity of adapting business practices to a new culture, emerging economy and political context, and to integrate these aspects into his working style and daily activities.

⁶⁸ <http://www.esade.edu/management/eng/programmes/master-international-management/programme-overview>.

Thirdly, the deep level of quantitative analysis that many tasks required throughout the internship, together with the consequent decision-making process, allowed the student to challenge and even strengthen the analytical skills and critical reasoning acquired during his previous studies.

Finally, this project specifically tested the student's competencies in the field of operations, business development and organization, which represent some of the main areas of the international business academic background.

In conclusion, considering the above, it can be affirmed that the project perfectly fits in the student's academic background due to three main reasons:

1. The startup internship matches the student's interest in entrepreneurship and the several courses in this field he took during his Masters;
2. The international dimension of the student's Masters is reflected in the fact that the internship takes place in an emerging market, specifically in Brazil, where the student completed his studies;
3. The internship gave the student the opportunity to experience first hand the main objectives of ESADE's MSc in International Management.

5 Learning points

Following the thorough analysis of the project presented in the previous chapter, this part aims to dig deeper into the personal development the project represented for the student, by stating the main learning points it provided. This chapter will evaluate the tasks the student performed during each phase of the project and that compose his learning process, in order to identify what skills needed to be developed to succeed in the internship. From a different standpoint, it can be concluded that, while the previous chapter explains what results the student produced during the project, the present chapter aims to understand what results the project produced in the student, in terms of learning and personal and professional development.

Overall, the project requires challenges of several kinds to be successfully dealt with and lessons in various areas to be learned. These consist in both the competences required to perform the tasks the student was responsible for in each phase of the project, illustrated in paragraph 4.4.2, and the more general improvements in terms of business knowledge and cultural adaptation he was subject to during the internship. In order to better understand the many learning points the project implied, it can be useful to categorize them in four different areas:

1. Business sense and entrepreneurship;
2. Hard technical and analytical skills;
3. Cultural adaptation;
4. Soft skills.

Business sense and entrepreneurship

Spending four months working in a startup exposed the student to responsibilities and tasks normally inaccessible to junior profiles, but that fast growing businesses and dynamic working environments, such as Vaniday's, can provide. Moreover, the internship took place in an emerging economy and the venture was launched there as first country in the world: that made this learning experience even more stimulating. If we also consider that the Berlin-based Internet giant Rocket Internet provided the business with a consistent fresh capital that came together with high pressures and expectations to deliver short-term results to impatient investors, the learning scenario acquires unique traits. Within such context the student could not only assist, but also take actively part to the creation of an Internet business from scratch.

Being exposed to both the design on paper and the execution in practice of the venture's operational setup provided the student with fresh hands-on entrepreneurship lessons, nurturing his deep interest in startups and entrepreneurial spirit.

First of all, the student could learn how an Internet business operates on a daily basis and what are the key steps that need to be put in place to make it succeed. Moreover, he could also gain deep operational insights regarding how to start up an Internet company. This was made possible by the fact that the student could take part to the design of the operational processes on the suppliers' side in the first weeks of the project, and help conceive the whole operational flow regarding booking management at a later stage. On a more practical level, the student had to learn to create sales pitches and phone call flows for both inside sales and customer service.

As far as responsibilities are concerned, the student was given the autonomy to take the initiative to improve the onboarding process, by conceiving a leaner operational flow and improve the spreadsheets used for this purpose. What is more, he could freely rely on his business sense to make decisions on what geographical areas or professional categories the inside sales team should focus on when generating new leads, after analyzing the onboarding results. Finally, he received almost full responsibilities within Vaniday's B2B initiative, being able to decide what companies to strategically partner up with, negotiate with them, close deals and manage the practical operations on site.

Technical and analytical skills

Apart from obtaining first-hand knowledge about the startup industry and strategic and operational insights regarding how to start up a business, the student could also refine his technical and analytical skills. Working with more experienced and skilled professionals turned out to be the key success factor to achieve that.

As roughly 90% of the job required the use of Microsoft Excel, the student's ability with such software improved remarkably, for instance through the creation of onboarding templates, databases and reports. What is more, other softwares and platforms were also adopted frequently, such as Salesforce for account management, MailChimp for mass emails and newsletters, and Zendesk for customer service.

As of analytical skills, the constant analysis of onboarding results, bookings and performance of the inside sales team connoted the internship with a strong quantitative trait. As a

consequence, the student had to improve his analytical skills to provide accurate results about the department's performance and report them to the company's HQ.

Cultural adaptation

On top of the more evident technical challenges related to setting up a business' operations and making them work through skills learned on-field, also cultural and personal challenges had to be overcome. These mainly consisted in the cultural and linguistic barriers related to working in a 100% Brazilian environment.

According to the British Council (2015), only a minimal fraction of Brazilian population, between 2-5%, speaks English⁶⁹. This statistic was perfectly represented by the fact that only three people in the office could fluently communicate in English, while no external supplier or customer could. Such situation represented a language barrier that could be overcome only by learning Portuguese, the main language in Brazil, which the student achieved throughout the internship.

Moreover, once the language barrier was sorted out, the student also had to adapt to the very peculiar working environment and professional approach typical of Brazilian people. Differences in the way of doing business are broad between Brazil and European countries, and required a strong adaptation both in and outside the office. In order for the student to gain trust and acceptance in meetings and negotiations, an informal type of relation based on sympathy needed to be built. The project was therefore an opportunity to get to know a new way of working, negotiating and doing business, and even enrich the student's style in this area.

