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**BUSINESS PLAN: THE MULTI-SIDED DIGITAL PLATFORM
“HOMENSÓ”**

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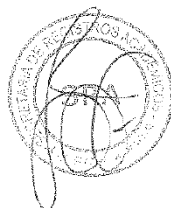
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Resumo

Objetivo: O objetivo deste trabalho é elaborar um plano de negócio para a plataforma digital multilateral que opera no nicho de mercado: indústria da beleza masculina no Rio de Janeiro, Brasil. A indústria da beleza masculina nesta tese é vista de um ponto de vista restrito que inclui barbearias e fabricantes / distribuidores de produtos cosméticos destinados ao uso por esse definido público, bem como clientes de ambos.

Metodologia: A fim de obter um entendimento detalhado e complexo sobre os atritos existentes no setor, foram realizadas entrevistas detalhadas com ambos os lados - o da oferta e o da demanda desta plataforma multilateral. Para isso, o lado da oferta é representado pelos proprietários e gerentes das barbearias localizadas no Rio de Janeiro e o lado da demanda é figurado pelos clientes de barbearias, residentes no Rio de Janeiro.

Resultados: Foi demonstrado que ambos lados da plataforma vêm buscando maior qualidade em suas trocas. Enquanto o lado da demanda deseja reduzir os custos de pesquisa, isso significa que os consumidores desejam encontrar informações melhores e de forma mais fácil sobre beleza masculina. O lado da oferta vem procurando melhores maneiras de compartilhar com os clientes informações sobre beleza masculina, e informa-los sobre os serviços por eles ofertados.

Limitações: A principal limitação desta pesquisa é o fato da mesma basear-se em um pequeno número de entrevistas. A versão piloto da plataforma, removendo os atritos existentes neste mercado, pode confirmar ou comprometer os resultados da pesquisa.

Contribuições práticas: Esta pesquisa pode permitir a criação de fato do negócio de plataforma no nicho de mercado de beleza masculina no Rio de Janeiro.

Palavras-chave: Plataformas multilaterais, oferta, demanda, massa crítica, efeitos de rede, Homensó, barbearias

Categoria do artigo: Dissertação de Mestrado

Abstract

Purpose: The purpose of this work is to elaborate a business plan for the multi-sided digital platform operating on the niche market: masculine beauty industry in Rio de Janeiro, Brazil. The masculine beauty industry in this thesis is viewed from a narrow point of view and includes barber shops and manufacturers / distributors of cosmetic products intended for use by the first ones, as well as the customers of both groups.

Design/Methodology: In order to obtain detailed and complex understanding about existing frictions in the industry in-depth interviews with the supply and demand sides of the multi-sided platform were conducted. The supply side is represented by the owners and managers of the barber shops located in Rio de Janeiro. The demand side embodies barber shops' customers living in Rio de Janeiro.

Findings: The research demonstrated that both sides of the platform are looking for the increased quality of their exchanges. While the demand side willing the reduction of the search cost, means that consumers wish to find easier better information on masculine beauty; the supply side is looking for better ways to share with their customers knowledges on masculine beauty and inform them about available services.

Research limitations: The main limitation of this research is that it is based on a small scale of interviews. The pilot version of multi-sided platform removing the existing frictions on the market can confirm or undermine the research results.

Practical implications: This work allows the creation of the real platform business in the niche market of the masculine beauty industry in Rio de Janeiro.

Keywords: Multi-sided platforms, supply side, demand side, critical mass, network effects, Homensó, barber shops.

Paper category: Master thesis.

1. Introduction

1.1 Background

Over the past decade multi-sided digital platforms (MSP) began to spread widely all over the world, gaining the ground not only in the most typical areas of the application of this business model as social media, books and travel, but in many others, more unexpected fields as transportation, banking and healthcare (Evans, Gawer, 2016). Thus, there is no surprise, that multi-sided platforms entered and firmly entrenched in the world of the beauty industry as well. They offer to their users various types of goods and services, from online booking in beauty salons and purchase of cosmetic products to marketing tools and financial management.

All MSPs are destined to facilitate transactions between different types of individuals and organizations (Evans, Gawer, 2016). According to Hagiu (2014) multi-sided platforms create value primarily by enabling direct interactions between different groups of platform users. In other words, MSPs create value by reducing various sorts of market frictions or so-called transaction costs (Evans, Schmalensee, 2016). Therefore, in order to create a new MSP for any market, it is necessary to find out an existing in this market sufficient friction(s) and set the platform in the way which will help to solve the issue.

From the personal experience, while trying to find and to book services in beauty salons in Rio de Janeiro, we found out that there are frictions in this market. First of all, many of beauty salons don't make a detailed description of their services, don't show prices and the quality of services is uncertain. In that circumstance, customers have to spend time studying various websites and social media to better understand the offer of each beauty salon, in order to choose the one most suitable. Second, calling a beauty salon to book a service or to obtain more information has several inconveniences: beauty salons have limited opening hours, talking on the phone is sometimes not appropriate (depending on the location of the person), and it can be time consuming. Moreover, for foreigners, living or visiting Rio de Janeiro and not speaking Portuguese, it is impossible to obtain information by phone, since it is hard to know whether employees of a salon are speaking foreign languages. These difficulties evoked an idea about an online beauty booking digital platform that can help to overcome mentioned barriers. However, after a research on Internet we found that several platforms of this type already exist on the Brazilian beauty market. These platforms focus on the needs of beauty salons creating various managerial tools for them and are working hard to get professionals on board; while they don't promote their platforms for the users of beauty services (at least in Rio de Janeiro) and seem to leave the customer acquisition on the demand side on the second plan. This conclusion was made on the base of the interviews – none of respondents on the demand side

knew these platforms, and on the observation – none of these platforms appear in the top Google search engine when we are looking for the beauty salons in Rio de Janeiro. This was the reason why we decided that there is a space for the new digital platform of this type, which will be more customer oriented and will focus on attraction of more final users and not only on the professionals of the industry. It was also concluded that to ensure the success of the new platform we should “go narrow/go deep” and to focus on one particular beauty market segment. The choice of the masculine beauty sector was made due to its incredible growth pace over the past years, almost 70 percent growth between 2013 and 2017 (Cosmetic Innovation, 2018). Moreover, the Brazilian market for men's beauty is the second largest market with 13% of worldwide sales, after the United States, which holds 18% (Cosmetic Innovation, 2018). Therefore, this thesis is focused on the elaboration of the business plan for the MSP for the masculine beauty market in Rio de Janeiro. This platform is aimed to bring together consumers and professionals of the masculine beauty industry in Rio de Janeiro and to increase the quality of their exchanges. Due to the specific target market, the commercial name of the future platform is “Homensó” (only for men).

Before elaborating the working business plan for the multi-sided digital platform, it is necessary to understand how this particular business model operates, its strengths and weakness. For this reason, one part of this work is dedicated to the analysis of the MSPs. Moreover, this dissertation includes the qualitative research of the market, which was aimed to meet following goals:

1. Better define target customers on each side of the MSP.
2. Understand, from the point of view of participants, market needs and frictions on the level of interactions between customers and professionals of the masculine beauty salon's industry in Rio de Janeiro.
3. Elaborate USP (differentiation from the competition) and UVP (unique benefits for customers) of the platform for each side of users.
4. Define monetary strategy.

1.2 Outline of the dissertation

After the introductory chapter, research method, aimed to help in better understanding of the masculine beauty marketing Rio de Janeiro, is described in the chapter 2. The following part presents the analysis of the nature of multi-sided platforms. This part serves as the theoretical framework for the elaboration of the business model for the MSP Homensó. Chapter 4 represents the business model itself, which includes description of the industry of applications

for the beauty market, analysis of competitors, elaboration of the marketing and pricing strategy, and the description of the future business.

Finally, chapter 5 presents a conclusion and final notes regarding the future platform. Lastly, all references used in the thesis will be presented, followed by the appendices with an additional information.

2 Research method

2.1 Data collection

To study the masculine beauty market in Rio de Janeiro and to reach the research objectives, a qualitative approach has been chosen. In total 16 interviews were conducted, equally divided between supply and demand side of the future platform. The supply side is represented by the owners and managers of the barber shops located in Rio de Janeiro. The demand side embodies barber shops' customers living in Rio de Janeiro.

The interview method has been chosen because it provides in-depth information related to participants' experiences and viewpoints on a particular topic (Turner, 2010). Moreover, interviews allowed to obtain more detailed and complex understanding about existing friction in the industry, as well as to understand whether a new MSP is needed. In this way, the face to face interviews with the market participants help to get a precious insight on the situation in the industry.

In order to choose interviews' participants, a list of a selection criteria of relevant subjects (Bryman, 2008) was constructed. The choice of the interviewees on the supply side was made on the base of the following criteria:

- Owners or managers of a barber shop in Rio de Janeiro, who take a decision on the business strategy, including the choice of participation in MSPs.
- In order to examine whether opinions differ significantly depending on the size and location of barber shops, managers of various types of barber shops were interviewed. The opinion of managers of small (less than 100 customers a month), medium (between 200 and 700 customers a month) and big (more than 1000 customers a month) barber shops were collected. The barber shops were situated in areas with high living standards: Zona Sul, Barra da Tijuca; average living standards: Tijuca and business area: Centro.

With the regard to the demand side of the future platform, following principles were respected in the choice of the interviewees:

- Men between 15 and 59 years old, living in the city of Rio de Janeiro, coming from one of the socioeconomic classes A, B or C (see annex 6.1), goes to barber shops for haircut, beard care and other services at least once a month.

2.1.1 Interview design and complementary sources of data collection

There are different types of interview design that can be developed to obtain needed data, such as informal conversational interview, general interview guide approach, and standardized open-ended interview (Gall, Gall, Borg, 2003). For this research the standardized open-ended interview was adopted. This type of interview is well structured in terms of the wording of questions and allows the participants to share as many details as they wish (Turner, 2010). For elaboration of a solid business plan it is necessary to obtain a free detailed opinion on the future product, thus, the structured interview can be the most adapted way to make interviewers to express their viewpoint fully.

Besides interviews, primary, secondary and tertiary sources on digital platforms and consumer behavior in the masculine beauty industry in Brazil were used. Most of the statistical data on population, such as income, gender distribution, age, comes from governmental and renown private sources like IBGE, ABIHPEC, SEBRAE. Academic literature was used for the theoretical analysis of the nature of multi-sided platforms. In addition to qualitative research, masculine beauty industry in Brazil was studied and analyzed on the base of online newspapers, magazines and specialized websites.

2.2 Data treatment

In an academic field of business applied research questions are quite common (Turabian, 2013). This type of questions helps researchers to find out what they need to understand before taking a decision on what to do. This work is oriented to understand the masculine beauty industry in Rio de Janeiro and MSPs' essence in order to create a real business in this area. Therefore, the treatment of collected data was carried out from the point of view of practical interest - creation of the multi-sided digital platform.

In order to treat the collected through interviews data, the most of the elements of the content analysis were used. First of all, the interviews were registered, then listened up several times in order to define wide themes discussed. These themes were named and data were written down for each section. Finally, narrative on the base of obtained results was created.

This analysis of the interview generated the idea of the platform design, helped to define pricing policy and to elaborate the differentiation from the competitors.

3 Theoretical framework: Multi-sided platform analysis

The multi-sided platform is defined as a business that operates a physical or virtual place (a platform) to help two or more different groups (sides) find each other and interact (Evans, Schmalensee, 2016, p.201). Physical MSPs exist from the days of ancient Greece, when traders borrowed money in Athens to finance a trip to buy wine in one port, then sailed to others to trade for other things, and then returned to Athens to sell their cargo (Evans, Schmalensee, 2016). In this example Athens was a platform where several groups of customers met and interact. Money lenders were willing to come to the city because there were traders, and traders were happy to come to the city because they could borrow money for their business, and then sell their products to the third party. Just as the city of Athens made a match between various groups of people, shopping malls make a match between product sellers and consumers, newspapers match advertisers with readers, and credit card system matches cardholders with merchants (Evans, Schmalensee, 2016). The relatively new form of matchmaking is a virtual multi-sided platform, which emerged with the widespread of the Internet at the end of the 20th century (Parker, Van Alstyne, Choudary, 2016). There are many examples of online MSPs in different fields: in product sales - Amazon, E-bay, service providers - Airbnb, Booking, Uber, and in the area of mobile software applications - App Store, Google play (Ardolino, Saccani, Perona, 2016). All of these platforms, virtual and physical have the common feature, which distinguishes them from the one-sided business – the interdependence of a customer's demand (Evans, Schmalensee, 2016).

