New Venture Challenge, Phase I 2011
Pretty Quick™

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Company Mission

Pretty Quick™ is a web-based community that directly links professional beauty service consumers with a robust curated network of salons and spas. With its core functionality of online and mobile salon/spa appointment booking, Pretty Quick innovates by bringing existing technology to a slow-to-change, highly fragmented industry with the goal of solving documented pain-points on both the end user and salon/spa business owner side. Technological analogs include Open Table in the restaurant industry and Zoc Doc in the healthcare industry.¹

End User Problem

Successful, multi-faceted women play many different roles in their own lives (career, family, friends, romance). They feel energized and restored by nurturing themselves with a variety of professional beauty treatments, but scheduling these moments of self-care can be challenging. A synthesis of both quantitative and qualitative research fielded against time-pressed, affluent women ages 25 – 60 has uncovered the following pain-point-driven use cases for Pretty Quick:

1) Found Time:
- As a busy professional or parent it is hard to know when you are going to have the time to take care of yourself. When you do “find time” for whatever reason, you want to be able to take advantage of it.
- This insight emerged as the #1 need-gap in our target survey. 70% of respondents agreed, “When I have a last minute opening in my schedule, I wish I could know which salons/spas around me had openings.”

2) Simplification:
- Interviewees complained about having to make and keep track of different appointments for different service. This finding emerged as the #2 need gap: 56% of women agreed, ”Would like to have one place online to schedule all beauty and self-care appointments"

3) Trusted Recommendations:
- Whether traveling or just looking for a new service provider, women look to people they trust (i.e. not Yelp reviews) for advice on new places to go. The #1 most considered factor (above location and price) when looking to make a beauty appointment was “recommendation from friends and family.” The promise of a beauty community whose members’ opinions and built-in beauty editor’s advice they could trust was very attractive to some interviewees.

Today, a few high-tech salons and spas offer online booking through their own website, but many service providers are still using pen and paper or out-dated software local to their computers to manage bookings. 100% of women surveyed by Pretty Quick are still using the telephone to make beauty appointments, but 63% would prefer to switch to internet reservations.

¹ Best practices in their respective verticals, Zoc Doc has raised over $19 million in venture funding led by Founders Fund, and Open Table’s 2009 annual report boasted sales of $68.6 million, representing 36% compounded annual growth.
New Venture Challenge, Phase I 2011  
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**Salon/Spa Owner Problem**

Most salon and spa owners are not formally trained business people; they have a passion and expertise for beauty and are generally lifestyle entrepreneurs who want a healthy stable revenue stream that comfortably exceeds their costs (2010 industry average profit margins only 4.4% of revenue). For hair salons in particular, the high degree of category loyalty means that established businesses enjoy steady client flow from repeat customers and attract new clients from referrals and word of mouth. Owners’ focus is generally not on ambitious growth, but rather on filling down time and cancellations. On average, salons spend 46.9% of revenue on wages. Any window when those employees are not generating revenue is a wasted opportunity. This cost structure translates into a currently unmet need of reaching stay-at-home moms and/or independent professionals who could come in during off peak hours.

To supplement repeat business, owners are willing to spend money against marketing and trial-generating programs, but many expressed considerable frustration with current 3rd-party marketing vehicles. Deal-sites like Groupon and Living Social attract discount-seekers, not industry enthusiasts who could become a loyal repeat customer. At Colette Salon on Walton Street in Chicago, one service provider shared that they ran a 50% off Groupon on the popular Brazilian Keratin straightening treatment ($300, 3-hour-long treatment for $150). They received 30 redemptions and thus spent 90 man-hours (9 full working days) of their limited employee-base for which they were compensated barely more than cost.

**THE PRETTY QUICK SOLUTION: SOLVING END USERS’ AND BUSINESS OWNERS’ PROBLEMS**

For the end user, Pretty Quick will make it easy to identify, screen, and book beauty appointments online and on-the-go. The initial version of the website and mobile app will provide extensive location-based search and listings of the beauty services based on the selection of specific treatment, date and time.

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2 IBISWorld Industry Report 81211, Hair & Nail Salons in the US, December 2010 Caitlin Moldvay  
3 IBISWorld Industry Report 81211, Hair & Nail Salons in the US, December 2010 Caitlin Moldvay
Pretty Quick’s website and mobile app will be dedicated platforms to quickly secure recommended beauty appointments, but as a user-centric brand and beauty authority, we will seek to create additional value through editorial content and ancillary on-brand functionalities. The Pretty Quick user-facing website and mobile app will include:

- Expert reviews on local salons and spas from our in-house beauty curator
- Exclusive editorial information from the hottest trends to the latest breakthroughs
- Priority access to cancellation notices for must-have treatments
- Weekday discounts to local favorite salons and spas (using geo-location mobile technology)
- Syncing with preferred personal calendar (ex. Google Calendar, Outlook)
- Private online journaling to record notes on each service received
- Easy sharing functionalities to send recommendations and tips to Facebook® or Twitter® friends

Our commitment to easy appointment-booking, editorial savvy, and community-building position Pretty Quick as an empowering tool that makes it efficient and enjoyable to take care of self.