Soft skills

As already mentioned before, during the first weeks of the project tasks and responsibilities were not defined clearly. Therefore, it was likely for every member of the team to be responsible for tasks not belonging to his area of expertise, but that needed to be performed urgently. During this phase, the student visited some salons to sell the platform, negotiated

⁶⁹ British Council, *English in Brazil – an examination of policy, perceptions and influencing factors*, May 2015, retrieved from <https://ei.britishcouncil.org/sites/default/files/latin-america-research/English%20in%20Brazil.pdf>.

with few dozens professionals to sell the platform, and gathered their details at salons' and on the phone. Persuading and convincing people to join the platform speaking a foreign language represented a great challenge that trained the student's communication and negotiation skills. Such skills were enhanced even further thanks to the vast responsibilities obtained within Vaniday B2B *In-Company* initiative, by contacting potential companies and even negotiate with them.

Further, the student learned to adapt to the horizontal working culture and collaborative environment typical of a startup, where feedback can be exchanged freely and informally. Finally, by supervising the inside sales team the student had the opportunity to manage people for the first time, testing his leadership skills and putting into practice the deep management and organizational knowledge acquired during his studies. Both these learnings will represent relevant and important skills for the student to leverage during his future career.

To conclude, the analysis above shows that the project represented a unique learning experience that increased the student's business sense and level of understanding of a company's operations, deepened his analytical and technical skillset, enhanced his cultural flexibility and soft skills. The hard and soft skills, combined with the recent competences and knowledge acquired will undoubtedly increase the student's chances of being a successful manager or entrepreneur in his career.

6 Venture and project's performance evaluation

Beside the descriptive purpose of explaining the project and describing how Vaniday's operations were structured and work, the present work set the objective of assessing the venture's potential to win its market and scale up, considering its ability to catch opportunities and defend from external threats. Such objective will be achieved by analyzing the firm's external environment, in terms of economy, industries and competitive scenario, its business model and its initial performance within the first six months of operations. The present chapter will specifically examine the company's initial performance, based on its KPIs and benchmarked with a previous success story.

This chapter will have two main goals. First, it will assess the project *ex post* results, evaluating its degree of success. Secondly, considering the crucial role played by the Operations department, and therefore by the project itself, in the overall company performance, the achievement of the project's operational KPIs will give an idea of the overall results of the venture. These will be used as a base to evaluate Vaniday's potential for scalability. In other words, given that efficient operations represent a key success factor for Vaniday, understanding the degree of success of project is key to evaluate the firm's overall performance in its early days.

The present analysis will start by identifying the venture's operational KPIs and goals, before evaluating its performance according to them. Finally, these results will be compared to those obtained by Easy Taxi, Rocket Internet's major success story in Brazil, in its first months of operations. This analysis will rely on internal first-hand data from both companies, obtained through one-to-one phone interviews with Cristiano Soares and Marcelo Franco, respectively CEO and Head of Operations of Vaniday Brazil, and Marcio William and Daniel Cohen, respectively former co-founder & CTO and former Head of Operations of EasyTaxi Brazil. While the interviews with the two Vaniday representatives took place at the corporate office in São Paulo, the former Easy Taxi employees were interviewed on the phone, roughly three months after the student left Brazil. Each interview lasted roughly one hour.

Easy Taxi's business model presents several differences from Vaniday's one, both in terms of revenue model (the average basket size is surely smaller in the taxi business than in beauty services) and purchasing patterns (customers book a taxi way more often and casually than they do with beauty services). Despite such differences and although a benchmark should

normally be found within companies belonging to the same industry, Easy Taxi was selected as benchmark for three main reasons:

1. Information and founder availability: amongst the Rocket Internet's companies contacted, Easy Taxi was the one incline to share more details about their KPIs. Furthermore, thanks to the student's personal network, Easy Taxi was the only company where the interview would have been conducted directly with a founder.
2. Successful results: the more successful the previous benchmark, the fiercer the comparison and the bigger the likelihood of success for Vaniday. In order to make the prediction of Vaniday's success more reliable, the author decided to measure its initial performance against an extremely successful startup, and Easy Taxi definitely represents one of the most successful Rocket Internet ventures in Latin America.
3. Brazilian business: in order to make this comparison more reliable, it was important to choose another Rocket Internet venture that started its operations in Brazil as first country in the world. Easy Taxi was founded and launched in Brazil even before Rocket Internet stepped in and, after expanding to more than 30 countries worldwide, it definitely represents one of the most internationally successful Brazilian businesses of all time. The strongly Brazilian nature of this business ultimately makes Easy Taxi the most accurate benchmark to measure Vaniday's initial performance.

To conclude, the biggest difference between the two businesses definitely lies in the different purchasing pattern they present (people book a taxi with more ease than they can book a beauty service), which makes the comparison partly more complicated. However, such difference would actually favor Easy Taxi's performance, making it even tougher for Vaniday to succeed in this comparison. Therefore, considering that Easy Taxi's nature intrinsically implies a higher number of bookings, a positive performance by Vaniday would be even more remarkable.

Vaniday's KPIs and performance

As mentioned before, Vaniday set the main mission of being world's #1 website for beauty services, as well as the goal of reaching a leading position in all of the local markets it operates in. In order to do this, some more practical and tangible objectives were formalized, and specific KPIs were identified to measure their degree of achievement. Due to the crucial role played by the Operations department in the development of the company, most KPIs refer to operational activities and goals. Therefore, we can determine whether the project was

successful, as well as evaluate Vaniday's performance within the first six months, by just considering the degree of achievement of its operational KPIs.

As already anticipated when describing the firm's operations, KPIs for the Operations department mainly refer to the two main areas of supply and bookings. Among the KPIs explained before, two are the most relevant to assess the project's success and the venture's performance, given that they can be easily found in any online business model and facilitate benchmarking.