An understanding of multi-sided platform's business as a distinct type came only in 2000 after Jean-Charles Rochet and Jean Tirole wrote a paper "Platform Competition in Two Sided Markets" (Evans, Schmalensee, 2016). Comparing to a traditional step-by-step organization, with a linear value chain, MSPs create, change and exchange value in different ways and places (Parker, Van Alstyne, Choudary, 2016). While a usual business focuses on attracting customers and selling to them on profitable terms, multi-sided platforms, concentrate their efforts on catching "two or more types of customers by enabling them to interact with each other on attractive terms" (Evans, Schmalensee, 2016, p.23). This interaction creates network effects, when increased number of participants influence the value of the platform for its users. In the businesses with network effects customers themselves become the main asset, and the number, together with the quality of their interaction, create company's competitive advantage (Van Alstyne, Parker, Choudary, 2016).

3.1 Direct and indirect network effects

For a long time, researchers applied only a simple theory of direct network effects to the sophisticated organization of multi-sided platforms (Evans, Schmalensee, 2016). On the base of this approach, they theorized the importance of the first-mover advantage in an industry with network effects (Lieberman, Montgomery, 1988). For instance, after the phone was created, telephone companies tried to attract as much customers as possible, since they believed that each new user would benefit other people already having phones and potentially willing to reach those new subscribers (Evans, Schmalensee, 2016). Once there will be more consumers, they will attract even more people to the network. In this way, first-movers have a better chance to keep their leading position on the market.

However, if the direct network effects theory works well when the platform has only one type of customers, it fails to explain the success of platforms with different types of customers, whose demand is interdependent (Evans, Schmalensee, 2016). Considering an example of Open Table, which has two distinct types of consumers: restaurants and diners, we can see the limitation of this theory. If, for instance, the number of restaurants is high on the platform, but it has no consumers, every new added restaurant will not create bigger value. Moreover, it can even provoke the negative direct network effect, which occurs when additional participants make other participants in the same group worse off, perhaps due to congestion or increased competition (Evans, Schmalensee, 2016, p. 201). The more competitors are participating in a platform, the lower can be value for each of them. In the same way, the participation of more diners in the platform will not add any value if there are too few restaurants.

To overcome the limitation of the direct network effects theory, Jean-Charles Rochet and Jean Tirole(2003) highlighted the importance of the indirect network effects for two-sided platforms. They demonstrated that the value of a platform to one group of customers depends on the number of participants from another group (Evans, Schmalensee, 2016). Just as, restaurants will be more enthusiastic to join Open Table when it will subscribe many diners, the diners, in their turn, will be attracted by the large choice of restaurants. In this way the platform development happens thanks to the positive indirect network effects. The positive indirect network effect arises, when the addition of one type of participant to a network impact on another type of participant, by increasing the value that participants of another type get (Evans, Schmalensee, 2016, p.201). However, not all extra participants will contribute to the maximization of ecosystem value. Some new participants could provoke a negative indirect network effect, which occurs “when an additional participant of one type decreases the value to participants of the other type” (Evans, Schmalensee, 2016, p.201). For example, if there are

many low-quality restaurants on the Open Table platform, each new restaurant of the same type will reduce the value that consumers get.

Therefore, network effects create specific, comparing to traditional business, challenge for the successful development of MSPs. In order to reach a critical mass and a sustainable growth MSPs have to use strategies aimed to tackle issues related to network effects.

3.2 Customers mobilization strategies

Due to the network effect platform's customers demand is independent: MSPs are able to attract one group of customers only when the other group is already present. In this case, MSPs' owners need to solve a "chicken-or-egg" problem by convincing early users to join the platform, even before it reaches a critical mass (Rochet, Tirole, 2003). The critical mass isn't simply a single pair of numbers for each type of participant, but it is a range of numbers that could provide a needed batch of users on both sides of the platform (for two-sided platforms) (Evans, Schmalensee, 2016, p.199). For example, Airbnb has to have enough apartments' owners and enough travelers to interest other side; once it has enough, more people will join the platform, in the opposite state of things, Airbnb will lose the ones it has already attracted.

When a new platform emerges, its owners need to find the way to attract rapidly and rather simultaneously multiple types of users in mass. This will decrease or almost eliminate uncertainty about a platform's prospects and will support its self-sustaining growth (Edelman, 2015). Evans and Schmalensee (2016) propose several strategies for securing a critical mass: *Zigzag Strategy*, *Two-Step Strategy* and *Commitment Strategy*. The *Zigzag Strategy* pushes a participation by both sides at the same time (Evans, Schmalensee, 2016). One of the examples of the successful MSP which used this strategy is YouTube. It worked on getting more people to upload videos and more people to view them simultaneously. YouTube switched its focus from one group to another, depending on the number of users on each side. Once the platform had more viewers than uploaders YouTube aimed more on uploaders and vice versa (Evans, Schmalensee, 2016).

The *Two-Step Strategy* aims first to persuade one group to join the platform, and once enough users of that group have done so, platform owners work on attracting the other group (Evans, Schmalensee, 2016). The MSPs, that make money from advertising, such as online newspapers or magazines often use this type of strategy. Their prime value proposition is lying in various kinds of content, which allow them to grab as many eyeballs as possible. Once they attract enough eyeballs, they can get interest from advertisers who value those readers (Evans, Schmalensee, 2016).

The *Commitment Strategy* is applied by platforms where one group of users' needs to make investments to participate in the platform (Evans, Schmalensee, 2016). Therefore, in order to attract this group platform's owners, have to guarantee that they will be able to bring up members of the other group valuable to the first one. For instance, Microsoft had to persuade video game developers to work on the creation of games for the Xbox even before there were enough of Xbox players. To prove that there will be demand for their games, Microsoft promised to sell the Xbox at a low price.

The *Commitment Strategy* has a common feature with the *Two-Step Strategy*, they both focus first on one group of users and once they attain the critical mass on one side, they work on the acquirement of the other side users. All of the three strategies can be used by MSPs separately or in combination. They also require the choice of relevant tactics and marketing tools which will help to bring needed users to the platform during the limited timeline.

3.2.1 User acquisition tactics

The countdown begins immediately after the launch of a platform, and if it doesn't reach a critical mass before its time runs out, the platform will cease to exist (Evans, Schmalensee, 2016). According to Evans and Schmalensee (2016), MSPs have a couple of years to achieve the critical mass, after that, if there are not enough users, participants stop coming to the platform, which doesn't deliver for them. "The platform will then lose value and will have difficulty attracting many new or former participants, as well as investors" (Evans, Schmalensee, 2016, p.151).

However, the volume is not a unique condition for the success of a multi-sided platform, it also depends on the right match between participants of two or more groups (Van Alstyne, Parker, Choudary, 2016). It is obvious that the larger network provides more alternatives and creates better matches between supply and demand, but if participants of one group are not relevant, another group will not participate. For example, the restaurant booking platform Open Table started by registering various restaurants in many different cities in USA. As a result, the platform had many restaurants signed all over the country, without having sufficient number of restaurants in any specific place to attract diners on the platform. The company was losing lots of money before they have changed the strategy and concentrated on the recruitment of the restaurants in only four cities. Once Open Table had a larger choice of restaurants on its website in each city and district, more consumers began making online reservations, which in its turn, convinced more restaurants to sign up to the platform and attract even more consumers (Evans, Schmalensee, 2016, p.18-19).

To avoid doing the same mistake as Open Table did initially, a platform owner can choose the “go narrow/go deep” tactic. This tactic helps to create a thick market in one or several locations, and ensure the right interactions for users. This strategy helps to generate higher value to participants and also allows to platform owners taste their product on a smaller scale (Van Alstyne, Parker, Choudary, 2016). Stummer, Kundisch, Decker (2018) also support this idea, the described by them *Single Target Group* tactic invites platform owners to focus on one particular target group or market segment. In this way, MSPs may start operating in a single community, city or industry. For instance, Facebook started by operating in the Harvard University, then spread it up to other Universities, and afterward opened the platform to the wider public. The “small” start helped them to reduce the size of the required critical user mass and to use fewer resources for operating and developing platform (Stummer, Kundisch, Decker, 2018).

Researchers (Stummer, Kundisch, Decker, 2018; Evans, Schmalensee, 2016) introduced several varieties of the *Single Target Group* tactic: *Marquee users* and *Loyal users*. *Marquee users*’ tactic supposes to initially attract participants bringing high value for other platform users, which in turn will bring more new users (Stummer, Kundisch, Decker, 2018). Shopping malls using this tactic tend to start by signing up popular stores that will attract a lot of foot traffic and, thereby, it helps to persuade smaller retailers to rent a space (Evans, Schmalensee, 2016). Marquee users are also considered as opinion leaders, who can bring high-quality transactions to the MSP and be on their own very active users (Stummer, Kundisch, Decker, 2018). MSPs can use the tactic of the *Exclusivity Agreements* with marquee users or opinion leaders on one of the platform sides, which will attract more customers to the platform in general (Stummer, Kundisch, Decker, 2018). Marquee users also tend to contribute to the better quality of the content on a platform and send a positive sign to other users who would like to join the MSP, which will accelerate its growth (Stummer, Kundisch, Decker, 2018).

The focus on *Loyal User* allows MSPs to attain the required critical mass with lower financial resources. Depending on the industry and circumstances, MSPs can use several methods to keep users loyal to the platform. In B2B business once a company starts and continue to adjust its business processes toward the platform, switching costs to another MSP may increase, therefore, higher personalization of the services and interface (in case of IT platforms) will help to keep MSP’s users loyal. Another measure, that the platforms could use is to work on building up users’ reputation on the base of the work they provide via the platform. In case those users decide to switch they would lose their profile history and would have to rebuild their reputation from scratch. One more method which can be used by the platform’s owners is to adopt a by-

invitation-only platform, which will increase social binding and commitment to the MSP (Stummer, Kundisch, Decker, 2018).

The *Self-supply* tactic is the one which can help to increase the numbers of users in the beginning of Platform's existence. When YouTube appeared, its creator downloaded first videos on his own in order to create some content on the platform and attract viewers (Evans, Schmalensee, 2016).

In order to solve the multi-homing issue MSPs could use the tactic of the *Platform Envelopment*, in other words, they could "combine its own functionalities with those of a target platform in a multiplatform bundle that leverages shared user relationships" (Stummer, Kundisch, Decker, 2018). The partnership with other platforms allows various MSPs to coexist and to grow together. Moreover, the partnership between digital MSPs could be the part of marketing strategy for reaching, informing and engaging more customers.

The platform envelopment tactics also includes the collection and processing of information already stored on other MSPs, like Google, Facebook, Twitter and others. This tactic can be used on one side of the platform or on both of them simultaneously. Social media platforms, in this case, are the great source of the information for MSPs and also can help other platforms to develop more targeted marketing campaigns, communicate with consumers, gain insights on the customers' perception of the MSPs services and products, and contribute to the customer acquisition and retention (Vinerean, 2017).

One more tactic, which could be applied by MSPs with services or products on both sides which do not require high set-up costs or specific knowledge is *Side Switching*. The same MSPs platform users could fill both markets sides at the same time. Airbnb, for instance, chose this strategy in early-stage platform development. They were searching for private users in different cities who were able both provide and demand accommodation for travel purposes (Stummer, Kundisch, Decker, 2018).

All the described tactics have the common feature, they are aimed to solve a "chicken-or-egg problem": to attract sellers without buyers and vice versa. In other words, they have to help a platform to reach as quickly as possible the stage of the organic growth. But before attracting different types of users, MSPs owners should set up rules for the platform participants. These rules refer to the platform governance.

3.3 Platform governance

"Governance is the set of rules concerning who gets to participate in an ecosystem, how to divide the value, and how to resolve conflicts" (Parker, Van Alstyne, Choudary, 2016, p.99). Those rules, if they are right, can promote positive direct and indirect network effects, and prevent negative ones (Evans, Schmalensee, 2016). With regard to network effects owners

of the platform should decide how many sides to have on the platform and how participants will interact with each other.

The well-designed governance model is aimed to improve four aspects of a platform functioning. First of all, it helps to increase the safety of the platform through transparency and high-quality interactions. Second, good governance provides easier access for one user to another (create *thickness*), and finally, it minimizes *congestion* and *repugnant activity* of some platform users (Van Alstyne, Parker, Choudary, 2016). In order to elaborate and implement a platform governance four main tools can be used: laws, norms, architecture, and markets (Van Alstyne, Parker, Choudary, 2016). The agreement of use or terms of provided services by MSP can play the role of platform's laws, while norms are the behavior reflection of users, which takes time to be set for each particular MSP. The platform architecture is a programming code or software systems, which through different algorithms shape participants behavior and define the access to the platform.