For salons and spas, Pretty Quick’s direct access to a dedicated end user community solves the key pain-points of generating appointments during off-peak hours and filling cancellation slots. Businesses can feature their special off-peak pricing in a dedicated promotional section on prettyquickbeauty.com., as well as send a text and/or email message to opted-in local users broadcasting these off-peak deals and any last-minute cancellation notices. Users’ phones will feature the “update” icon whenever their favorite local salons and spas have added a new price or opening.

Figure 2: Service Provider Mobile Interface

For low-to medium technology salons still using pen and paper, Pretty Quick’s cloud-based appointment solution is an all-inclusive scheduling and marketing device. For larger salons that have invested in dedicated customer relationship manager (CRM) software, Pretty Quick will plug into their appointment-booking system in order to provide seamless real-time information for their clients and employees.

The team has conducted an in-depth analysis

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4 www.prettyquickbeauty.com currently owned, as well as several other alternatives, in negotiations for prettyquick.com
to explore the costs/benefits of developing the required scheduling tool ourselves vs leveraging a strategic partner who has already perfected the technology. On Monday February 7th, we are having our 3rd conversation with Salesforce.com, the leading CRM and cloud-computing company, who is uniquely positioned to facilitate the seamless integration into salon/spa’s existing systems. The team believes that while strong internal technical talent will be important to manage the information architecture and user interface of both our website and app, the following advantages exist to “renting, not owning” the back-end platform:

1. Unrivaled knowledge of existing CRM systems and technical specifications needed to integrate with them
2. Speed to market, could launch beta program in Q2 2011
3. Allows Pretty Quick to dedicate strategic horsepower to building dual-ended network
4. Costs in line with budget required for internal R&D

**Overall and Target Market Sizes**

The US professional beauty services industry represents over $48 BN in annual revenue, of which $36.6 BN stems from over 827,000 hair and nail salons, and more than $10.9 BN from more than 18,000 spas. Pretty Quick’s value proposition is most relevant to female-focused, appointment-requiring establishments in the 10 largest urban US markets, or about 110,000 potential salon and spa partners. The highly fragmented industry is dominated by independent ownership structures, 87% of which have 9 employees or less. Pretty Quick will initially target independent service providers with low to-date investment in appointment-managing software, and has devised a go to market strategy that forecasts an 8% penetration rate, or partnership with 8,700 customers, in 5 years.

In order to deliver its value proposition to its salon/spa customers, Pretty Quick will focus on building a dynamic community of beauty enthusiasts. These community-building efforts will target time-pressed female professionals and mothers ages 25 - 60 who spend upwards of $1,000 per year on professional beauty services and consume at least one service per month in one of the following categories: haircut, hair color, blow out/up-do, manicure/pedicure, wax, facial, massage. Our target users have a smart phone and an average to high comfort level with technology. We estimate our total end user market size to be about 4.6MM women across the 10 largest US markets, but have built a marketing strategy aimed at two distinct early adopter groups in Chicago, young professionals 25 – 30 and new mothers with flexible

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5 IBISWorld Industry Report 81211, Hair & Nail Salons in the US, December 2010 Caitlin Moldvay
6 http://www.experienceispa.com/media/facts-stats
7 Assumption: 1) geographic segmentation will reflect population: http://2010.census.gov/2010census/, http://www.fhwa.dot.gov/planning/census/cps2k.htm, 2) 50% of total will not accept appointments (nail salons and value chains e.g.Super Cuts)
8 Assumptions: Women in 10 largest urban markets, NY, LA, Chicago, Dallas, Philadelphia, Houston, Miami, DC, ATL,Boston adjusted for income levels, age and reduced by 30% for those who do not consumer professional beauty services http://2010.census.gov/2010census/
GO TO MARKET STRATEGY: COMMUNITY-BUILDING

The Pretty Quick team has been researching and developing relationships with salon/spa owners in Chicago since October, 2010. Having leveraged the Polsky Center network to learn from founders of established dual-ended network businesses, including Matt Maloney of Grub Hub, we are highly sensitive to the virtuous cycle of business owner/end user conversion. Since November, we have conducted 30 interviews with salon and spa personnel, used our network to identify decision-makers within potential partner organizations, created a sales demo, and to date have secured two beta customers (Sam Griffith of Restoration Salon and Delle Amiche Salon on Michigan Ave) who have verbally committed to using Pretty Quick once it is built. We are entirely focused on growing our beta customer base in Chicago over the next few weeks.