1. *Supply – number of signed professionals whose information was onboarded and whose profiles were live on the platform.* While initially the firm set the goal of reaching 1,000 live professionals before the launch, this objective switched to 1,000 live salons by September 2015 after changing business model. These targets were both reached, respectively in March and September 2015, as Mr. Soares points out.
2. *Bookings – number of bookings.* The venture set the goal of constantly increasing bookings by 50% every week. However, this goal was only rarely reached due to various reasons, such as the many bank holidays during the first month of operations and the high impact that targeted online marketing had on driving bookings. Anyways, Vaniday's performance in terms of bookings was rather satisfactory within the first months of operations, as the venture maintained a stable level between 20 and 40 bookings a week, also showing constant positive growth rate of 5-10% a week.

In absolute terms, considering the degree of achievement of the two KPIs explained above, it could be concluded that the project's objectives were only partially achieved. However, it must also be noticed that the project consisted in structuring the Operations department in a way that it could work efficiently and drive the company's performance in terms of bookings. Therefore, considering that the department functioned efficiently, allowing the venture to onboard thousands of professionals and salons and to achieve positive and increasing levels of bookings, the project can be definitely considered successful.

Benchmark with Easy Taxi

Easy Taxi is an app that connects passengers with taxi drivers and enables them to book and make payments online. Once the service is booked, the user receives a confirmation of the name, photo, and car details of the relevant driver. Users can view favorite addresses, ride

history, and additional car types on the app.⁷⁰ The venture was founded in June 2011 by Brazilian Tallis Gomes (currently CEO and founder of Vaniday's main competitor Singu) and Marcio William, and launched in Rio de Janeiro in April 2012. After five months of operations, Rocket Internet acquired the platform in September 2012, investing \$5 million in seed funding and allowing the company to make the final jump towards success. Thanks to such investments, supplier base increased significantly, marketing campaigns started to attract passengers, app and website were redesigned and the whole organization and structure got renewed, allowing the company to expand to São Paulo. As co-founder and former CTO Marcio William recalls, "*Rocket's advent and investments created a boom of requests that was unsustainable for the venture's structure to the point that we had to cancel most of the bookings due to a lack of drivers on the platform at that time. More than half of requested bookings could not be provided and got lost, representing a huge cost opportunity. That happened because the suppliers base wasn't big enough, therefore when a driver was unable to attend, a substitute could not be found and the booking got lost.*" The situation eventually improved at the beginning of 2013, when Rocket on the one hand improved the venture's structure and operations, and, on the other hand, increased the supplier base by providing taxi drivers with free smartphones that could be paid back over time, once they joined the platform. Such move, aiming at contrasting the low smartphone penetration in the country, boosted the firm's performance and allowed for Easy Taxi's national (Belo Horizonte and Porto Alegre) and international expansion (South Korea and Mexico). Since then, Easy Taxi expanded worldwide, reaching almost 30 countries and 420 cities, representing Rocket Internet's biggest success story in Brazil.

The phone interviews with Marcio William and Daniel Cohen provided precious insights regarding the venture's initial KPIs and its performance within the first six months of operations. In order to make the comparison between Vaniday and Easy Taxi possible, the same two main indicators have been selected to assess the venture's initial results.

1. *Supply – number of drivers whose information was onboarded and whose profiles were live on the platform.* When it was launched in April 2012 the platform could rely only on seven live drivers in the city of Rio de Janeiro. This number was then increased to 20 in May and to 70 in June 2012. The definitive supply expansion took

⁷⁰ <https://www.crunchbase.com/organization/easy-taxi#/entity>.

place in the month of October 2012, when, thanks to Rocket's investments, Easy Taxi reached 500-600 drivers.

2. *Bookings – number of bookings.* During the first five months of operations, before Rocket Internet investments kicked in, the platform received an average of around 10 requests a day. However, only two or three rides a day could be actually provided, accounting for around 50 rides a month and totaling 200 rides before Rocket arrived. This was due to a shortage of drivers that did not allow the platform to find an alternative driver to provide the service when the selected one was unable.

When comparing the results in terms of supply and bookings obtained by Vaniday within its first six months of operations with those achieved by Rocket Internet's most successful Brazilian venture in the same period, the outlook seems pretty positive for the beauty app. Obviously, some major differences in the external environment the two companies were born have to be kept in mind. For instance, when Easy Taxi launched its platform in 2012 smartphone penetration in Brazil was much lower than nowadays, as well as ecommerce and Internet purchases were less common and developed. Furthermore, while Vaniday could rely on Rocket's financial resources, operational structure and processes since its earliest days, Easy Taxi moved its first steps on its own, being acquired only five months after the launch. However, although such differences surely justify Easy Taxi's rather disappointing initial performance, it is undeniable that Vaniday had a much better kickoff. As a matter of fact, the beauty platform, despite its business model turnaround, could gather before the launch twice as many suppliers as Easy Taxi had after six months of operations, and, due to such broader supplier base, steadily obtain more bookings and provide more services.

Company	International rollout (# countries)	Bookings (monthly)	Suppliers	
			Launch	After six months
Vaniday	6	100	1000	1000 (salons)*
Easy Taxi	1	50	7	600

* Vaniday changed part of its business model in June 2015, focusing on salons instead of professionals.

Table 4 – Vaniday and Easy Taxi performance within the first six months of operations (Personal analysis, 2015).

7 Final considerations and conclusions

As clearly explained since the very introduction of this thesis, the present work aims to be more than just a simple internship report, combining and enriching the descriptive nature of the In-Company project with further research and analyses. As a consequence, the structure of the present thesis includes both descriptive, such as project definition and learning points, and analytical parts, such as economic, industry and market analyses, business model assessment and project performance evaluation. Such dichotomy is to be applied also to the illustration of the project's main findings and conclusions. Therefore, the present chapter will present two levels of conclusions, corresponding to the project's two main objectives of:

1. Explaining what the ICP consisted in, what were its main goals, stages and results, as well as what key learnings it provided; and
2. Assessing Vaniday's potential for future success, in terms of profitability and scalability.