With the open architecture any customers can access platform resources and create new value, whilst open governance allows any user of the platform to shape the rules of trade and compensation (Van Alstyne, Parker, Choudary, 2016). The "openness" of the platform, meanwhile, have a double-sided effect on its functioning. While it can incite producers to create high-value offerings by letting them invent things for the platform without owner's approval, it can also destroy value through misbehavior or excess of low-quality content (Van Alstyne, Parker, Choudary, 2016). Therefore, the openness should be balanced to maximize positive network effects and to reduce negative ones (Van Alstyne, Parker, Choudary, 2016).

On the initial stage, MSPs owners should monitor a quality of the user's match, encourage a participation of both sides and penalize a misbehavior.

The governance can become a source of differentiation for the future Platform and even provide a competitive advantage. That is why it will be important to analyze the governance system of competitors and to create a better structure. Moreover, since participants can use several platforms, an effective governance will help to attract new users and maybe make them switch completely to one platform. In this case a fair reward can also encourage the participation (Van Alstyne, Parker, Choudary, 2016). Moreover, right pricing will help to balance the treatment of all customer groups and to ensure that there is enough of the right members of all groups on the platform (Evans, Schmalensee, 2016).

3.4 Pricing

Pricing of multi-sided platforms is a tricky issue. The most complicated thing is to decide on the level and structure of prices. Platform owners have to find the best way to monetize network

effects without discouraging users to sign up for the platform. Usually multi-sided platforms use nontraditional, and even counterintuitive strategies to make profit (Evans, Schmalensee, 2016). Sometimes, even if a platform owner decides to pay one of the sides rather than charging all of the customers, they still can be profitable (Evans, Schmalensee, 2016). Since the presence of one customer group is valuable to the other customer group, giving an access to the platform for free for the first one will help to generate profit on the other side (Evans, Schmalensee, 2016, p.23). In some extent “free” services became possible thanks to the Internet. For online multi-sided platforms, the cost of managing an additional participant is very low, so “free is less of a stretch than it used to be” (Evans, Schmalensee, 2016, p.95).

To define a price structure manager of a platform, first of all need to understand, which side is less sensitive to price and if the price sensitive customers are valuable for the other side. In other words, multi-sided platforms have to choose the subsidy and the money side (Evans, Schmalensee, 2016). The subsidy side is usually charged prices that do not cover costs, charged nothing, or obtain rewards for using the product (Evans, Schmalensee, 2016). Platforms cover subsidy side losses by charging prices that surpass costs to the participants on the other side, the so-called, money side of the platform (Evans, Schmalensee, 2016). Usually the money side of the platform is motivated to pay because the value to them of the other side participants is higher than the cost.

It is not always necessary to have a subsidy side; sometimes multi-sided platforms charge customers on all sides. But this pricing system must be used very carefully, since it can reduce participation and destroy network effects (Parker, Van Alstyne, Choudary, 2016). One of the pricing strategies is “pay-as-you-go pricing” (Edelman, 2015). This pricing is based on a deal completion, when users are charged only when firms get what they need (appointment for a haircut, for instance), and not for being listed on the platform. The fee then becomes the performance based, and feels negligible (Parker, Van Alstyne, Choudary, 2016). This tactic tie into the rule: “users first, monetization later,” only after a value unit is created and exchanged with results that are satisfactory to both sides, the platform business can capture a share of that value (Parker, Van Alstyne, Choudary, 2016).

There are different ways to decide about the level of charge. Platforms can monetize the created value by charging a transaction fee, calculated as either a percentage of the transaction price or a fixed fee per transaction (Parker, Van Alstyne, Choudary, 2016). The latter system is easier to administer, but does not fit for all platforms. It can be used if the frequency of transactions is high and its size is similar (Parker, Van Alstyne, Choudary, 2016). Platforms also can charge

a subscription fee for one side or several sides, or even being free for all users and make money from an advertising.

3.5 Managerial implication

Multi-sided platform is probably one of the toughest business models. To make profit platform managers sell to one group of customers an access to another one. In order to convince customers to buy their “product” platform managers have to deal with various issues which are not inherent to the traditional business. They need to attract two or more groups of customers to the platform, while neither group will wish to join it unless the other group is already present. Further multi-sided platforms need to figure out how to achieve a critical mass and to push the number of participants up beyond it. They also need to keep participants from leaving the platform by encouraging and monitoring the participation.

Another important issue to solve is a platform design. It has to be constructed with regard to increase the chances for participants to find each other and engage in mutually beneficial exchanges (Evans, Schmalensee, 2016, p.121). Further, they need to develop convenient tools, better than those of competitors, in order to help participants to find valuable matches.

One of the most important decision to take is about the governance of the platform. Platform managers have to create rules, which will increase positive network effects. Through those rules they will also reduce bad behavior of customers. Platform owners should be able and ready to exclude participants who could harm the platform community (Evans, Schmalensee, 2016).

After all, there is, unfortunately, no a step-by-step guide on how to create a multi-sided platform. The existing literature helps to understand the functioning of multi-sided platforms and points out pitfalls which entrepreneurs could meet, but only personal experience will define the best way to develop this business.

Before launching a multi-sided platform, an entrepreneur should at least answer to several questions, elaborated by Evans and Schmalensee (2016).

First of all, he or she needs to understand if there is the friction, how big is it, and if the platform design can reduce it in a better way than the other entrants (Evans, Schmalensee, 2016).

Frictions, which keep market participants from dealing with each other easily and directly create opportunity for multi-sided platforms (Evans, Schmalensee, 2016). Entrepreneurs should look for significant transaction costs that keep different people apart and that a well-designed multi-sided platform can reduce. The reduction of substantial friction is a necessary condition, but not a sufficient one, for a multi-sided platform to succeed (Evans, Schmalensee, 2016).

Secondly, the entrepreneur, before launching the platform need to evaluate if he or she has a solid plan for achieving a critical mass, in other words to attract the right participants and in the right proportion (Evans, Schmalensee, 2016).

Finally, the entrepreneur has to have a clear understanding of a broader ecosystem around the platform, how to work with it, as well as if there are any risks to dealt with (Evans, Schmalensee, 2016). With regard to the platform environment, he or she should be ready to modify his or her strategy quickly in response to the market reactions (Evans, Schmalensee, 2016).

4 Business model¹

4.1 Business Background

This business project is aimed to the creation of the multi-sided digital platform for the masculine beauty industry in Rio de Janeiro. The platform name is Homensó, which in English means Only men. The choice of this name was obvious due to the main purpose of this MSP. It is destined to improve the communication between customers and professionals of barber shops and to serve as an information portal on masculine beauty and care. The platform must bring together three types of users: men, using beauty services, professionals of barber shops and sellers of beauty products for men. Two of these groups of users: customers and professionals of barber shops are main groups, and the strategy elaborated in this business plan is focused on these platform participants. The third group – sellers of beauty products for men is the complementary group and will be involved to the MSP only after the critical mass for two first groups is achieved.

The Homensó had no history till now, since it is a fully new company which has to be created on the base of this business plan. The idea of the creation of this platform came to us from the personal experience. Being an expatriate in Brazil for one month, and wishing to schedule a haircut in February of 2018, the author faced several problems on the level of interaction with beauty salons: first of all, without speaking Portuguese, it was impossible to book beauty salon by phone in Rio de Janeiro, second, beauty salons are opened only during a limited period, so there is no possibility to contact them on Monday or late in the evening, for instance. The online booking platform for beauty services would solve these both issues. However, the biggest Brazilian beauty platform Trink's seems to fail to reach a critical mass in Rio de Janeiro, since it does not have a sufficient number of beauty salons in each district. For example, in the district of Botafogo Trink's had (in September 2018) only twelve beauty salons, while Google maps, showed eighty-eight of them. This case demonstrated, that another similar platform could

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potentially take unserved market by using different strategy of users' acquisition and offering more attractive or slightly different services to both sides in order to convince them to join the new MSP.

Another reason for choosing the industry of beauty for starting new business was Brazilian socio-cultural factors. Beauty seems to matter a lot in Latin America in general and in Brazil in particular. Brazilians are spending on beauty products more than people from any other Latin American country and are in the top ten of the population doing cosmetic plastic surgery (Jones, 2017). According to ABIHPEC (Associação Brasileira da Industria de Higiene Pessoal, Perfumaria e Cosméticos), in 2017 Brazil was the fourth-largest beauty market in the world, after the USA, China and Japan (ABIHPEC, 2018). Even during the economic slowdown, the beauty market in Brazil continued to grow and about 7 000 of new beauty salons were opening every month (SEBRAE, 2016). In this way, the number of beauty salons grew from 155 000 to almost 600 000 between 2012 and 2016 (BBN, 2016). But the Brazilian beauty industry is very vast, it envelops various types of beauty salons (from hairdressers to nail bars), sales of cosmetic products, plastic surgery clinics and different types of customers, depending on the geographical situation, income, ethnicity and other factors. Therefore, trying to create a platform which will meet needs of all actors of the Brazilian beauty industry would be an extremely complex and costly task. For this reason, using an approach "go narrow/go deep", the decision to focus on the masculine beauty market in limited location – in Rio de Janeiro, was taken.

4.2 Applications for the beauty Industry in Brazil

The expansion of digital technology led to the explosion of mobile applications and digital platforms in various markets, including the beauty industry. The appearance of applications in the beauty market is sometimes characterized as "uberization" of beauty, because it offers access to aesthetic services on demand: anywhere and anytime (Rochet-Podvin, 2015).

Nowadays in Brazil exist many of applications destined to different groups of participants of the beauty industry and using the "uber" operational mode. Applications Make You, Singu, Posher App, Easylook, Phina, Tok Beauty, Frida Beleza Em Casa, Smart Spa, MaryJohn, Youbela App operate in different parts of Brazil and have a common "beauty concierge" concept. They offer to their users all types of beauty services from manicure to hair removal and yoga classes at home at competitive prices and at a level of convenience with which beauty salons cannot compete (Cosmetic Innovation, 2017). The operational mode of those applications is very similar. There are professionals on one side of a platform, and clients who demand beauty services at home on the other side. Professionals most of the time, register on

the platform their schedules and customers choose and book their specialists online. All of these applications have the functionality of evaluating professionals after performing the beauty services, which in some way guarantee to customers certain level of service quality.

A very similar type of applications exists for beauty salons and their customers. The idea behind is to allow to salon's customers to book beauty services at any time of the day (or at night), and to beauty salons to continue filling in their agenda even during the closing hours. These platforms in general allows customers to make search of beauty salons by location and type of services, also to see evaluation of other customers, photos of beauty salons and to get to know prices. There are following applications of this type operating in Brazil: Trinks, Beauty Date, Avec/Salao VIP, Booksy. Most of these platforms offer additional services to beauty salons, such as marketing instruments, financial management, stock management and customer relation management. Two other applications offer similar managerial instruments to beauty salons - Belasis and Belezasoft, but they operate as a one-side traditional business and focus only on professionals. Another platform created for the beauty industry in Brazil is Check Beauty. They offer to beauty salons' customers always to have their loyalty cards with them in their mobile phone. Every time one uses a product or service from the platform's partner store or beauty salon he or she receives "checks" in the application, the certain amount of "checks" give discounts and prices to the customer in the partners' establishments.

The MSP Homensó will be designed using the same principles as double-sided platforms serving beauty salons and their customers, and operating in Brazil, therefore, following platforms can be considered as competitors of the future platform: Trinks, Beauty Date, Avec/Salao VIP and Booksy. All of these platforms operate all over Brazil, including Rio de Janeiro.

4.3 Competitors analysis

In this section we make the description and analysis of major competitors operating on the beauty market in Rio de Janeiro, as well as an overview of potential competitors and substitutional platforms.

The platform Trinks is the main competitor of Homensó, which is present on the beauty market of Rio de Janeiro since 2012. Trinks is a two-sided platform with beauty salons and barber shops on one side and their customers on the another side. According to the company's website (trinks.com) they have over 30 000 registered beauty salons from more than 350 Brazilian cities and above 600 000 registered customers. Trinks has a strong offer for professionals of the beauty industry, since they propose the complete system of management for beauty salons. Their offer includes complete control of stock and products, management of salaries and

commissions of employees, online agenda, customers fidelity program, issue of invoices and complete financial management, marketing campaigns and website creation. Despite that the platform Trinks is more focused on the supply side – beauty salons, it proposes attractive services to the demand side – customers, as well. Beauty salons' customers can search an establishment in a specific region for a specific service, or make an appointment in the beauty salon, where they are already clients. Customers can see photos, notes and comments about beauty salons, as well as opening hours, prices and contact information, they also can give a feedback on the quality of services. This platform can be accessed from computer, tablet and cell phone.