As we consider the transition from beta mode to early sales, we have analyzed various pricing scenarios, and propose an $89 per month fee after 3-month free trial period. As will be evident from the competitive landscape section, our proposed price is more than a bare-bones scheduling tool, less than a full-blown salon/spa CRM, and in-line with other B2C “advertising” vehicles like SpaFinder.com. We also reserve the right in Year 2 of our contract with partner salons to add a per-person-booked fee to the base subscription rate. We feel this monthly price allows us to build in a guarantee to partners that if Pretty Quick does not pay for itself (bring in at least $89 worth of services per month), we will credit the salon/spa our fee that month. This risk-free claim has been successfully implemented by Zoc Doc, which to date has signed on over 100,000 doctors in each of their markets.

To help build the end user base and infuse our community with an authentic editorial voice, we have partnered with Nicole Pearl, local beauty influencer. Nicole was a beauty editor for over 10 years at the epi-center of the industry in New York, where she wrote for national publications including Allure, Marie Claire, In Style, and many more. Nicole regularly appears on TV as a top beauty expert and has been a guest speaker for national beauty-related corporations. A recent Chicago transplant, she has her own website, thebeautygirl.com through which she has cultivated her brand as

9 Gold Coast, Lincoln Park, River North, Wicker Park, Bucktown
10 Interviewed by C. Meers in November 2011
11 Pricing data sources: salon/spa owner interviews, competitors’ pricing models, comparable services across different industries (medical and restaurant)
Chicago’s beauty guru. As strategic partner and Chief Beauty Curator of Pretty Quick, Nicole hopes to expand her own brand awareness by creating editorial content for Pretty Quick and reviewing salons and spas through her expert eyes.

We believe Nicole’s expert reputation will differentiate Pretty Quick and help us build an end user community immediately. We are currently fine-tuning a marketing plan that will create awareness of our company and drive traffic to the site by focusing on young professionals and busy mother early adopter groups in near-north Chicago:

Competitive Landscape

Today, there are over 140 B2B Software solutions that help salons and spas with daily operations: scheduling appointments, maintaining existing relationships, inventory management, etc.

Though there is no clear market leader in the highly fragmented category, some popular CRM solutions are listed at right. No one in the B2B CRM category is currently offering a direct link to new customers, either through social media or advertising.

Salon and spa owners are therefore forced to use 3rd party Marketing tools to increase exposure to new clients. These include deal sites like Groupon as well beauty blogs like Pretty City, all of which are very expensive to run and do not link back to their base business.
Pretty Quick™ will position itself in between the B2B solutions and B2C solutions by accessing real-time appointment information and sharing that directly with end users.

### Business/Consumer Connectors

<table>
<thead>
<tr>
<th>Positioning</th>
<th>Strengths</th>
<th>Weaknesses</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Booker</td>
<td>Easy (60%) discount on luxury beauty treatments and spas</td>
<td>Strong branding, imagery, access to compelling deals, salons/spas only pay when appointments are honored</td>
<td>Discount fears can deter repeat business for the business owner, not a scheduling-focused user experience, not tied into appointment system</td>
</tr>
<tr>
<td>SpaFinder</td>
<td>Find spas and buy gift certificates redeemable at any participating location</td>
<td>Cards in strong distribution including footnotes and FB partners with spafinder</td>
<td>Metro site is not a very clear value proposition, for business owners must pay 15% margin on all services using gift cards</td>
</tr>
<tr>
<td>Make appointments online at day spas</td>
<td>Clean user interface, clear day-spa hours, partner with spafinder</td>
<td>Not many user reviews, not much editorial content</td>
<td>Very similar focus on booking over discount, CMN partner</td>
</tr>
</tbody>
</table>

**PRETTY QUICK COMPETITIVE ADVANTAGE:**

A **curated** network of salons and spas for a **community** of busy, affluent beauty enthusiasts