ICP final considerations

The In-Company project consisted in two main phases. Firstly, it was about establishing Vaniday's Operations department since its early days, designing and structuring all of the operational processes required to start up the business, launch the platform and keep it working. Secondly, following this initial conceptual phase, execution took over, as previously designed processes and tasks had to be performed and improved on a daily basis. The overall objective consisted in providing the venture with efficient and effective operational processes that the company could rely on to achieve its goals and scale up.

As far as the project development is concerned, it consisted in five main phases, belonging to two macro-phases (pre-operations and operations) and representing ongoing processes performed in parallel until the present day. The initial phase of conceptually structuring the operational flow was then followed by two phases aiming to increase supplier base and quality of profiles, with the goal of enhancing the platform quality and customers' trust. The focus then moved towards bookings, as several and various initiatives were undertaken to boost the platform's growth and popularity. In the meantime, when the first bookings started to be received, a customer service structure was created in order to support both sides of the marketplace, improve user experience and increase customer satisfaction and, consequently, customer retention.

In terms of results, if we consider the operational KPIs regarding number of live professionals and bookings, the project could be defined as only partially successful, as the desired bookings' growth rate could only occasionally be reached mainly due to external factors. However, if we keep in mind that the project consisted in structuring the Operations department in a way that could drive the company's performance and support its future development, the project can be definitely considered successful, as it allowed Vaniday to onboard thousands of professionals and salons and to achieve positive and increasing levels of bookings.

Overall, the project represented a unique learning experience from several points of view. Besides increasing the student's business sense and level of understanding of an Internet company's operations, the project also deepened his analytical and technical skillset and enriched his cultural flexibility and management style. The student will leverage on these newly acquired skills, competences and experiences in his future managerial or entrepreneurial career.

Vaniday's future outlook

Apart from presenting the In-Company project, its objectives, main phases, results and key learnings, the present work also had the objective to conduct further investigations and evaluate Vaniday's future outlook and potential. The latter evaluation is based on the following three levels of analysis.

1. External analysis, regarding Brazilian economy, the industries the firm belongs to and the specific market it competes in;
2. Business model analysis, aiming to assess whether the company owns the internal resources necessary to successfully adapt to the opportunities and threats included in the external environment;
3. Vaniday's KPIs in the first months of operations, compared with those of Easy Taxi in the same stage of development.

The outcome of such analysis will consist in an observation reflecting the author's personal opinion about the venture and its likely future development.

7.1.1 External analysis' results

In conclusion, considering the data above, it can be observed that, despite the positive demographic trends that make Brazil an increasingly more populous country with a

progressively wealthier middle class – due to the previous economic growth – and better life conditions – namely lower infant mortality and longer life expectancy, the country’s macroeconomic and political scenario does not look as promising. Glory days when Brazil grew fast enough to reach the position of world’s fifth largest economy are over, as GDP not only stopped growing, but also started contracting. Economic recession, however, seems to represent just the obvious and inevitable consequence of the unstable political situation President Rousseff’s country lies in, dominated by thoughtless economic and fiscal decisions, chronic corruption and suffocating bureaucracy. As far as the future of Brazilian economy is concerned, OECD (2015) says recession is expected to continue throughout 2016, due to needed fiscal adjustment, tighter monetary policy to put a leash to inflation and lack of investors’ confidence in the political scenario.⁷¹ Thus, in spite of the positive demographic indicators, Brazilian economy does not provide the ideal conditions for any business to bloom and prosper.

Conversely, Brazil’s startup scene still represents an attractive investment opportunity, as well as a dynamic market that aims to overtake Chile as major Latin America’s startup hub. The market is still primitive and far from reaching its full potential, due to the suffocating bureaucracy that lengthens the time needed to start a business, and to governments’ lack of long-term perspective. However, local and foreign investors, attracted by the incredible growth potential of the Internet sector, are strengthening their investments year after year, while public institutions are finally starting to actively support innovation with the creation of new programs.

Regarding Internet retailing, Latin America remains the second fastest-growing ecommerce market in the world, and Brazil is leading the way, thanks to high Internet penetration, a booming market for affordable mobile devices, and an increasingly digital culture. Such promising trends simply constitute the perfect scenario for ecommerce platforms, making Brazil one of the most attractive markets worldwide.

As far as beauty care is concerned, Brazil is currently the third biggest market in the world for beauty and personal care, after the US and China. Furthermore, the market is shifting online in recent years, as Brazilian online retailing for beauty and personal care products grew by 22.5% since 2009 and it is forecasted to expand by another 7% by 2019. Such

⁷¹ <http://www.oecd.org/eco/outlook/brazil-economic-forecast-summary.htm>.

scenario represents the ideal conditions for new players to enter the industry by leveraging the untapped online distribution channel.

Finally, Vaniday Brazil's competitive environment, consisting in smaller players with sensibly lower investments, different business models and value propositions targeting different customers, does not constitute an imminent threat to the venture's success. Moreover, Rocket Internet's weight in terms of much higher investments and more efficient processes is likely to ensure the venture the position of market leader.

7.1.2 Business model analysis' results

Overall, Vaniday's model owns several strongpoints, from value proposition and customer benefits, to Rocket Internet's established processes and network. What is more, the recent business model change, focusing on established and more trustworthy salons, is likely to increase customers' trust in the platform, allowing for higher average basket size and customer retention, as well as for a broader diffusion of mobile bookings. However, one very critical potential flaw has to be registered in the venture's business model. It might be hard for the company to retain new customers and make them perform further bookings, due to the highly personal nature of beauty services, where trust and personal relationships matter. In such context, customers might be tempted not to book through Vaniday from the second time onwards, as this would translate into higher gains for professionals and potential discounts for customers, creating a win-win situation for both client and professional encouraging them to operate outside the platform.