The Trinks' target group on the supply side are barber shops, beauty salons, spa centers and estetic institutions, therefore, on the demand side they are looking for attracting customers of these types of establishments. Trinks' website shows that they have more then 600 000 users on the demand side in more then 350 Brazilian cities, which in average present about 1 700 users per city. This indicator is very low for big cities, such as Rio de Janeiro, which population is above 6 mln people. Meanwhile, analysing the participation in the platform of barber shops in Rio de Janeiro, which are the targeted group on the supply side of the platform Homensó, it can be estimated as high. At the end of July 2019 Trinks had 103 registered establishments from the total 267 barber shops operating in Rio de Janeiro. This is one of the reasons, why Trinks is the strong competitor not only in the general market of applications for the beauty industry in Brazil, but in the targeted by Homensó niche market of the masculine beauty industry.

The platform Trinks can be considered as a strong competitor to Homensó also due to its following strengths :

- Four owners of the company have a solid experience in a digital technology, they own Perlink, systems development company for 20 years. They have an expertise in the development of solutions and consulting for large companies like Oi, and they used all their knowledges in this field for the development of Trinks (MobileTime, 2017).
- Trinks offer a complete operational system for beauty salons management, which will be complicated to replicate or to do better.
- Trinks has a relatively big team, around fifty persons, with the strong sales force.
- Trinks offer personalized package of services with variation in prices adopted to various needs and size of the establishments. Prices vary from R\$52,00 to R\$ 298,00 per month.

However, the company has its weaknesses as well :

- Trinks doesn't bring enough efforts on the attraction of the demand side. All interviewed people informed me, that they never heard about this platform.

- It was demonstrated earlier that Trink's has a small number of registered users per city. According to Trink's website the platform has 30 000 registered beauty salons in 350 cities, which means it has in average 85 establishments per city. Obviously, remembering an example of OpenTable this doesn't offer sufficient choice of establishments to the demand side.
- According to the article in Mobile time (2017) 80% of Trink's users are women versus 20% men. Therefore, it is possible that the platform didn't create an attractive offer for the masculine part of the population or didn't do sufficient effort to attract more men to the platform. In both cases there is a space for another similar platform to serve this potential customers.

Another competitor BeautyDate was founded in 2011 and operates in 450 Brazilian cities, with more than 10 000 beauty salons registered (beautydate.com.br). The platform position itself as a management tool for beauty salons, barber shops, beauty clinics, makeup studio, manicure and pedicure, spa, children's salons and others institutions in the beauty industry. BeautyDate mainly offers same type of services to professionals and customers of the beauty industry as Trink's and it has same target groups on the supply and demand side. The pricing strategy of BeautyDate is slightly different from Trink's, beauty salons are still the money - side of the platform, but they offer one single price of R\$ 69,90 per month for all types of establishments. Therefore, it is the low-cost offer for beauty salons with more than 5 employees, since Trink's demand R\$ 52 for establishments from 1 to 4 employees, R\$ 78,00 for beauty salons with 5 to 10 employees and more for bigger institutions. However, Beauty Date has the same weakness as Trink's, they do not propose sufficient choice of beauty salons to their demand side, since in average they have 22 establishments per city. Despite, that this platform exists on the beauty market for around 8 years, they didn't manage to reach a critical mass and there is a threat, that they will loose existing users especially with the arrival of new competitors. In the niche market of barber shops in Rio de Janeiro, they did even worse, there are no registered barber shops on their platform (data on the end of July, 2019). However, they still can be considered as a competitor of the platform Homensó, since they consider barber shops and their customers in Rio de Janeiro as one of their target customers. Moreover, the platform offers similar to Homensó services to both sides.

One more competitor on the market is the platform Avec/Salao VIP created in 2013. This application allows to customers to schedule, pay, evaluate and buy services and products from beauty salons and other establishments of the beauty industry. According to their website, there are more than 700 000 users on the demand side of the platform (negocios.avec.app). The

platform also offers various services to professionals of the beauty industry: marketing tools, online scheduling application, financial and operational management system with integrated payment solutions. Nowadays the company has more than 40000 establishments registered on the platform (data on the end of July, 2019). Avec/Salao VIP propose basically same services to their customers on the supply side (professionals of beauty salons) as Trinks: management of stock, financial management, management of employees and customers, online agenda, customers fidelity program, issue of invoices and marketing campaigns. They also provide several additional options, such as online payment and bank services. However, the major difference of this platform from Trinks and BautyDate is that they have a third side represented by sellers of cosmetic products. This platform has an integrated market place with various cosmetic products from parfum and make up to various cremes and vitamins for beauty.

The target customers of the platform on the supply side are divided into two groups: all types of beauty institutions, including barber shops, and sellers and producers of cosmetic products. On the demand side there are customers and buyers of these establishments.

Avec/Salao VIP have chosen the same pricing strategy as Trinks and BeautyDate, they charge professionals for the use of the platform and give a free access to their services to customers. The price for all establishments is fixed R\$64,90 per month, which make their pricing position very close to that of BeautyDate. This MSP has the same focus as its competitors, they bring all the efforts to attract many establishments of the beauty industry, by offering them elaborated tools of management, and don't actively promote the platform for the demand side. Same as their competitors Avec/Salao VIP don't propose enough choices for the users of beauty services, for instance, there are only three barber shops registered in the city of Rio de Janeiro. Therefore, there are obviously underserved customers on the both sides of the platform in this location in the industry of masculine beauty.

The MSP Booksy was created in 2015 and came to Brazil from the USA. It is a global platform, which operates in many countries all over the world and offer to its users online booking of beauty and health services. The platform uses the same principle as Trinks, BeautyDate and Avec/Salao VIP, they offer to the demand side the possibility to book beauty care online anytime anywhere and to professionals of the industry to increase the visibility, using proposed via the platform marketing tools, online agenda, customer management, financial management and stock management. Beauty salons' customers can also make online payments for beauty services and products and obtain the complete information on a registered beauty salon with the evaluation from other customers. Booksy charge all types of beauty salons R\$99 per month. Target customers of the platform are the same as for Trinks, BeautyDate and Avec/Salao VIP,

therefore, barber shops are included into their objectives on the customer acquisition. Nowadays the platform has 12 barber shops registered in Rio de Janeiro (data on the end of July, 2019).

Besides major competitors on the market of applications for the Brazilian beauty industry, there are other similar MSPs. The platforms Trinks, BeautyDate and Avec/Salao VIP were created by Brazilian entrepreneurs and operate only on the national territory, however, such platforms as Booksy were created abroad and have chosen the strategy to extend their geographic location. In the same way other platforms of this type, existing in other countries could enter Brazilian market. For instance, popular in Europe and operating in more than 35 European countries platform Treatwell, can also choose to expand to attractive Brazilian market. Moreover, the conducted by us qualitative research showed that managers of barber shops can easily decide to create their own applications for them and their customers. One of the interviewed managers of a barber shop confirmed that he is working on similar to Homensó application. Another interviewed owner of one of the chain barber shop informed us that their barber shops have their own application only for the chain, which they actively promote in front of their customers. There are as well various substitute MSPs which can decrease market share of currently competing platforms.

4.4 Porter's five forces : the analysis of industry of applications for beauty sector in Brazil

Porter's five forces of competition is the most widely used framework for analyzing competition within industries (Grant, 2016). The profitability of an industry is determined by three sources of "horizontal" competition: competition from substitutes, competition from entrants, and competition from established rivals; and two sources of "vertical" competition: the power of suppliers and the power of buyers (Grant, 2016). In this section we analyze the power of these five forces in the industry of applications for beauty sector in Brazil.

Competition from Substitutes

"The price that customers are willing to pay for a product depends, in part, on the availability of substitute products" (Grant, 2016, p. 68). In other words, if the price of a product or service is too high or suddenly increases, consumers will switch to substitutes in case they exist on the market.

In the industry of platforms for Brazilian beauty market, the threat of substitution is relatively high on the both sides of MSPs. In the previous section it was demonstrated, that all the existing platforms basically offer the same kind of services to the demand side. Customers of beauty establishments can find photos, notes and comments about beauty salons, information on

opening hours, prices and contacts of the institution. Exactly the same possibilities offer social medias, such as Facebook and Instagram. Google maps helps to localize beauty salons and also often shows the above-mentioned information. Only the online booking of beauty services, which is proposed by all of the MSPs is not accessible or less convenient to use via social medias and Google maps. However, most of the beauty salons and their customers use WhatsApp for making appointments. Therefore, existing on the beauty market MSPs for both beauty salons and their customers are easily replaceable for the demand side. The situation is slightly different for the services offered by the platforms to beauty salons. When it is easy to replace existing platforms by social medias for the marketing campaigns and customer relationship management, it is impossible to use Facebook or Instagram for control of stock, financial management, and employees' management. These types of services can be supplied by other types of software created on purpose for these issues, and not functioning as an MSP. Meanwhile, the main purpose of an MSP is to create valuable interactions for users on two or more sides of the platform. Once an MSP reach a critical mass and create positive network effect, the threat of the substitution of the platform decrease, since it becomes harder to offer the same value to users. From the point of view, of the quality of interactions and zero cost for both sides, social medias and WhatsApp are strong substitutional platforms for the existing on the Brazilian beauty market MSPs. All of these platforms have already a well-developed network in Brazil, can be free for all sides and are easy to use.

Threat of Entry

“A barrier to entry is any disadvantage that new entrants face relative to established firms” (Grant, 2016, p. 70). Grant (2016) describes seven principal sources of barriers: capital requirements, economies of scale, absolute cost advantages, product differentiation, access to channels of distribution, governmental and legal barriers, retaliation. Not all of these barriers can be applied to the analysis of the digital MSPs industry. Absolute cost advantages, which often result from the ownership of low-cost sources of raw materials, or from economies of learning (Grant, 2016), shouldn't be considered as a barrier to new entry in the industry of applications for the Brazilian beauty market. There are no MSPs, which have this advantage. Since the analyzed in this work MSPs are all digital platforms and their only channel of distribution is Internet, there is no barrier of Access to Channels of Distribution. There is also no Governmental and Legal Barriers, since no license from public authority is requested for the creation of an MSP for the Brazilian beauty industry.

The size of other mentioned disadvantages is relatively small, which makes the threat of new entry in the industry of applications for the Brazilian beauty market high.

Capital Requirements. The developing of applications is in general low cost. The proof is the intense competition in the industry of smartphone apps (Grant, 2016). However, the development of an MSP with many features can become costly. For instance, the initial investment into the platform Trink's was R \$300 000, but on the long term the total money contribution into the platform rose up to R \$2,5 million (Duarte, 2017). Therefore, the cost of MSPs depends on which features new entry will compete with established platforms. It can range from low cost to quite expensive sophisticated platforms.

Economies of Scale. The economies of scale in the MSPs' world is tightly connected to network effects, since platforms are valuable due to the communities they create and not due to their cost structures (Parker, Van Alstyne, Choudary, 2016). As more users join a platform, companies' profit and created value, both grow, while the cost per user of the platform maintenance becomes lower. Therefore, the challenge of new entrants is to quickly reach a critical mass and to provoke the positive network effect in order to reach economies of scale. If the business model of a new MSP is successful, the economies of scale in platforms for the Brazilian beauty industry can be quickly achieved.

Product Differentiation. The brand recognition and customer loyalty can create a significant barrier to new entrants in industries where products are differentiated. The platforms, existing on the Brazilian beauty market nowadays didn't construct a strong brand or customers' loyalty. The interviews with barber shops and their customers showed, that there is no platform on the market which is recognized by all beauty services' consumers and suppliers. Moreover, the switching cost from one platform to another one is low for both professionals and consumers of the Brazilian beauty industry, thus, the user's loyalty to existing platforms is low.

Retaliation. "Retaliation against a new entrant may take the form of aggressive price-cutting, increased advertising, sales promotion or litigation" (Grant, 2016). The retaliation, however, can be avoided, if new entrants initiate small-scale entry into marginal market segments (Grant, 2016). The applications focused only on masculine beauty market doesn't exist nowadays in Brazil, thus, entering this niche market, the platform Homensó shouldn't meet the high retaliation barrier from the incumbents.

Rivalry between Established Competitors.

Grant (2016) gives six factors, which all together determine the intensity of competition between established firms: Concentration, Diversity of Competitors, Product Differentiation, Excess Capacity and Exit Barriers, Cost Conditions (Scale Economies and the Ratio of Fixed to Variable Costs).

In the industry of applications for the Brazilian beauty market, the concentration of MSPs bringing together beauty salons and their customers is high. There are basically only four platforms serving the market. Their offering for both sides of the platform is similar, as well as a cost structures and strategy of expansion. All the platforms focus on the supply side in their efforts in promotion and advertising. Thus, the Diversity of competitors and Product Differentiation are low.