### Revenue Model and Financials

#### Pretty Quick

**Annual Income Statement**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td># of cities</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>5</td>
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<tr>
<td># of salons</td>
<td>405</td>
<td>2405</td>
<td>4505</td>
<td>6605</td>
<td>8705</td>
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<tr>
<td>Monthly fees</td>
<td>$47,793</td>
<td>$1,542,851</td>
<td>$3,783,390</td>
<td>$6,026,190</td>
<td>$8,268,990</td>
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<td>Fees per client</td>
<td>-</td>
<td>$265,613</td>
<td>$1,434,713</td>
<td>$3,046,950</td>
<td>$5,226,188</td>
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<tr>
<td>Advertising revenue</td>
<td>-</td>
<td>-</td>
<td>$400,000</td>
<td>$600,000</td>
<td>$800,000</td>
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<tr>
<td>Total revenues</td>
<td>$47,793</td>
<td>$1,808,428</td>
<td>$5,618,103</td>
<td>$9,673,140</td>
<td>$14,295,178</td>
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<td>% increase</td>
<td>3683.9%</td>
<td>210.7%</td>
<td>72.2%</td>
<td>47.8%</td>
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<tr>
<td>Salaries</td>
<td>$(109,000)</td>
<td>$(606,000)</td>
<td>$(766,000)</td>
<td>$(864,000)</td>
<td>$(904,000)</td>
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<td>Marketing and Advertising</td>
<td>$(40,956)</td>
<td>$(50,169)</td>
<td>$(104,362)</td>
<td>$(205,463)</td>
<td>$(305,904)</td>
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<td>Rent</td>
<td>-</td>
<td>$(7,000)</td>
<td>$(12,000)</td>
<td>$(12,000)</td>
<td>$(12,000)</td>
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<td>Transportation</td>
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<td>$(4,600)</td>
<td>$(6,100)</td>
<td>$(7,200)</td>
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<td>Utilities</td>
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<td>$(700)</td>
<td>$(1,200)</td>
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<td>Other expenses</td>
<td>$(239)</td>
<td>$(9,042)</td>
<td>$(26,091)</td>
<td>$(51,366)</td>
<td>$(76,476)</td>
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<td>Software provider fees</td>
<td>$(162,700)</td>
<td>$(962,700)</td>
<td>$(1,802,700)</td>
<td>$(2,642,700)</td>
<td>$(3,482,700)</td>
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<td>Total operating expenses</td>
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<td>$(1,640,211)</td>
<td>$(2,718,453)</td>
<td>$(3,783,929)</td>
<td>$(4,790,479)</td>
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<tr>
<td>% increase</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>EBITDA</td>
<td>$(266,102)</td>
<td>$168,217</td>
<td>$2,889,650</td>
<td>$5,889,212</td>
<td>$9,504,698</td>
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<td>EBITDA margin %</td>
<td>-556.8%</td>
<td>9.3%</td>
<td>51.6%</td>
<td>60.9%</td>
<td>66.5%</td>
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<td>Depreciation</td>
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<td>$(2,580)</td>
<td>$(3,905)</td>
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<td>$(6,360)</td>
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<td>Amortization</td>
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<td>$(2,778)</td>
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<td>EBIT</td>
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<td>EBIT margin %</td>
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<td>8.8%</td>
<td>51.4%</td>
<td>60.8%</td>
<td>66.4%</td>
</tr>
</tbody>
</table>

12 2008 Nielsen Online AdRelevance Industry Report: Retail + Consumer + Health industries report spending $189 MM on digital advertising. Assuming beauty makes up 20% of aggregate spend, total beauty digital spend for for 2008 was $38MM. We have predicted 2011 spend to be $40MM.
Risks and Mitigation

**Competitive Risk:** Existing CRM providers, particularly beauty focused players such as MindBody, can focus efforts on end-user community building after realizing PQs benefits. These players are more diversified and can absorb costs of stiff competition. We believe that PQs early mover advantage in focusing on community building and mobile technology will be crucial in defending this threat.

**Acceptance:** There is a strong trend across the industries in accepting the smart mobile technologies and understanding the benefits of concentrated online customer base. However, the fragmented nature of beauty industry makes it very difficult to generate mass acceptance of a product. Nevertheless, the industry also works on ‘what is the competition doing’ principle; so if we can generate value from our community it will attract attention across the market.

**Community Dilution:** A strong and growing online community is based on an attractive value proposition. Pretty Quick is committed to balancing business objectives with continually growing its community (i.e. providing relevant but not too much advertising, good content that addresses community concerns)

Management Team

Our diverse management team is uniquely poised to build a destination brand for an engaged nationwide user and salon/spa network, and to lead Pretty Quick to a successful exit for investors. Coco Meers, CEO, has more than 6 years in marketing and brand management in the beauty industry. While working for the cosmetics industry leader, L’Oreal, she directed cross-functional teams to bring over ten products from concept to market. She is intimately familiar with the demographic and psychographics of beauty consumers in the Pretty Quick target and maintains relationships with potential advertisers from her brand management days. Sandra Susino, COO brings incredible operational experience and strategy to the team. She has led 3 tech-focused new ventures to successful exits and brings executive business development leadership to the team. Arvind Soni, CTO, has a robust background as a developer turned product manager in the B2B software-as-a-service space. He not only brings web and app development experience, but will serve as key liaison with software licenser should we outsource our tech platform. Sorin Sandulescu, our CFO, provides tremendous financial strategy and operations expertise. Nicole Pearl, as outlined in the go-to-market strategy section, is a valuable authority-building expert on our team. Her reputation as a beauty expert will legitimize the Pretty Quick promise and help ensure our community is always trustworthy for users.