7.1.3 Vaniday's initial performance

When comparing the results in terms of supply and bookings obtained by Vaniday within its first six months of operations with those achieved by Easy Taxi in the same period, the outlook seems pretty positive for the beauty app. As a matter of fact, Vaniday, despite its business model turnaround, could gather before the launch twice as many suppliers as Easy Taxi had after six months of operations, and steadily obtain more bookings.

7.1.4 Conclusion

The overall economic situation of Brazil, where economic downturn is made even more critical by the unstable political climate dominated by chronic corruption scandals, accompanies the rigid and suffocating bureaucracy that does not foster innovation. Yet, the startup scene is rather vital and dynamic, although not fully encouraged and supported by

public initiatives. Despite these legitimate concerns, Vaniday's outlook looks rather encouraging from an external perspective: Brazilian beauty industry is expected to prosper thanks to the increased demand within the lower-income layers of society and to the recent development of online channels, ecommerce will benefit from the expanding Internet infrastructures and smartphone penetration, while no credible competitors rise from the horizon in Vaniday's market. Furthermore, the venture's initial KPIs, compared to Easy Taxi's, together with the remarkable investments recently received from Rocket Internet, raise high – yet legitimate – excitement regarding the company's future performance and its possibilities to win the Brazilian market.

However, although both external factors and initial performance suggest positive short-term results, Vaniday's long-term success and scalability have to deal with the evident limitations of its business model. As emerges from the analysis in chapter 3, the firm's business model owns the right features, in terms of value proposition and customer benefits, required to establish a successful market leadership position. Nevertheless, concerns regard how long such leadership can last, and whether long-term profitability and scalability will be in fact limited by Vaniday's flaws regarding customer retention and the dynamic of offline bookings described above.

7.1.5 Expansion plans

Brazil is the third biggest market for beauty and personal care products in the world. Vaniday has the goal of being national market leader by September 2015 (6 months after starting up its operations), *“and we will make it: we will be #1 in Brazil, and we already are if we exclude management tools and focus only on marketplaces”*, says Mr. Soares. In order to reach such leading position, the company developed an authentic roadmap. Once been proven successful in São Paulo, the venture plans to expand to the other main Brazilian cities (Rio de Janeiro, Belo Horizonte, Porto Alegre and capital Brasilia), following the logic of acquiring knowledge and key learnings in a smaller market before growing. The expansion is now focusing on those central areas of São Paulo that displayed higher demand during the first months. This growth will then move to other metropolitan areas and eventually to new cities.

Last July 30th Vaniday received €15 million investments from its parent company Rocket Internet.⁷² This recent first seed-funding round “*will be used to bed down in existing markets and enter new ones, in addition to improving the experience for customers*”, according to Mr. Legardez. Considering the recent investments, as well as the inexistence of credible competitors strong enough to steal Vaniday’s leadership in Brazil, no concrete obstacles to the venture’s expansion plans are likely to be found.

⁷² S. O’Hear, *Vaniday, Rocket Internet’s Beauty And Wellness Marketplace, Scores €15M Backing*, July 30th, 2015, Tech Crunch, retrieved from <http://techcrunch.com/2015/07/30/vaniday/>.

Appendixes

Appendix 1: interview with Cristiano Soares (June 2015)

Cristiano Soares, Co-Founder & Brazil CEO.

Competitors and market analysis

Vaniday is now in 5 countries (Brazil, UK, Italy, Dubai, France), having more than 100 salons online, offering more than 200 services.

In Brazil there aren't many competitors. The only existing ones started 2-3 years ago, but didn't achieve the desired growth, remaining smaller than Vaniday after 2-3 months operations. Examples are:

- Trinks (<http://www.trinks.com/>), from Rio de Janeiro: they have many salons onboard, but low quality in profiles and website visual look (design).
- SalãoVIP (<http://www.salaovip.com.br/>).
- Hora do Salão (<https://www.horadosalao.com/>), business model is average way between Vaniday and Trinks.
- Singu (<http://www.singu.com.br/>), by Brazilian Rocket Internet competitor eGenius, focusing exclusively on independent professionals, not on salons. The market they aim to is the third world's biggest (around 4 million beauty professionals in Brazil), but it's very hard to capture, due to:
 - Quality assurance: it is impossible to "validate" them and assure the quality of the services they provide and the products they use through some kind of certification (too risky sending clients to somebody's domicile is too high for the platform without any quality assurance). This is also the main reason why Vaniday changed its business model's focus despite initially targeting mostly professionals: salons are more trustworthy and easier to subject to quality control.
 - Commission charge: it is difficult and risky to charge individual professionals, not having a physical workspace (they often work at home or at clients') nor a CNPJ (Brazilian fiscal number for enterprises). Especially for a young business like Vaniday it is much easier to capture independent professionals than professionals organized around salons: this choice should guarantee

Vaniday a bigger slice of the market in the long term, in spite of the short term opportunity cost of sacrificing the majority of early bookings (typically coming from independent professionals providing entry services at the client's).

However, none of them is a marketplace, they all are rather schedule management tools, allowing the salon's owner to more easily manage schedules and bookings. They also allow clients to book online, but their main focus and feature lie in providing a management tool. Vaniday's main goal was to differentiate itself and offer the market a new value proposition, with the objective of bringing more clients to the salons and taking a traditionally offline market online. It can be said that, while the competitors are 60% management tool and 40% online booking system, Vaniday is rather an online booking system, providing also a management tool aside (since it integrates with the salon's management tool, but without being a separated tool itself).

