

Bridgly Executive Summary (Updated)

Company Overview: Bridgly provides real estate agents and new homeowners with a platform that streamlines the home inspection and repair process by connecting them with vetted, on-demand skilled labor. Bridgly's services start during the home inspection process and continue to serve new homeowners with quality tradespeople long after move-in.

Problem/Solution

Realtors consistently cite the home inspection and subsequent repair process as the most time consuming and time sensitive component of a home transaction. Starting from the signing of the purchasing agreement, the buyer has only a 15-day window to conduct home inspection and submit a "Reply to Inspection" form. If the buyer misses this deadline, they cannot renegotiate and are forced to purchase the home "as is". After the initial buyer-requested inspection period, there are additional time sensitive tasks such as Federal House Administration (FHA) mandated inspections, occupancy permit inspections, dye test, etc. Each of these inspections may uncover issues that require the service of a contractor.

These narrow time windows place realtors and home buyers under a lot of stress to find inspectors and contractors who can conduct inspections or give quotes on the repairs as quickly as possible, but there are few tools on the market that cater to this unique need of realtors. After interviewing and surveying high-producing real estate agents in Pennsylvania and Ohio, we discovered a consistent antipathy for the inspection and repair process. For houses in good repair, inspection coordination took 40 percent of total back office work for closing a house. In the ~20 percent of closings requiring immediate specialized contractor quotes are necessary, the amount of time a realtor spends coordinating balloons further.

To help tackle this problem, we provide a solution with two major components: a project management software to help realtors streamline the home-inspection and repair process, and a referral service that connects realtors and homeowners with qualified, realtor-recommended local contractors.

On the software side, we offer a convenient dashboard to help realtors manage their contacts with contractors, coordinate site visits, and monitor the inspection/repair progress on their current deals. This allows realtors to recommend contractors to their clients through a seamless interface, thus helping realtor save valuable time during a time-critical period.

On the referral platform side, we will first construct a network of qualified home-improvement contractors by pooling together all the realtors' existing contact with local contractors. This collective network of contractors will provide further value to the realtors and homeowners by introducing customers to new quality tradesmen. Homeowners who have worked with us during the closing process of their new homes will continue to be able to get contractor recommendation through our platform after they move in. Although we have not encountered concerns about information sharing from realtors, we feel it is important to note that a contractors' contact information will initially remain private, forestalling any concerns that from realtors that they are sharing their "secret-sauce". Quality control of contractors at scales persistently troubles many market incumbents. To ensure quality at scale, barring some exceptions, only contractors recommended by at least two realtors will be invited to onboard onto the platform.

Market

There are three components in our marketplace: the realtors, the consumers, and the contractors. We plan on charging realtors a subscription fee and contractors a lead-generation fee.

Although consumers will use our platform, our initial product focuses on realtor-onboarding, and transactions will occur offline. As such, our primary customers are contractors and realtors, but a special level of emphasis must be placed on ensuring a good user experience for homeowners and realtors.

There are over 1 million licensed realtors in the US and over 5 million homes were sold last year. Based on our market research with local realtors, most home sales involve at least some level of repair work. Thus, in the realty market alone, we can expect lead-generation and transaction fees to produce a revenue on the order of tens of millions of dollars given single digit market penetration. With product-market fit, early monetization should not be a challenge.

We have spoken to dozens of realtors and contractors regarding our product, collecting results from both in-depth, face-to-face interviews as well as telephone polled surveys. We believe early market penetration will require strong connections to high-producing realtors, and we have focused a significant amount of effort building and maintaining relationships among this group. Our contacts include upper-management at Howard-Henna, Coldwell Banker, Northwood Realty and more. We are currently testing an alpha with trusted realtor contacts we have formed.

Sales & Distribution:

As of today, we have not yet launched our platform and have yet to acquire any customers. However, we have a functioning alpha and are receiving feedback from both realtors and contractors.

Our distribution model is based off direct sales to realtors, who will then push our product into the hands of homeowners and contractors through their day-to-day use of the tool. Realtors using our platform will onboard contractors who they have had contacts with whom the realtor believes will best meet the home-buyer's needs. New homeowners represent the lion's share of the demand for home-improvement contracting, and a positive experience during their home purchase process would increase their willingness to continue to use us to refurbish their new home.

This is a big part of Bridgly's "secret sauce." By driving our distribution through high-producing realtors who desperately need a product to manage the headache of the inspection and home repair process, we can reach a large consumer base and easily onboard a network of contractors that the realtors trust.