Digital MSPs have no staff, production and infrastructure costs comparing to traditional business. New users joining platforms doesn't create any additional cost for the company, the same as users leaving the platform doesn't provoke an Excess Capacity. The level of users demand impact only the network effects, and the massive abandon of a platform by the users on one side can lead to the loose of users on the other side of an MSP. The negative network effect can destroy a platform, but the cost of leaving the business is low. The industry of digital MSPs has almost no Exit Barriers.

MSPs in Brazilian beauty industry have relatively low fix and almost no variable cost, therefore, even with an intense rivalry in the industry companies will not ferociously compete on the prices for their services.

Bargaining Power of Buyers

The bargaining power of buyers, or more precisely of MSPs users in the Brazilian beauty industry is high. The demand side of beauty platforms is highly price sensitive. Customers of beauty salons are not ready to pay for such services as online booking, information on beauty salons and some beauty advices, since this information can be easily obtained through Google search or social medias for free. The supply side is less price sensitive, since existing on Brazilian beauty market MSPs offer valuable services for beauty salons, for instance, direct access to consumers and easy instruments for beauty salon's management. However, the switching cost to other platforms or to free instruments of marketing and management is low, thus, the bargaining power of users on the supply side is high as well.

Bargaining Power of Suppliers

The bargaining power of suppliers can be analyzed from two points of view. First, from the point of view of materials needed to create a digital platform, the power of suppliers is, low. MSPs creators basically only need a good access to the Internet and their own capacity to create online products. Second, from the point of view of network effects, the bargaining power of suppliers is medium. One of the most valuable products of MSPs is their network. The network is created thanks to users' participation in the platform, thus, users themselves are platforms' suppliers. However, each single user has no bargaining power, only groups of users are valuable

to the platform, with the only exception of Marquee users, who can attract many of new participants in case they join the platform.

4.5 Market Attractiveness

The masculine beauty market represents a high potential niche of the Brazilian beauty industry. Between 2011 and 2016 total revenues of the masculine cosmetic sector increased 94.4%, from R \$ 10.07 billion to R \$ 19.6 billion (Estadão, 2017). By 2021 industry revenues are expected to reach R \$ 26.7 billion, which is 36% more comparing to 2016 (Estadão, 2017). This growth pace brought Brazil to be the second world largest consumer market for men's products (data on 2017) (Da Costa, 2018). The masculine beauty market growth is related to the change in consumer behavior. Nowadays, Brazilian men are more interested in products specific to their needs and frequently seek an information on men's cosmetics and treatments on the Internet or other media (ABIHPEC, Sebrae, 2019). The man realized that a good looking and personal care help succeed in personal and professional life. Therefore, not only the masculine cosmetic market was growing rapidly during the last several years, but the market of barber shops exploded, as well. Between 2012 and 2016, revenues of barber shops registered a growth of 539% (Da Costa, 2018). Modern barber shops offer various types of care to their customers: from beard and mustache care, to haircut, dye, straightening, scalp exfoliation, manicure, peeling and hair removal. In this way, barber shops gain more and more notoriety with their customers and attract new fans of the services (Suafranquia.com, 2017). Our research showed, that barber shops not only offer beauty care, but they help in construction of social connections between men, serve as a meeting spot for friends and as the place, where men can spend time for relaxation and information exchange. Therefore, barber shops create communities, which increase the loyalty of their customers. The MSP Homensó is aimed to leverage on this phenomenon by creating an online community constructed around barber shops.

4.5.1 Target Market

It was chosen to use the strategy of differentiation and to focus on the special beauty market segment – masculine beauty market in Rio de Janeiro. All the competitive platforms to Homensó operate on the broad market and target all the establishments and all their customers from the beauty care industry in different Brazilian cities. The target market of the platform Homensó is very narrow, on the supply side there will be barber shops operating in Rio de Janeiro, and on the demand side - men, living in Rio de Janeiro and going to barber shops. Moreover, it is planned on the middle term, once the critical mass of the platform is achieved, to include the third side, small and medium manufacturers/ distributors of specialized products for men, such as cosmetics for men skin, oils for beard and products for hair.

Market size for the demand side:

In order to estimate the market size, it was necessary to find out the percentage of Brazilian men going to beauty salons or barber shops. According to the research conducted in 2016 by the Qualibest Institute, 43 % of Brazilian men consider themselves supervain, and 54% among them go regularly to beauty salons and barber shops (ABIHPEC, Sebrae, 2019). This was one of the data used to make an estimation of the market size in Rio de Janeiro.

The total population of Rio de Janeiro in 2018 was 6 688 927 persons (ibge.gov.br). According to the last population census of 2010 the gender proportion in Rio de Janeiro was: 46,8 % males against 53,2% females (citypopulation.de). Therefore, using the same proportion, it can be estimated, that approximate number of males in Rio de Janeiro in 2018 was 3 130 417 persons. Therefore, the potential market size based on the research of the Qualibest Institute is 726 883 persons.

Another research, made by CNDL and SPC in 2016, demonstrated that 36.2% of men aged 18 years old and over, from all economic classes regularly use care related to hair, nail, and beard. Using the data on the Brazilian population pyramide of 2017 (www.populationpyramid.net) and data on population number in 2018 it was calculated that there were 2 160 516 men between 20 and 74 years old in Rio de Janeiro in 2018. Therefore, the market size on the base of the CNDL and SPC research is 784 529 persons.

Market size for the supply side:

In June 2019, there were 267 barber shops in Rio de Janeiro (calculations were made manually on the Google maps). The goal for the platform Homensó is to register from 70 to 85 percent of this establishments on the platform, therefore between 187 and 227 salons.

4.5.2 Target Customers

The platform Homensó will be created for all men from 18 years old till 75 years old, living in Rio de Janeiro and going at least from time to time to barber shops or buying special cosmetic products for men. However, services of barber shops can be relatively expensive, the same as special cosmetic products, that is why target customers on the demand side will be men, from socioeconomic classes A, B and C (see annex 6.1), between 20 and 60 years old (the age of professional activity), living in Rio de Janeiro. On the supply side, target customers will be all modern barber shops in Rio de Janeiro.

4.6 Marketing Strategy. Customers acquisition.

To solve the “chicken-or-egg” problem for the platform Homensó, we have chosen to use the combination of two customer acquisition strategies: step-by-step strategy and zig-zag strategy.

On the initial phase of the platform creation, we will focus on the creation of the content on men's beauty. Using self-supply tactic and working in cooperation with several barber shops and sellers of special cosmetic products for men, the platform owners will create a rich content on existing beauty treatments for men, fashion advices on the haircut and beard style, as well as information on special for men cosmetic products. This content will have to attract eyeballs to the platform. On the next stage, when certain number of eyeballs is attracted, we will work on the acquisition of the supply side. The solid number of the eyeballs on the platform will help to convince barber shops to subscribe, since it will allow them to increase their visibility and to have a direct access to their potential customers. When certain number of barber shops join the platform, they will create bigger activity and will participate in the content creation which in turn will attract new users on the demand side. At this point the positive network effect should be achieved and the sustainable growth of the platform will start.

In order to facilitate the entry to the market and to reach the sustainable growth faster the single target group tactic will be applied. The platform will operate in a single community and in the special market segment. Serving only the city of Rio de Janeiro and masculine beauty market, will allow to the platform to use less resources for the development and achievement of the critical mass.

Since on the initial stage of the platform development the focus will be made on the acquisition of the demand side, the marquee users can increase the quantity of eyeballs on the platform. The footballers of famous teams from Rio de Janeiro, in the role of the opinion leaders, can increase the value of the platform for its users and bring new participants. Especially because footballers often serve as a fashion icon in term of haircuts and beard styles for men. They also often make an advertising of men cosmetic products and have a certain level of notoriety in this field. Therefore, one of the goals of the marketing activity will be to attract to the platform local football players. Both online and offline channels will be used for the promotion of the Homensó.

There will be two main offline channels: advertising in barber shops in Rio de Janeiro and advertising in local football clubs. The offline advertising will be done through leaflets and stickers placed in barber shops and football clubs as well as through the offline word-of-mouth program. Sales person of Homensó, will incense the employees of barber shops to talk about the platform with their customers by giving them the possibility to make online blogs and download the content on the platform for free. Once professionals from barber shops spend their time and energy to create content, they will wish to share the information about that with their clients. Therefore, people will talk about the platform. Moreover, barber shops' customers

will also have the possibility to share information on beauty services and cosmetic products, and to ask advices from professionals through the available chat.

Customers of barber shops will be encouraged to promote the platform in front of their friends, colleagues and family, since if they bring ten new subscribers to Homensó they will receive free cosmetic product or a discount in a barber shop.

The three principal online channels will be used for the promotion of the platform: Facebook, Instagram and YouTube. All the efforts within these platforms will be aimed to introduce brand Homensó to a new audience, to drive traffic to the platform's web page and application, and to increase the number of post and page likes.

In order to solve the issue of multi-homing Homensó will follow the tactic of the platform envelopment, which means that it will combine its own functionalities with those of Facebook and Instagram. Because these two platforms already allow to users and professionals of the masculine beauty industry to exchange in the similar way, they will do with the platform Homensó, it will be necessary to integrate Facebook and Instagram content on masculine beauty and to create the connection between three platforms. The platform also will integrate WhatsApp functions and will use it as an instrument of communication between professionals and customers. The advantage of this symbiosis between WhatsApp and Homensó is that professionals will have a complete history of their exchanges with customers and will be able to classify, filter and stock it.

4.7 Pricing strategy

The price structure of the platform will be composed of three parts: there will be one subsidy side and two money sides. The subsidy side is represented by customers of barber shops and buyers of cosmetic products for men (we assume that this are the same people). Barber shops will be the money side of the platform. They will pay the fixed subscription fees of 20 BRL a month, which is an acceptable price by most of the barber shops in Rio de Janeiro according to our survey. It will position the platform in the low-cost segment comparing to its competitors. This choice was made, first of all, because we will not offer sophisticated managerial tools to the supply side as our competitors do. But we will propose minimum features for the low price. Homensó will also offer to this category of users additional services for an extra fees, such as professional photographer, who will take photos of barber shops, and marketing adviser who will help them to better promote their establishments via the platform. The second money side which will be brought to the platform once the critical mass of two first groups of participants is achieved will be manufacturers / distributors of cosmetic products for men. They will pay fees for an advertising of their products. This side supposed to make of Homensó the profitable business. It is planned to attract at least 5 companies having e-commerce and willing to attract

more buyers to their online shops. They will pay 0.5 BRL per click on their advertising. Besides paying for clicks on their pop-up advertising which will bring users to the manufacturers / distributors e-shop, they will be charged extra fees if they wish to create blogs or content on their products on the platform.

Barber shops and manufacturers / distributors of cosmetic products for men will be willing to subscribe to the platform only if they see that there are enough potential buyers of their services / products. Thus, we will need to offer a free access to the price sensitive customers and even to pay them in order to keep those buyers using the platform. It is planned to create the loyalty program for the demand side of the platform and to offer gifts and discounts to active users.

4.8 Homensó Business Model Canvas

In this part we are using 9 business model canvas in order to describe the business structure of the platform Homensó (Osterwalder, Pigneur, 2013).

1. Key partners:

- Manufacturers / distributors of special for men cosmetic products. They are the supply side of the platform for barber shops and their customers. The preference will be given to small and middle size companies with authentic products created especially for men. Such big brands as L'Oreal are not targeted as the platform's partner.
- Barber shops in Rio de Janeiro are the supply side for the final customers. They offer their supply (beauty services) to men living in Rio de Janeiro and provide variety of choice for the demand side. They also will play a major role in the content creation.
- Local football stars/Influencers. They are on the demand side, but play the role of marquee users and attract more people on the platform.

2. Key activities:

- Strengthen positive network effects. As shown earlier, network effects are at the heart of the success of a platform business, therefore, it will be necessary to focus on the creation of positive network effects and the elimination of the negative ones. To do so, it will be necessary to improve content, attract new users and offer better services and platform features to them on the base of users' feedback.
- Creation of the useful content, such as services and products description, customers reviews, high quality pictures of barber shops and products, advises on masculine beauty.
- Grow loyalty programs for users. Especially for the demand side, by offering to the active participants discounts and gifts.

- Search engine visibility. Guarantee to the platform to appear in the top ranking through organic search and through the use of Google ads.
- Governance. Encourage a participation of all sides of the platform, penalize a misbehavior, adjust the platform architecture.

3. *Key resources:*

- The webpage and mobile app.
- Number of barber shops subscribed.
- Number of manufacturers/ distributors of cosmetic products for men subscribed.
- High-quality content.
- Data on platform users (demand side).