Sources of competitive advantage

- Rocket Internet provides:
 - knowledge of the market and online business in general, allowing to grow faster by learning from other ventures and other countries how to drive the business better;
 - proven internal organization and processes, and proprietary softwares to develop apps and websites, making it faster to launch;
 - consistent marketing budget, allowing for high marketing expenses to attract more customers and grow faster (requirement of the marketplace model);
- acquisition of Glym brought not only existing customers, but also market understanding and knowledge in the person of the co-founder (now Vaniday Brazil CEO);
- better value proposition to salons including premium services, such as professional photographers shooting at the salons to increase profile's quality and drive more bookings (also consequence of higher budget), and better-looking website design. Most salons already have schedule management tools, but don't know how to promote themselves and drive bookings: this is what Vaniday helps them with.

Value proposition to customers

First, Vaniday aims at taking the beauty sector into the digital world, given the already high demand for digital and mobile control over physical services (people can already book taxis, flats, hotels and flights online, why not beauty services?).

In terms of benefits, clients use Vaniday because they want to find beauty services near them and save time (not necessarily money). Also, Vaniday provides a wide range of different services and price levels, to fulfill all customers' needs (both low-price and premium salons). "We offer customers a world of beauty opportunities", says Mr Soares.

Consumers' behavior

- Most purchased category is manicure, because it presents less risk (so-called "entry service"), being cheaper and having a lower impact on the person's appearance. Customers are now trying the service, therefore are less inclined to take risks: this is why they opt for cheaper and less "invasive" services with a lower regret potential. As Mr. Franco points out, "at some point nails at home was so successful that we had to hire more people for customer service".
- Customers mainly book through website, since app had just been released and still presented bugs. But, as Mr. Soares sees it, "I am sure that our business will be mobile".
- Customer retention was rather high, meaning that existing customers come back and make a second purchase, often book services weekly (especially manicure). This showcases the high level of customer service.
- Average basket size is still rather low, around R\$ 30, due to the prevalence of less risky and less expensive entry services. Target average basket size is R\$ 100 within the next months. There is no age or sex specific target.

Objectives

- Being world's #1 website for beauty services
- In the beginning the objective was to launch after reaching 1,000 professionals (which was reached in a month)
- After changing business model, the goal is 1,000 salons by end of September 2015
- Bookings growth rate of 50% per week (in June they increased by 5-10% a week)

- Not yet financial objectives, such as breakeven, given the lack of benchmarks (Vaniday Brazil was launched first in the market)

Vaniday Brazil vs. Vaniday global

Brazil can take some autonomous decisions in terms of operations, but has no autonomy as of marketing, branding or strategy. All countries need to have the same marketing, communication, business model and branding, and remain consistent around the same product they share. There is a trade-off between need to adapt to country specificities and differences and keep a consistent product which is the same everywhere.

Performance measurement

General KPIs are:

- # of bookings
- # of salons
- # of visits on website/app
- revenues and average basket size
- approved bookings/cancelled bookings

Marketing KPIs:

- conversion rate: 0.8% achieved, against a typical 1-2% target for e-commerce platforms (Facebook has been the best channel as of conversion rate, given its high penetration in Brazil).

Challenges

- Online market in Brazil is still primitive, especially as of e-commerce (lack of internet infrastructure, safety issues) —> need to shape a new culture. But the moment seems to be the right one, given the increasingly higher smartphones penetration and the consequent increase activities performed online (i.e. online banking).
- Brazilian beauty salons are offline (hard and lengthy to convince).

Future outlook and expansion plans

Brazil is the third biggest market for beauty services in the world. Vaniday has the goal of being national market leader by September 2015 (6 months after starting up the operations), “and we will make it: we will be #1 in Brazil, and we already are if we exclude management tools and focus only on marketplaces”, says Mr Soares. They plan to expand to other main Brazilian cities (Rio de Janeiro, Belo Horizonte, Porto Alegre, Brasilia) once proven successful in Sao Paulo, following the logic of acquiring knowledge and key learnings in a smaller market before expanding. The expansion is now focusing on the central areas of Sao Paulo that displayed higher searches during the first months, then it will move to other metropolitan areas and, eventually to new cities.

Appendix 2: interview with Cristiano Soares (August 2015)

Cristiano Soares, Co-Founder & Brazil CEO.

Ex-post performance

Q: How many salons could we sign so far (out of the 1,000 we planned to bring online before October)?

A: *“We have 700 salons signed - 600 live and we are sending 100 salons/live every week right now - so we will reach our 1000 salons until end of September.”*

Q: How many bookings per day did we achieve now?

A: *Now it's confidential ;) but we increase a lot in the last 30 days.*

Q: Did the team grow and how many people are working for you now?

A: *We have 18 people now.*

Q: Did Vaniday receive any new financing lately?

A: *Yes, we received 13million EUR.*

Q: What new countries have we launched worldwide so far?

A: *We are now in UK, Australia, France, Italy, UAE and we will launch 2 more countries next month.*

Appendix 3: interview with Marcelo Franco (June 2015)

Marcelo Franco, Head of Operations Brazil.

Phases, objectives and challenges of setting up the Operations department

The Operations department went through several phases, each one having different challenges and objectives. Being the first country to launch, Brazilian operations represented the benchmark for the other countries in terms of leads generation, onboarding, customer service, bookings management and reporting.