Competition:

Currently, when a realtor needs to find inspectors or contractors for their client during the closing process, they typically try to find someone in their existing contract list, which is often kept in a text document or spreadsheet. If the realtor is unable to find anyone in his or her own network, then they may ask their colleagues or try to find someone online via platform such as Angie's List.

Unfortunately, Microsoft Word documents and Microsoft Excel spreadsheets cannot provide important information such as whether the contractor is available, nor can they give realtors and homeowners the ability to monitor the progress on these inspection and repair jobs dynamically. Our core value proposition to realtors allows them to eliminate coordination overhead and easily track the progress of the houses currently undergoing the closing process.

Compared to service referral platforms such as Angie's List and Thumbtack, which serve a wider variety of markets and have highly variable labor quality, we cater specifically to the needs of real estate transactions. As such, we are able to

provide a user experience optimized for realtors' workflow, as well as maintaining a level of labor quality and reliability that is important for the high-stake nature of the real estate transactions.

Financials:

Initially, the contractor recommendation on our platform will be in the form of lead generation, which we may immediately monetize, in addition to a relatively small subscription fee that we will charge the realtors for using our software dashboard. Our eventual goal is to provide an end-to-end service that handles payment for jobs done through our platform. A key component to this longer term monetization strategy is a percentage fee on each transaction.

In the short term, the subscription fee on our software for realtors is \$50 per month after a 30 day trial period. This pricing is justified both by our market research and the value that we are providing to high-producing realtors. The pricing for our alpha and beta will be \$10 a month. As we gain more traction and legitimacy with the real estate community and learn more about their willingness to pay, we may offer higher price tiers with premium features.

For contractors, it will be free to be onboarded and receive jobs from a recommending realtor. However, we will charge a referral fee if an onboarded contractor wants to be referred to a new realtor, or if the onboarded contractor wants to be suggested to a new homeowner without being explicitly recommended by a realtor.

For the initial product, recommendations to get on a new realtor's contact list, we are planning to charge a one-time fee of \$200 if the contractor is accepted and used at least once by the realtor. For leads on individual jobs, we intend to charge a lead-generation fee of \$20 to \$80, depending on the type and scope of the job. This is similar to the price charged by our competitors like Thumbtack. As we gain traction with realtors and start onboarding contractors, we will revisit this pricing model considering any new information.

For the long term, we have two proposed pricing schemes as we adopt an end-to-end integration of payment processing and scheduling: for smaller and more common jobs (<\$500), we will implement a time-based pricing model similar to that of Homee, where we will charge the consumer by the minute according to predefined pricing charts, and then we will take a 10% fee from this transaction before passing the rest to the contractor; for larger and more complex jobs that requires the contractor give a quote beforehand, we will charge a 5% transaction fee for the payment that goes through our platform.

From initial conversations with industry experts, we do not anticipate that we would be exposed to any liabilities, but before we create an end-to-end service model, we will have to work with a lawyer to make sure we aren't acting as a general contractor.

In terms of cost, the fixed costs will include the development cost of the software platform, as well as the legal cost of structuring an end-to-end service model in a way such that we can protect ourselves from liabilities; the variable cost will include costs from the sales and marketing needed to onboard realtors, gap insurance, API fees, and, to a lesser extent, server costs.

Since our founding team is mostly consist of technical talent, the development of our initial software product can be done in-house with little cost Based on our conversation with lawyers and other companies who have had experience structuring similar terms and services, the legal and insurance costs will likely be around \$50,000. However, we can put off much of this legal expenditure for the next nine months, since our initial product is only a contractor management software for realtors, and a lead generation software for contractors.

As we expand our business, we will need to hire salespeople to help us onboard new realtors, who will in turn help with the onboarding of consumers and contractors. Although the efficiency of such a sales model is yet to be examined, a reasonable hypothesis would be that, assuming a good product market fit, an salesperson can onboard 5 realtors per week, which translates into around 250 realtors per year. If such a salesperson will cost \$80,000 per year with commission, we can estimate the cost of onboarding a realtor or a contractor via direct sales to be around \$320, meaning that, with other costs, we should break even on a realtor within around 7 months. However, if we plan our direct sales strategy toward realtors well, we may be able to grow our realtor base through word of mouth. Critically, it is acceptable to only breakeven on realtors, as they will drive the onboarding of contractors and homeowners, who will represent most of the revenue we derive from our platform.