4. *Value proposition:*

a) For three sides:

- Community. Connections between users united by the same interest in the masculine beauty and living in the same location are facilitated by the user generated content on this topic.
- Personal connections. Users can easily offer and find personalized services/products through direct interactions between the parties.
- Convenience. Homensó offers an easy way to the three parties to find each other and to communicate.

b) For barber shops and manufacturers/distributors of cosmetic products for men:

- Attract new customers and create incremental revenue.
- Homensó as an advertising and sales channel.
- Possibility of self-improvement thanks to customers' reviews.
- Access to data on registered customers and possibility to track customer relationship history.

c) For customers:

- Customization. Using various filters on the web page and application customers can choose personalized products and services.
- Convenience of booking of beauty services through the online agenda.
- The amount of choice of cosmetic products and beauty services.
- Rich content on masculine beauty.
- Online payments.
- Rating system that allows for feedback.

- Easy access to the standardized complete information on barber shops in Rio de Janeiro and cosmetic products for men.

5. *Customer segments:*

- Barber shops in Rio de Janeiro. The customer relationships of the platform all focus on this large group of customers with broadly similar needs to attract new customers and to have personalized connections with them.
- Manufacturers/distributors of cosmetic products for men. The sales force will work on attraction companies, specialized on cosmetic products for barber shops, which are not selling in supermarkets, but are working with professionals and sell their products through e-commerce.
- Men, 20-60 years old, living in Rio de Janeiro, from the social classes A, B and C* going to barber shops.
- Men and women living anywhere in Brazil and interested in masculine beauty. This segment will attract sellers of cosmetic products to the platform, since it will increase the number of eyeballs which potentially can be transformed in buyers. Meanwhile, it is not planned to dedicate any resources to attract this customer segment, but it can come to the platform organically through the Google search.

6. *Customer relationships: Focus on the acquisition and retention.*

a) For three sides:

- Management of bad behavior through the good platform governance. Conditions of the use of the platform will be stated in the user agreement.
- Privacy policy. The protection of users' personal data.
- Co-creation. All three sides could participate in the content creation on the masculine beauty through the texts creation, blogs creation and evaluation of products and services.

b) For barber shops and manufacturers/distributors of cosmetic products for men:

- Provide help on subscription and promotion. For barber shops the photograph and text writer can be offered for a fee.
- Middle man service in negotiations between barber shops and cosmetic products' suppliers. Preferential conditions of partnership for the platform participants.
- Control of the actualization of the profile of both sides and of the feedback from customers.

c) For customers:

- Loyalty programs. Active platform's customers (who participate in discussions and give evaluations) will receive gifts or discounts for products or beauty services at their birthday. Those who regularly book their beauty services and products via Homensó will accumulate points which can be used as a payment for a product or beauty service offered via the platform.

7. Channels:

- The platform Homensó will communicate the value proposition and reach its customers through platform's own webpage and application.
- Sales force (platform's own direct channel). The owner of the platform will take care of active sales and personally will contact barber shops in Rio de Janeiro and manufacturers/distributors of cosmetic products for men in order to convince them to subscribe.
- Social medias, such as Instagram and Facebook, as well as Google ads and search engine, will be used as advertising channels. It will help to increase the awareness about the platform. Social medias and Google search engine will also allow to users to evaluate the company and its value proposition.
- Advertising in barber shops in Rio de Janeiro. In all subscribed to the platform barber shops there will be a visible sticker on mirrors, informing about the platform Homensó and inviting customers to visit the webpage.
- Advertising through football clubs of Rio de Janeiro. There will be physical and online advertising on the webpages of clubs about the platform.
- Advertising in stores, selling football uniforms in Rio de Janeiro.

8. Cost structure. Operating expenses:

- Maintenance and continued development of the platform.
- Sales force.
- Advertising.
- General fees.

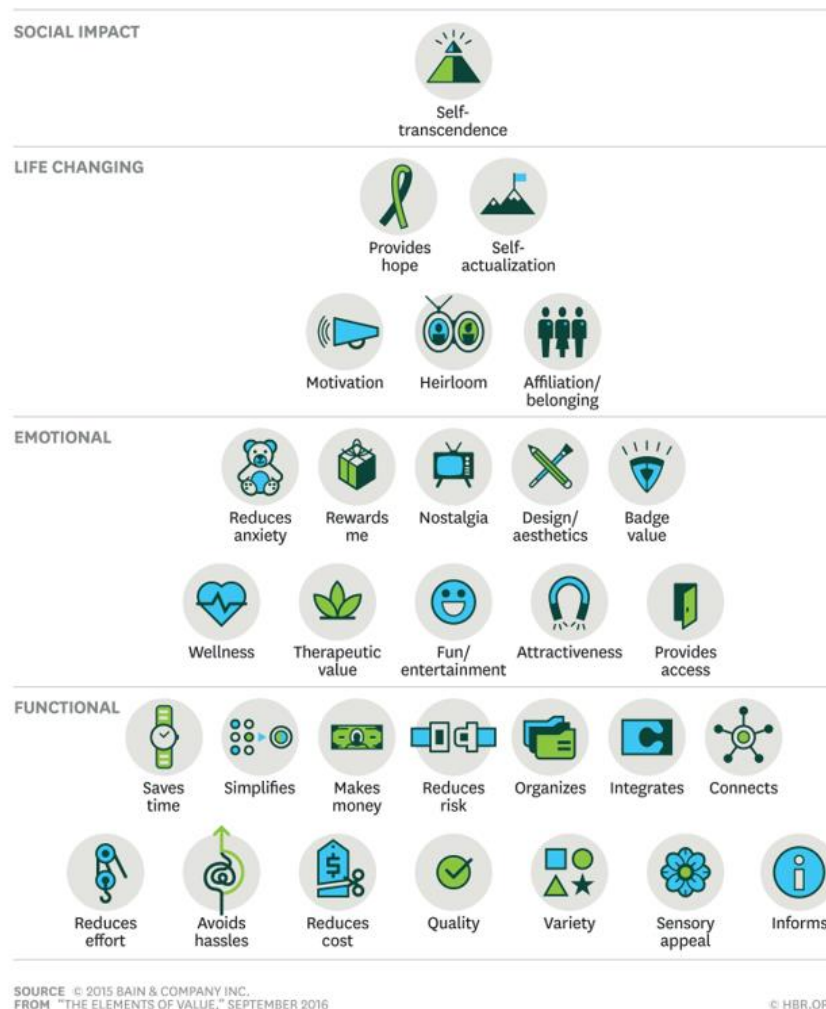
9. Revenue streams:

- Subscription fees.
- Advertising.
- Extra services fees.

4.9 Unique Value Proposition and competitive advantage

Customers are used to evaluate perceived value of a product or service against the asking price (Alquist, Senior, 2016). However, it can be hard to clearly define what consumers truly value,

especially for the multi-sided business model with different groups of customers. Alquist and Senior (2016) using the principle of the Maslow pyramid identified 30 “elements of value”, which allow companies to improve their performance on existing markets and successfully access new ones (Picture 1). They categorized these value elements in four groups – functional, emotional, life changing and social impact, and suggested that the right mix of them will increase customers’ loyalty and company’s revenue. Obviously, no company or MSP can perform great on all 30 elements of value from the above categories, but all businesses have to choose elements on the base of the company’s strengths, and to make of them their competitive advantage. The choice of the value mix for an MSP will depend on the external factors, such as competition, industry, culture, users’ needs on each side of the platform and others. In case of our platform Homensó, we will focus on the delivery of seven principal values: reduces efforts, save time, connect, reduces risk, inform, rewards and affiliation.



Picture 1. Source Alquist, Senior. *The Elements of Value*, p. 7.

These values will be offered in a slightly different way for each group of the platform participants. Customers on the demand side will first of all benefit of the reduced search cost, they will save their time on the search of barber shops, booking services and choice of cosmetic

products. The risk of choosing a “bad” barber shop or product will be reduced due to the evaluation of services / products from the other customers. The platform will also provide a great source of good quality information on the masculine beauty. Barber shops and manufacturers / distributors of cosmetic products for men will need a reduced effort to reach their customers, since the platform will provide them with an access to potential consumers of their products / services, they also will save time on managing their customers profiles since they will have all the information organized via the platform. Professionals will be able to share the information with other users and to obtain information on potential suppliers / buyers of cosmetic products. Barber shops the same as end users will see an advertising of manufacturers / distributors of cosmetic products and could purchase directly from them via the platform.

Since the main goal of the platform Homensó is to create the online community for individuals being concerned about the masculine beauty, all of the three groups will benefit from the sense of affiliation and connection.

The created community of one group of people who share the same interest for the masculine beauty is the main competitive advantage of Homensó. None of its competitors focus on the community and belongings values, which in fact can create a strong positive network effect and guarantee the sustainable growth of the platform. In our case we will bring efforts to design and promote the platform in the way which will incent users to be the part of the community, where individuals can share information, ask for advices, give advices, evaluate services and products, which will help professionals to improve the quality. The platform Homensó besides bringing functional values and facilitating exchange between groups of users, could become an online club of interests and involve emotional attach of participants.

Homensó functionalities:

- Online booking of services in barber shops. Customers can make booking anytime anywhere and professionals can fill in their agenda even when the establishment is closed.
- Professionals can send information on special offers, or on exceptionally changed working hours, for example, to all registered customers, who visit their establishment, via the platform, which will automatically share it with their clients via WhatsApp and Facebook.
- Professionals can make advertising and promotion of their services and products via video blogs and content creation. By doing so they also can build up customers' loyalty to brand and not to employees, thus, to avoid losing customers when one employee leaves the establishment.

- The platform will allow to make customers satisfaction survey and also will show a customers' feedback on barber shops and products.
- Online chat for all sides of the platform where participants can exchange information on masculine beauty, ask and give advises.
- Loyalty program for customers of barber shops.
- Manufacturers / distributors of cosmetic products for men will not only have an access to a final consumer (B2C), but also create partnership and sell their products to barber shops (B2B).
- Online payment. Customers can pay for the service they booked online before coming to a barber shop, in this way they can save time at place and will have no need to bring money or credit cards with them. Barber shops in this case will have better guarantee that the customer will not cancel his appointment.
- Description of barber shops: photos, prices, description of services, time needed for each service, location, languages speaking by professionals, as well as photos of professionals working in an establishment and their evaluation. Barber shops also will be able to distinguish themselves through such labels as ecofriendly, pet friendly, special brand products, bar services etc.
- Data on customers. Professionals will be able to track all the exchanges with their customers, see the number of visits, spending and the level of return after the first visit. All the history of exchanges with customers will be stored via the platform as well. For instance, it will show if any gifts or discounts were offered and what kind of treatment with which product was made earlier.

5 Financial information.

5.1.1 Investments and operating costs.

In order to create a digital multi-sided platform, we basically need two good computers and two web developers. One will be the back-end web developer, who will create the core computational logic of a website and another one should be the front-end developer, who will create components and features that user will see once enter the website or application. There are several ways how Homensó can find specialists for the platform creation:

- To find specialized in the web development company and to give them the task to create the platform Homensó.
- To hire two web developers to work in the company.
- To partnership with one web developer and to outsource the second one.

We believe that the cheapest and safest way will be to hire one back-end developer and to use a company or freelancer services for the front-end developer. The back-end developer creates the unique computational logic which is hard to replicate comparing to the interface of the web page or application created by the front-end developer. That is why to avoid the lack of the information it is better to have back-end developer on board. It is planned to offer to this specialist company's shares and a salary. The average salary of back-end developers in Brazil is 6 000 – 10 000 reais. Taking into account that he will receive up to 30 percent of shares his salary will be 6 000 reais a month.

It is needed 3 months of work for the back-end and front-end developers to create MVP (initial basic version) of the platform. The cost of the front-end developer is about 5 000 – 7 000 reais a month. Once the first version is created web developers will need from 1 to 3 months more to develop it into the final product. It is planned to have permanently in the company one back-end developer and to use the services of the front-end developer for 4 months. Therefore, to develop the MVP of the platform and to finalize the interface creation of Homensó we will have to invest 36 000 reais in salaries and about 10 000 reais in computer for the back-end web developer, in total 46 000 reais. To do so my personal funds will be used. When the platform is created and starts operating, we will have following monthly expenses in BRL:

- Salary of the back-end developer, who after the platform creation will be in charge of the platform maintenance, including its interface.
- Sales force: I will be in charge of sales.
- Advertising specialist – outsourced.
- Advertising (Google ads, Facebook, Football clubs and barber shops in Rio de Janeiro).
- General fees: internet, phone, domain of the webpage and app, transport expenses for visits of barber shops.