1. Pre-operations: Structuring (January 10th - March 10th 2015): Operations began even before the business started its actual operations, while waiting the platform to be ready. After writing terms and conditions for suppliers and customers, the priority was designing all of the processes and operational flows that would have made the platform and the purchasing process work: user experience from customer's registration to booking confirmation and providing of the service (meaning: transactional emails to confirm and remind bookings, registration stages and required information, pages design, search and payment method, etc.). The main goal was creating a structure good enough to support operations after launch and to be compatible with the product's nature and business concept, so that product and operational flow could work together. This was a trial and error process that went through several mistakes before finding the right processes flow. Therefore the main challenge of this phase consisted in the lack of companies to use as benchmarks in order to see if the direction we were moving towards was correct. The created structure proved itself to be right or wrong only once the platform is up and running, thus it was subject to continuous changes and minor adjustments at later stages, in order to correct mistakes and adapt it to new needs. Such improvement process never ends, being a consequence of that internal learning that goes along with experience, sometimes creating frustration. Within this phase, the online payment provider and the ERP software to be used as management tool for salons were chosen and the contracts negotiated, in order to have them available once these functions will be ready.
2. Pre-operations: Supply base creation (from February 10th 2015 and ongoing): Objective of getting enough supply to launch the platform (1,000 professionals) was achieved within four weeks. Secondary goals related to numbers of professionals per categories and areas, aiming at reaching a critical mass of supply before launching (i.e. lack of yoga professionals in the week before that launch). Main challenges were: getting professionals to sign the contract and join the platform without having a name

or a website to show them; and creating an onboarding template that could be transformed into a good script by the IT team, with the risk of having to change the template once the professionals database had already been created in the wrong format (“but fortunately we got it right”, says Mr Franco). One of the key decisions was made at the beginning of March when Glym was acquired and Mr Soares started as new MD: back then it was decided to eliminate the external sales team and sell only through the inside sales team. A phone provider had to be selected, the contract negotiated and the sales pitch created. At that point, some sales reps got promoted to the inside sales team, others to account managers. Glym acquisition turned out to be a key move to achieve the professionals’ target, as it was much easier to convince already online professionals to join the new platform than offline ones to go online (70% of 1,000 professionals came from Glym through internal sales, while 300 professionals were acquired by external sales reps visiting salons during the first month). Once Glym professionals were onboarded, the focus moved to the Facebook leads coming from the pre-launch landing page, and then to the “self-signups” inbound leads. This supply creation phase actually never ends, although it evolved to a more professional process (the automatic on boarding spreadsheet currently used) throughout the months.

3. Operations: Quality of profiles (from mid-February 2015 and ongoing): Once the first salons signed, on boarding information and pictures started to be gathered. Initially this process was lengthy and inefficient, expecting the salons to spontaneously providing their information by filling in a form that was sent to them. Given to the high level of inaccuracy and inefficiency of this practice, account managers were put in charge of visiting salons and gathering this information themselves. The same thing happened with pictures, as initially popular selfies were substituted by professional pictures shot by Vaniday photographers. Pictures quality and information accuracy was the main issue at this phase.
4. Operations: Bookings (from beginning of April 2015 and ongoing): After the launch, once the previous processes had been established as daily practices and responsibilities had been split clearly, the objective was to maximize our results and grow, in terms of number of customers, professionals, bookings. The goal of 50% weekly booking growth rate was only rarely achieved due to several reasons. For instance, the many bank holidays during the first month of operations seriously limited bookings growth, because, although the day before a bank holiday was

typically very prolific for bookings, it did not compensate for the bookings lost with the holiday itself. Another limit was represented by the high impact that targeted online marketing had on driving bookings, meaning that bookings of some kind of service happened only when its category was highly promoted. This phase's challenge was the uncertainty on how to increase bookings. Many attempts were made: for instance, customers that started a booking but did not complete it were called and offered support; the business model was expanded to B2B market through Vaniday In-Company, that actually brought in many new bookings before being abandoned together with independent professionals; profiles quality was improved through professional photographers; discounts and promotional initiatives were also started.

5. Operations: Customer service (from beginning of April 2015 and ongoing): The customer service structure was set up thanks to the software Zendesk to respond to the many questions coming from customers via phone, email and on the platform itself. Customer service is the key to handle bookings and make sure none gets lost in case professionals cannot attend. The biggest challenge at this point is providing a high level of service for everyone and achieve high levels of customer satisfaction despite not having a great product yet, in order to promote the company's image and reputation, and get professionals feel taken care of and love the platform.

After changing business model, only focusing on salons, the whole process started again from acquiring a critical mass of suppliers; afterwards the efforts will still focus on boosting bookings. A critical mass of suppliers aims at covering all of the geographical areas targeted at the moment (those showing the highest demand during the first months), before moving to other areas, to the whole metropolitan region, and then to other cities.

Online payment system and integration with ERP systems have not been developed yet, representing the only operational delays in the initial goals.

Day-to-day operations

Vaniday daily operational tasks include:

- Inside sales: an internal team that:
 - generates leads fulfilling certain requirements, changing overtime according to Vaniday long-term objectives (i.e. first only Glym professionals everywhere in Brazil, then online salons with an already established online presence in the

most central neighborhoods of Sao Paulo), in order for them to generate revenues later on in the process. Instead of creating generic leads and checking at a later stage if they meet the requirements, the internal team only generates leads complying with the criteria in the first place, opting for lower quantity but higher quality;

- gets in touch via phone and email with these leads and sells the platform pitching and highlighting the benefits for salons (professional shooting, more bookings with less pressure on the salons owner, “we win only if you win as well”, etc.). The two processes are separated and happen in different moments, because “everyone can create leads, but not everybody can actually sell”, says Mr. Franco;
- schedules professional photo shooting making appointments with the salons.
- Account management: account managers (not part of the operations team) physically visit salons and gather onboarding information. One of the main issues of the process lies in the lack of information exchange within the salons: it happens often that when account managers visit a salon the owner is unaware of Vaniday because either the internal sales team or the account manager approached the wrong person. In this case the process goes back to the internal sales team that has to convince the owner, slowing down the whole process.
- Photographers (not part of the operations team): visit salons, take pictures and send them to the operations team that will index them.
- Onboarding: receiving information from account managers and including it into databases that will be used by the IT team to make the salon go live on the platform.
- Customer service: it starts as soon as the salon goes live, as professionals need to be taught how to use the platform, keep their schedule and accept bookings. At the same time, customers need to receive support on how to use the website and proceed with making the booking (called “inbound” if they contact Vaniday via email, phone or website chat, or “outbound” in case Vaniday contacts them first). Once a booking is made and it’s confirmed (no test or not valid client), customer and professional support is provided in order for the service to actually be provided. This is obtained by first confirming the service with the salon, and afterwards confirming it with the client. In case a professional cannot attend, a new professional is found in the same area and asked to provide the service at that date and time, after the customers

confirms the booking, otherwise the booking is rescheduled (60% not confirmed bookings are currently rescheduled, 40% cancelled). Once the booking is confirmed, customer service also reminds both customer and professional via email, SMS and phone call (in the future no phone calls) three hours before the appointment time.