Team Information:

William Meng is a Junior at the School of Computer Science pursuing minors in Robotics and Machine Learning. His primary technical interests include machine learning and robotics. During his Summer '16 internship at Robotany, William became excited about the potential of applying technology solutions to traditional industries. In Summer '17, William worked for Yahoo, honing his frontend skills. Will has spearheaded the graphical design and frontend of Bridgly.

Evan DeSantola is a Junior at the School of Computer Science pursuing minors in Business Administration and Mathematical Finance. His primary technical interests include distributed systems, computational game theory and cloud infrastructure. During his Summer '16 internship at Lawrence Livermore National Laboratory, Evan learned the distributed systems skills necessary for the construction of scalable architectures. At SpaceX, Evan improved his infrastructure development skills, enabling him to take ownership of Bridgly's backend functionality.

Currently, we lack the legal or insurance expertise to launch anything more than our initial product, and believe that this will be one of first early major expenditures. Depending on early traction, we might need to bring on someone experienced with business development experience to complement our abstract knowledge of this area. We are also lacking in real estate expertise, and after receiving feedback from the judges, we sought out a realtor and are in the process of formally adding him to our advisor team. Due to our initial product's reliance on direct sales and realtors' domain expertise, we believe that a realtor with strong sales and business development skills should be our first hire.

Milestones:

As of early January, we have a fully functional alpha product that we have begun to demo to local realtors. Due to recent feedback from the alpha, we will need to push back our beta launch from March 1st to March 7th to incorporate a new feature.

Our initial product functionality focuses on allowing realtors to easily handle the home inspection progress, onboard trusted contractors, and recommend contractors to their clients. The alpha primarily focuses on streamlining the process for the home closing process, with both text and web-app functionality for both contractors and clients.

By late-March of 2018, we want at least 5 high-volume realtors on-boarded onto our platform and paying a monthly fee. We believe this is possible based on early feedback on our alpha product from high volume realtors.

With funds from McGinnis, we would be able to onboard a designer onto our team, so that we can further improve our user experience and make the workflow on our platform as seamless as possible from the perspective of the realtors.

Previously, we also anticipated large legal and insurance expense associated with building a platform for labor, even though we do not intend to offer any sort of endorsement or guarantee to the contractors on our platform. In our more recent research, we realized that the expense might not be as great as we previously expected, at least not in the initial phases when we are mostly handling referrals instead of actual transactions.

Potential Obstacles & Challenges

Due to our strong computer science background, we do not see any insurmountable hurdles with the actual software development. Instead, our biggest technical hurdle will be the legal and insurance foundations needed to set up a platform that is robust and safe for both Bridgly and users. In addition, we anticipate the following three challenges that might hinder our market adoption.

1. Unwillingness of contractors to onboard to our platform

It's possible that even though realtors identify specific contractors to organize and stay in touch with through our platform, that these contractors instead choose to primarily communicate our platform via traditional technologies such as SMS and phone calls. Although we support such functionalities, we would like to onboard as many contractors onto our platform as possible as doing so maximizes our ability to sell them leads and places us in a better position to eventually transition into an end-to-end job fulfillment model rather than a lead generation model.

To address this, we plan to offer value added services to contractors, such as customer relationship management for their existing customer base, as well as offer them access to discounted leads for the first few months after joining our platform. If contractor onboarding is a persistent model, we may have to revert to the more passive models that many of the members in this space, such as Porch, Angie's List and Thumbtack, rely upon.

2. Lack of trust in word-of-mouth referrals of realtors by realtor's clients

A big portion of our business model relies upon realtors to onboard clients. If these realtors' clients are unwilling to use our tool due to either trust or dislike of the UX/UI, we would may encounter problems with providing our core value proposition to realtors, as realtors would not really be saving much effort through the service we provide.

From market research surveys, we are fairly confident of homeowners' trust in their realtors. However, we acknowledge that this is a big assumption that we cannot validate until product launch. To de-risk this assumption, we are seeking an early product launch and are focusing on the realtor's clients with a very intuitive and lightweight user experience.

3. Contractor's distrust toward lead-generation services due to bad previous experiences

Based on our conversations with contractors who have tried platforms like Thumbtack in the past, there is a growing resentment among the contracting community toward these lead-generation platforms, because Thumbtack charge a lot of money for leads that are not necessarily of high quality. Even though we are confident about the quality of our leads, since realtors represent recurring business for these contractors with low price sensitivity, we may nonetheless be adversely affected by the reputation of our peers.