5.1.2 Revenues forecast

According to the pricing strategy main platform revenues will come from the advertising, which will appear as a source of revenue only after the critical mass of barber shops and their customers will be achieved on the platform. According to the plan, manufacturers / distributors of cosmetic products for men will start advertise their products via the platform starting from the seventh month of the platform's existence and the number of sales (clicks) is expected to grow 15 percent each month during the following eleven months, and 10 percent during the following six months. Starting from the third year of work, the platform will enter the mature stage, and sales of advertising will slow down, thus the expected growth is 3-5 percent per

month. The starting point for the sales of advertising is calculated on the base of the target market size on the demand side of the platform - 784 529 persons. We assume that at the first month of cosmetic products advertising, at least 5 percent from the potential users on the demand side of the platform will click on it (about 39 000 users). The cost of one click will be 0,5 reais, therefore, the first month of advertising will bring revenue of 19 500 reais.

The second source of the revenue is the subscription fee for the barber shops. We expect to attract at least 40 barber shops to the platform on the month 4 and then to add every month till the end of the month 13, 20 new barber shops to the platform in order to reach our target of 227 barber shops of Rio de Janeiro subscribed to Homensó.

The last revenue source is the extra services offered to barber shops. We expect that from 20 new barber shops subscribed to the platform each month, at least 5 of them will ask for an extra service of photograph and adviser on the creation of the profile during the first year of platform operations. However, once we achieve the targeted number of subscribed barber shops (230) these extra services probably will not be requested anymore.

In total we plan to invest from personal funds 142 000 reais as a capital: funds to sustain company for 1 year – 132 000 reais, computer – 10 000 reais. The expected payback is 17 months.

Investments, BRL

Fonds to sustain the company for 1 year	132 000
Computer	10 000
Total	142 000

General fees, cost per month, BRL, Year 1, 2, 3

Internet	300
Cell phone	40
domain of the webpage and server VPS	500
transport expenses for visits of barber shops	1000
Total	1 840

Advertising and promotion, cost per month, BRL	Year 1	Year 2, 3
Business Cards - 30 units	60	60
Leaflets - 4000 units	150	150

Banners at Football clubs (3 clubs-Botafogo, Flamengo, Fluminense, Vasco da Gama)	8000	8000
Stickers at barber shops	10	10
Facebook	200	400
Google Adwords	200	400
Total	8 620	9 020

Cash flow projection, BRL. Year 1

		M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Potential subscription sales		0	0	0	40	60	80	100	120	140	160	180	200
Subscription Price		20	20	20	20	20	20	20	20	20	20	20	20
Total subscription sales		0	0	0	800	1200	1600	2000	2400	2800	3200	3600	4000
Potential advertising sales, number of clicks		0	0	0	0	0	0	39000	44850	51578	59314	68211	78443
Click Price		0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5
Total advertising sales		0,0	0,0	0,0	0,0	0,0	0,0	19500,0	22425,0	25788,8	29657,1	34105,6	39221,5
Potential extra services sales		0	0	2	3	4	5	5	5	5	5	5	5
Price per service		1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
Total extra services sales		0	0	2000	3000	4000	5000	5000	5000	5000	5000	5000	5000
TOTAL REVENUE		0	0	2000	3800	5200	6600	26500	29825	33589	37857	42706	48221
Operational expenses													
Salary of the back-end developer		6000	6000	6000	6000	6000	6000	6000	6000	6000	6000	6000	6000
Salary of the front-end developer - outsourced		6000	6000	6000	6000								
Salary of the sales manager		2000	2000	2000	2000	2000	2000	4000	4000	5000	5000	5000	6000
Salary of online advertising specialist - outsourced				2000	2000	2000	2000	2000	2000	2000	2000	2000	2000
Advertising				8620	8620	8620	8620	8620	8620	8620	8620	8620	8620
General fees		1840	1840	1840	1840	1840	1840	1840	1840	1840	1840	1840	1840
Total expenses		15 840	15 840	26 460	26 460	20 460	20 460	22 460	22 460	23 460	23 460	23 460	24 460
GROSS PROFIT		-15840	-15840	-24460	-22660	-15260	-13860	4040	7365	10129	14397	19246	23761
Taxes on services (Lucro Presumido)													
PIS	0,65%	0	0,0	13,0	24,7	33,8	42,9	172,3	193,9	218,3	246,1	277,6	313,4
COFINS	3%	0	0,0	60,0	114,0	156,0	198,0	795,0	894,8	1007,7	1135,7	1281,2	1446,6
ISS	5,00%	0	0,0	100,0	190,0	260,0	330,0	1325,0	1491,3	1679,4	1892,9	2135,3	2411,1
CSLL	2,88%	0	0,0	57,6	109,4	149,8	190,1	763,2	859,0	967,4	1090,3	1229,9	1388,8
IRPJ	4,80%	0	0,0	96,0	182,4	249,6	316,8	1272,0	1431,6	1612,3	1817,1	2049,9	2314,6
Total taxes on services	16,33%	0	0	327	621	849	1 078	4 327	4 870	5 485	6 182	6 974	7 875
Taxes on salaries INSS, FGTS													
Salary of the back-end developer		2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000
Salary of the sales manager		670	670	670	670	670	670	1 340	1 340	1 675	1 675	1 675	2 000
Total taxes on salaries		2 670	2 670	2 670	2 670	2 670	2 670	3 340	3 340	3 675	3 675	3 675	4 000
NET PROFIT		-18 510	-18 510	-27 457	-25 951	-18 779	-17 608	-3 627	-845	969	4 540	8 597	11 887

(Total 1st year profit: - 105 295)

Cash flow projection, BRL. Year 2

		M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Potential subscription sales		220	220	220	220	220	227	230	230	230	230	230	230
Subscription Price		20	20	20	20	20	20	20	20	20	20	20	20
Total subscription sales		4400	4400	4400	4400	4400	4540	4600	4600	4600	4600	4600	4600
Potential advertising sales, number of clicks		90209	103741	119302	137197	157777	181443	199588	219547	241501	265651	292216	321438
Click Price		0,5	0,5	0,5	0,5	0,5	0,5	0,4	0,4	0,4	0,4	0,4	0,4
Total advertising sales		45104,7	51870,4	59651,0	68598,6	78888,4	90721,7	79835,1	87818,6	96600,5	106260,5	116886,6	128575,2
Potential extra services sales		5	1	1	1	1	2	2	1	1	1	1	1
Price per service		1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
Total extra services sales		5000	1000	1000	1000	1000	2000	2000	1000	1000	1000	1000	1000
TOTAL REVENUE		54505	57270	65051	73999	84288	97262	86435	93419	102200	111861	122487	134175
Operational expenses													
Salary of the back-end developer		8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000
Salary of the front-end developer - outsourced													
Salary of the sales manager		7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000
Salary of online advertising specialist - outsourced		3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000
Advertising		9020	9020	9020	9020	9020	9020	9020	9020	9020	9020	9020	9020
General fees		1840	1840	1840	1840	1840	1840	1840	1840	1840	1840	1840	1840
Total expenses		28 860	28 860	28 860	28 860	28 860	28 860	28 860	28 860	28 860	28 860	28 860	28 860
GROSS PROFIT		25645	28410	36191	45139	55428	68402	57575	64559	73340	83001	93627	105315
Taxes on services (Lucro Presumido)													
PIS	0,65%	354,2807	372,3	422,8	481,0	547,9	632,2	561,8	607,2	664,3	727,1	796,2	872,1
COFINS	3%	1635,142	1718,1	1951,5	2220,0	2528,7	2917,9	2593,1	2802,6	3066,0	3355,8	3674,6	4025,3
ISS	5,00%	2725,236	2863,5	3252,5	3699,9	4214,4	4863,1	4321,8	4670,9	5110,0	5593,0	6124,3	6708,8
CSLL	2,88%	1569,736	1649,4	1873,5	2131,2	2427,5	2801,1	2489,3	2690,5	2943,4	3221,6	3527,6	3864,2
IRPJ	4,80%	2616,227	2749,0	3122,4	3551,9	4045,8	4668,6	4148,9	4484,1	4905,6	5369,3	5879,4	6440,4
Total taxes on services	16,33%	8 901	9 352	10 623	12 084	13 764	15 883	14 115	15 255	16 689	18 267	20 002	21 911
Taxes on salaries INSS, FGTS													
Salary of the back-end developer		2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680
Salary of the sales manager		2 345	2 345	2 345	2 345	2 345	2 345	2 345	2 345	2 345	2 345	2 345	2 345
Total taxes on salaries		5 025	5 025	5 025	5 025	5 025	5 025	5 025	5 025	5 025	5 025	5 025	5 025
NET PROFIT		11 719	14 033	20 543	28 030	36 639	47 494	38 435	44 278	51 626	59 709	68 600	78 379

Total 2nd year profit: 499 486

Cash flow projection, BRL. Year 3

		M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Potential subscription sales		230	230	230	230	230	230	230	230	230	230	230	230
Subscription Price		20	20	20	20	20	20	20	20	20	20	20	20
Total subscription sales		4600	4600	4600	4600	4600	4600	4600	4600	4600	4600	4600	4600
Potential advertising sales, number of clicks		331081	341014	351244	361781	372635	383814	395328	407188	419404	431986	444945	458294
Click Price		0,4	0,4	0,4	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3
Total advertising sales		132432,5	136405,4	140497,6	108534,4	111790,4	115144,1	118598,5	122156,4	125821,1	129595,7	133483,6	137488,1
Potential extra services sales		0	0	0	0	0	0	0	0	0	0	0	0
Price per service		1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
Total extra services sales		0	0	0	0	0	0	0	0	0	0	0	0
TOTAL REVENUE		137032	141005	145098	113134	116390	119744	123198	126756	130421	134196	138084	142088
Operational expenses													
Salary of the back-end developer		8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000
Salary of the front-end developer - outsourced													
Salary of the sales manager		8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000
Salary of online advertising specialist - outsourced		3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000
Advertising		9020	9020	9020	9020	9020	9020	9020	9020	9020	9020	9020	9020
General fees		1840	1840	1840	1840	1840	1840	1840	1840	1840	1840	1840	1840
Total expenses		29 860	29 860	29 860	29 860	29 860	29 860	29 860	29 860	29 860	29 860	29 860	29 860
GROSS PROFIT		107172	111145	115238	83274	86530	89884	93338	96896	100561	104336	108224	112228
Taxes on services (Lucro Presumido)													
PIS	0,65%	890,7	916,5	943,1	735,4	756,5	778,3	800,8	823,9	847,7	872,3	897,5	923,6
COFINS	3%	4111,0	4230,2	4352,9	3394,0	3491,7	3592,3	3696,0	3802,7	3912,6	4025,9	4142,5	4262,6
ISS	5,00%	6851,6	7050,3	7254,9	5656,7	5819,5	5987,2	6159,9	6337,8	6521,1	6709,8	6904,2	7104,4
CSLL	2,88%	3946,5	4061,0	4178,8	3258,3	3352,0	3448,6	3548,1	3650,6	3756,1	3864,8	3976,8	4092,1
IRPJ	4,80%	6577,6	6768,3	6964,7	5430,5	5586,7	5747,7	5913,5	6084,3	6260,2	6441,4	6628,0	6820,2
Total taxes on services	16,33%	22 377	23 026	23 694	18 475	19 007	19 554	20 118	20 699	21 298	21 914	22 549	23 203
Taxes on salaries INSS, FGTS													
Salary of the back-end developer		2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680
Salary of the sales manager		2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680	2 680
Total taxes on salaries		5 360	5 360	5 360	5 360	5 360	5 360	5 360	5 360	5 360	5 360	5 360	5 360
NET PROFIT		79 435	82 759	86 183	59 440	62 164	64 970	67 860	70 837	73 903	77 062	80 315	83 665

Total 3rd year profit: 888 593

6 Conclusion

The work on this business plan supported our interest for digital multi-sided platforms. This relatively new form of business doubtlessly will continue its development and expansion in various industries. However, this is an extremely complex business model, which request a different strategy comparing to the traditional business. Before investing in multi-sided digital platform, it is necessary to define platform sides and the way to create positive network effects, to elaborate sophisticated pricing strategy and to propose sufficient value for each side of the platform.

In our business plan we have tried to analyze all these aspects on the base of our research and entrepreneurial intuition, but we believe that we can only find the best solution when the platform will start its operations. At that moment we will see how users respond to the platform's offer and we will be able to adjust it using various strategies of customer acquisition, setting better governance rules and playing with different mix of value proposition. That is why we believe that the conducted by us market research makes just a partial contribution to the

elaboration of the final business model, and that the pilot version of the platform will be needed in order we could refine our ideas and adapt Homensó to the reality of the market.