KPIs

There are KPIs for every area of the Operations department:

- Inside sales: # signed professionals, # professionals per geographical area and professional category. The goal was two new salons a day per each sales rep, previously 25 new professionals a day per sales rep, and it has been reached every month since the beginning. Sometimes the issue regarded the quality of these professionals, being in remote areas of Sao Paulo unreachable to sales reps and photographers (lost sales).
- Onboarding: # signed professionals onboarded and live (goal of 100% live salons, but what matters is the time frame), # onboarded and live professionals per geographical area and professional category, # live professionals have pictures, "sign to live timeframe" (currently 3-4 weeks, goal of 2 weeks). The new on boarding goal targets 1,000 live salons by the end of September 2015 (currently 85 salons are live, while they were 40 at the time of the launch).
- Bookings: # of bookings, with the goal of increasing by 50% compared to the previous week ("before changing target we reached 10 bookings a day", as Mr Franco points out).

Appendix 4: interview with Marcio William and Daniel Cohen (September 2015)

Marcio William and Daniel Cohen, respectively former Co-Founder & CTO and former Head of Operations of EasyTaxi Brazil.

Timeline

- June 2011: ET was funded and from this moment on the business model improved.
- April 2012: platform was launched in Rio de Janeiro.
- June 2012: first investments came in, helping ET grow its suppliers base.

- September 2012: Rocket Internet invested \$5 M, allowing ET to make the final big jump towards growth.
- October/November 2012: thanks to Rocket investment, suppliers' base increased significantly (more phones could be bought and given to drivers, not for free anymore: they would pay it back over time), marketing campaign started to attract passengers, app and website were redesigned and the whole organization and structure got renewed. In this period, after the company had only operated in RJ so far, ET also expanded to Sao Paulo, attracting new drivers thanks to RI's investments.
- November 2012: Boom of bookings: as a consequence of the previous investments, changes and improvements, there was a boom of requests. The company couldn't keep up with them and had to cancel most of the bookings due to a lack of drivers on the platform at that time. More than half of requested bookings could not be provided and got lost, representing a huge cost opportunity for ET. The suppliers base wasn't big enough, therefore when a driver couldn't attend, a substitute could not be found and the booking got lost.
- December 2012: first SP bookings.
- First months 2013: still more bookings requested than those that could be actually provided. Many opportunities lost, as a consequence, ET decides to restructure, organize and develop its operations further.
- June 2013: In the same period, thanks to RI's investments, ET expansion started: after expanding to SP, the company expanded nationally also to BH and Porto Alegre by June 2013. International expansion also started to be on the agenda: Rocket Internet launched the business model in Korea and Mexico, before planning to reach the rest of LATAM with Colombia, Chile, Peru, Uruguay.

Challenges faced and solutions adopted

Challenges	Solutions
<p>Low smartphone penetration: when the company started in 2011, very few taxi drivers owned a smartphone and were able to join the platform. This would limit ET expansion and success.</p>	<p>ET decided to buy some smartphones at factory price and give them, initially for free and then with a payback program, to drivers, so that they could download the app and use the platform. Initially 20 phones were bought and distributed to drivers, which were even taught how to use ET. The latter increased drivers' trust in the platform and growth opportunities. On the other side, ET targeted international customers (advertisement in hotels) that already owned smartphones and trusted online businesses. The passenger side was therefore easier to nurture.</p>
<p>Drivers retention: the business was not taking off at the beginning, as many drivers would join (also encouraged by free smartphones) but bookings remained low, barely existent. A real challenge was to keep these drivers committed to a platform that was not delivering short-term results.</p>	<p>A strong CRM and account management initiative was put into actions. 24h customer service on the phone aimed to build trust by creating a deep and personal relationship with drivers. They needed to feel reassured about the platform future success, and talking to them 24h with a very personal attitude helped.</p>
<p>Growth: ET struggled to grow in the first six months, as no more than few dozens of drivers could be convinced to join the platform by buying and providing them with phones. Threat to ET development.</p>	<p>After RI bought the company in September 2012 (5/6 months after launch), new big investments were pumped into the business, new phones were bought and given to drivers, and the suppliers base started growing again, more strongly than ever, making the</p>

	company grow as well.
Shortage of supply: after RI invested in ET, marketing campaigns started attracting customers and bookings. There were too many bookings compared to what the existent suppliers' base could bear (see above).	At the beginning of 2013 ET restructured and developed its operations to be able to bear this high demand and not to lose any opportunity.

KPIs

- Suppliers (# of drivers)

Month	# of drivers
April 2012	7
May 2012	20
June 2012	70
October 2012	500-600

- Bookings
 - During the first 5-6 months of operations, before Rocket Internet invested in ET, around 10 bookings a day were received, but only 2-3 a day could be provided (around 50 a month and around 200 in the months before Rocket arrived). This was due to a shortage of drivers, that did not allow ET to find an alternative driver to provide the service when the selected one was unable.
 - Once Rocket arrived, the new capital was used to buy more phones and therefore increase the number of suppliers. This allowed for more capacity and less bookings lost (higher conversion and higher efficiency).

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