7 References

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8 Annex

8.1 Social classes in Brazil based on the household average income:

Estrato Sócio Economico	Renda média domiciliar
A	23.345,11
B1	10.386,52
B2	5.363,19
C1	2.965,69
C2	1.691,44
D-E	708,19

Source: ABEP - Associação Brasileira de Empresas de Pesquisa – 2018 – www.abep.org

8.2 Interview questions

Interview with the demand side:

1. Could you please tell your age and socioeconomic class?
2. How many times per month do you go to the salon/barber shop?
3. What is your average spending in a barber shop per visit?
4. How do you book a grooming service at a salon/barber shop (by phone, whatsapp, special apps, other)?
5. Why do you visit barber shops/salons? (to be more handsome, to spend a good time and to relax, have to look good for the job, other) Why do you visit this place?
6. What do you value the most when going to the barber shop?
7. How do you choose your barber shop? What information helps you in making your decision?
8. Would you like to have any advices on beauty care for men? If yes, how would you like to obtain them?
9. Do you know the booking platform Trinks?
If yes, why do/don't you use it?
If no – would you be interested to book grooming service online via apps? Why yes/no? Which other functions should offer you this type of platform?

Interview with the supply side:

1. What is your customer profile (age, socioeconomic class)?
2. What is the average spending per customer per visit in your salon?
3. How many customers per month do you receive in average?
4. How do you attract your customers?
5. Which channels do you use to inform your clients about promotions, new services and products?
6. Do customers ask your advices about hair/beard care?
7. Do you have pre-sales and after sales services and what are they?
8. How do you build customer loyalty?
9. How customers book your services? (by phone, whatsapp, special apps, other)
10. Do you know the booking platform Trinks? If yes: Which features do you like and what is missing?
11. What kind of services similar platform can offer you in order to make you sign the contract with them?
12. What will be acceptable price in term of percentage from sales per care/per person or a monthly payment for the platform services?

8.3 Synthesis of interviews with barber shops' owners

Barber shop district, operates since:	Ipanema, 2 months	Botafogo, 8 months	Ipanema, 1 year	Copacabana, 3 years	Botafogo, 3 years	Tijuca, 3 months	Centro, 1 year	Barra da Tijuca, 1 year
Customer's profile: Age / socioeconomic class:	20-45 y.o. / A, B	28-45 / A	27-50 / A, B	25-35 / B, C	20-40 y.o. / A, B	20-55 y.o. / B, C	20-60 y.o. / A, B, C	20-45 y.o. / A, B
Number of customers per month:	250-300	1200	70	500	2000	500	500	200
Spending per client/per visit, BRL:	80	80	50	50	70	40	50	50
Mode of customer acquisition:	Instagram, Google, Leaflets	Advertising in men toilets, Instagram, Social Media, Google ads	Social networks, facebook, Instagram, Google adds, advertising in magazines	Word of mouth, Social medias(Facebook, Instagram)	1. Word of Mouth 2. Partnership with nearby companies with some special offers 3 Regional advertising on Radio, magasins for all units	Word of mouth, Personal connections, Leaflets to mailboxes, Facebook, Instagram	Word of mouth, Facebook, Instagram	Word of mouth, Social medias(Facebook, Instagram)
Advertising channels:	Instagram, WhatsApp (registered clients)	Social medias: Instagram, Facebook (payed ads)	Instagram, Facebook, Whatsapp	Facebook, Instagram, Whatsapp	1. Modern services with high quality, (premium prices) 2. Loyalty program via App - scores, gifts, free services	Facebook, Instagram, directly in the barber shop	Facebook, Instagram	Facebook, Instagram
Customer's loyalty construction:	High quality services and loyalty card with free service on the 7th visit	1.After-sales phone calls; 2. Loyalty system: credit card which gives discount in the barber shop and at shops of partners, make client a part of company to make him wish to have this special card	Fidelity card, lotteries with products	Fidelity card, 40% discount or free haircut during the month of birthday, good service, friendly welcoming	PV: calling customers to collect their opinion on service, to show that client's opinion matter	High quality services, good organisation, property, security	High quality services and complements during the beauty care (little eyebrows correction or small correction of beard together with the main service of a haircut, for instance), loyalty card, building personal relationships	High quality services, loyalty card
Before-sales / after-sales services:	Advertising in Watsapps and Instagram / feedback from clientes, good experience	AS: 1. calling customers to collect their opinion on service, to show that client's opinion matter; 2.Taking notes on customer's hobbies special dates etc, in order to make complements about it next time	AS: 1. collecting customer's opinion on services after his visit via whatsapp or personally before he leave the barber shop	AS: sales of products	AS: calling customers to collect their opinion on service, to show that client's opinion matter	No	No	No
Booking channels:	Phone calls, Whatsapp, Trinks	1. Phone calls; 2. Whatsapp, 3. no booking	1. Phone calls; 2. Whatsapp, 3. no booking	1. Whatsapp, 2. Facebook 3. Phone call	No booking in advance, only in order of arrival.	Customers come directly (90%), sometimes by phone call or Instagram	No booking in advance, only in order of arrival.	1. Phone calls; 2. Whatsapp, 3. no booking
Informed about Trinks and use it, reasons:	1. Shows photos, prices, description of services, time needed for each service; 2. Shows photos of professionals and their evaluation 3. Trinks has standard description of services and professionals just need to add modifications; 4. Monthly or yearly (discount in this case) payment, very good price for services: registration of the customer, show payments, cash flows etc; online booking; loyalty program, emission of invoices					Not informed	Not interested in online booking, were not contacted by salespeople from Trinks, so don't know exactly if there is smth usefull for them	Not informed
Informed about Trinks and not use it, reasons:		Use another, older system Prisma, paid for one year, need to wait before changing.	Very small barber shop with one person, no need to have various services via APP	Not informed, use Belezasoft (exist free version)	Use only the part of services offered to barber shops (not to customers) - administrative part is well elaborated + finance			
Features, that APP must have:	1. Emission of invoices; 2. Easy operations - not to have many fields to fill in; 3. send message for customer's birthday; 4. show statistics about customer (visits, spendings, return/nonreturn); 5. Pre-sales/booking of products in salon, description and prices of available products; 6. Make advertising and promotion of new services. 7. Online pre-payments; 8. Online booking; 9. To make video-blog on beauty care for men, which will help to attract more customers; 10. Having competitors present on the platform	1. To give advises through blog; 2. Having statistics on customer (frequency of visits, if not return after a while - phone call - why? --> To improve operations; spendings etc) 3. To have personal space in APP with points of fidelity, discounts, net of partners; 4. Include system of financial management: products inventory, emission of invoices, products and money flows; 5. Have tools and be able to register staff evaluation, earnings and sales that they generate/per person and in general; 6. Have to allow to each employee check his daily sales; 7. Evaluation of each employee by clients 8. Possibility to change agenda if a customer who didn't book in advance arrive 9. Customers could register the information on them themselves; 10. Online payment, online presales of products and packs of services with discount	1. Only for men with specialized beauty advises by barber shops subscribed their (to have interaction with customers) 2. Advertise products of subscribed barber shops; 3. Show various features of barber shops/ languages speaking, type of payments accepted, ecofriendly etc. 4. Make booking for outside services (visits at home)	1. Possibility to give advises, but doesn't have a lot of time to manage the blog; 2. Booking of appointments but not less then 24hours in advance (hard to follow the schedule during the day) 3. Place photos to attract more clients; 4. Inform, that if customer invite a friend, he will get a discount. 5. Payment online, but should be well elaborated (since appear intermediate between customer and saloon) - cost of this payment? 6 information about languages speaking	Use Trinks for internal administration of the barber shop and has its own APP for the customers (loyalty system), not interested to participate in APP with other barber shops.	1. Possibility to exchange with customers on various topics, to have kind of community going beyond barber services; share news and opinions on sport events, for instance 2. Booking of appointments 3. Place photos and description of services or link to the facebook/instagram page; 4. Inform customers on offers, promotions 5. Payment online 6 Have loyalty program	1. It is very important to build up the loyalty of employees, so can create some tools to make better off employees and to keep them as long as possible 2. Have history of customers (what was done last time, which tools and products were used for care) 3 To work on a brand name of the barber shop, to build up customers' loyalty to brand and not to employees 4. To have more contacts with customers, not just the simple evaluation with number of stars, but dialogue 5. To be able to inform all customers if, for instance, barber shop is eventually closed 6. Show photos of works (customers with their beards and haircuts) 7, To have all the information on the communication with a customer in one place (to remember if smth was offered, discounts, gifts)	1. Possibility to exchange with customers; give advises; 3. Place photos and description of services, location, prices, feedback; 4. Inform customers on offers, promotions 5. Booking of appointments 6 Have loyalty program
Accepted cost for this APP, BRL / month:	50	100-200 depending on the number of functions	20	work on his own app for barber shops, wouldn't pay anything	nothing	20 + % from people coming via APP	50-100	30-40

8.4 Synthesis of interviews with barber shops' customers

Customer's profile: age/socioeconomic class:	49 y.o. / A	21 y.o. / C	23 y.o. / B	25 y.o. / B	34 y.o. / B	43 y.o. / A	52 y.o. / A	39 y.o. / B
N° of visits per month:	2	2	2	5	1	4	2-for services, but once a week just to spend time (4 times in total)	2
Spending per visit, BRL:	80	20-30	25	50	30	45	50 for services	40
Booking channels:	No booking, arrive directly to salon (more comfortable)	Whatsapp-message/phone call	No booking, arrive directly to salon	Phone call, whatsapp, sometimes arrive directly	No booking, arrive directly to salon	No booking, arrive directly to salon	No booking, arrive directly to salon	No booking, arrive directly to salon
Reasons to use beauty services:	1. Good looking 2. Relaxation	1. Comfort-not comfortable to have long hairs 2. Good looking	1. Habit to have short hairs and cutting them twice a month	1. Good looking; 2. Have fun, chat with people	1. Comfort-not comfortable to have long hairs	1. Comfort 2. Relaxation	1. Good looking 2. Relaxation	1. Good looking - is necessary for his work
What influence the choice of the barber shop:	1. Location 2. Quality of services via advices of friends or advices on Internet 3. Atmosphere/appearance	Advices of friends and relatives	Habit, goes to the same barber shop since the young age	1. Can chat with people, have extra services: bar, books 2. Or quick service (convenient) 3. good quality of service; 3. Advices of friends or famous brand	1. Location (proximity to home), 2. Special offers (advertising) can make me trying new barber shop	Location	1. Opinion of others, 2. location	Location
What matter / have value in a barber shop:	1. To have an online booking application: written description of all proposed services in details. 2. Proximate location 3. Positive previous experience 4. service quality 5. Atmosphere/design/property 6. customer relation/friendliness/discrimination (not oversell products) 7. Types of services 8. Bar with beer 9. Comfortable chair 10. Additional services (podologia) – to make all in one place 11. Advices on beauty care at salon and home 12. Wide choice of products for beard/hairs	1. Quality of service 2. Price 3. Atmosphere/property	1. Quality of service 2. Price 3. Property	1. Personality of a professional, 2 Quality of service, 3 Attention to a customer	1. Personality of a professional, 2 Quality of service (good professional) 3. Location 4. Price	1. Location 2. Quality of service 3. Price	1. Quality of service 2. Atmosphere 3. Additional services (beer, coffee, etc)	1. Location 2. Quality of service 3. Price
Informed / Not informed about Trinks:	Not informed	Not informed	Not informed	Not informed	Not informed	Not informed		Not informed
If informed about Trinks reasons to use / not use it:							Informed, is using for looking for opinions and informations on services, prices, hours	
Features, that APP must have:	1. Advices on beauty care for men 2. Information about product for beard 3. Location of barber shops 4. Prices 5. Interior photos 5. Description of services 6. Online booking 7. Can have targeted advertising with product related to the beauty care of men 8. Blog – opinion exchange, advices from men to men/ hair care, skin care, nails care 9. Sales of cosmetics for men 10. Richer the content better is	1. Advices on beauty care for men (for beard), types of products, shampoo, types of haircuts, face care 2. Information on beauty products for men with prices and places of distribution 3. Online pre-payment 4. Information on the time needed for services	1. Information on working hours, prices, services, location 2. Payment online can be nice for the salon which is already known/not for the new one (first need to check the quality)	1. Advices on products, hair/beard style and services; 2. Evaluation of a barber shop by users. 3 Online booking; 4. Description of professionals working in a barber shop, and description of extra services (bar, books, etc) 4. Information on working hours, prices, services, location; 5. Online payment (especially for barber shops which don't except bank cards (only cash). 6. Fidelity program, 7 possibility to choose (to book) the precise professional in a barber shop	1. Possibility to have information on products, but in a simple and short manner (easy access to needed information) 2. Tendencies and types of beards and haircuts, 3. Description of services and types of haircuts offered 4. Online payment 5. Location	Would not use any application	1. Possibility to have information on products 2. Tendencies and types of beards and haircuts, advices on care 3. Information on availability of professionals 4. Fidelity program with information on promotions	Would not use any application