

## Raleigh Melancon of StylizeNOW

[00:00:04.75] This is the Investor Connect podcast program. I'm Hall Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode.

[00:00:24.01] Hello, this is Hall Martin with the best connect them here with Raleigh Melancon, founder and CEO of Stylizenow located in Austin, Texas. Raleigh's company owns and operates a platform. Strava is now the platform provides an On-Demand mobile hair and nail salon services that cater to customers residences. For now, the platform is focused on the central Texas market, but hopes to expand soon. So as now contracts with licensed professionals that agree to provide these services to customers that use the Stylize now mobile application similar to other On-Demand service providers. The company does not employees professionals but contracts with individual professionals to provide these services and send them to customers that use the platform. Customers typically go on the platform to select what service or services they desire, and the platform will immediately begin to set them up with a stylist. They send them to the client's location.

[00:01:11.89] Raleigh, thank you for joining us. Thank you for having me. All right.

[00:01:16.24] So what was your background before founding Stylize now? What did you do before this?

[00:01:21.07] Ok, so I was a student at the University of Texas. I was a student and I graduated in twenty nineteen. And then I worked in the government for a year and I think kind of toying around with an idea for for a start up. But there was nothing I really believed in or that I thought that I could pull off. And then this pandemic happened and I kept thinking, well, you know, we have it. There's a lot of people that are unemployed because the pandemic, like I originally I was thinking of, like hospitality employees and waiters, things like that that were there were, of course, unemployed because of the shutdown, but also the lawn care services. And then there was also the fact that people couldn't get their hair cut. A lot of mostly women were complaining that they couldn't get their nails or their hair done. And I was trying to think, well, you know, how can I get these people back to work or at least give them some kind of

payment while this pandemic is going on. And then also bypassed the fact that a lot of these public salons, like in malls and stuff, are closed. And that's why I came to this idea and I started walking in the pandemic. But it took longer to write than I was expecting.

[00:02:26.23] Ok, so that's great. That tells you how you got to work in this space. So we always have investors on that are looking to invest in new areas. What's your advice for people investing in this space where you tell them to do before they write that check?

[00:02:40.96] Well, I would keep in mind that there's. Then the armed services are very expensive to get going and get established. They would require a lot of money, especially in the beginning, to grow and get their brand out. And also, I would recommend that you make sure that there's there's not a lot of competition in the field, so it's not already heavily saturated. So, for example, like Uber is pretty much covered, Uber and Lyft, those companies are pretty much taken over the transportation market, but also that it's there's there's not a whole lot of competition in that field. That's what I'd say. Those two things to consider consider thing is, I mentioned this in the intro that you mentioned this in the introductory. But also if you're investing in a company really early on, they need to have some model that can scale very easily. That's something that I see a lot like. They own the supply of lawn care services. Well, that means that every time you open up a new city, you're going to have to hire those people. You're going to take on all the costs associated with employing full time employees. And it's just not as you can't scale as fast and as business, you do have to scale pretty fast. I have observed and written about other cases.

[00:03:52.53] Right? Well, as we come out of the covid pandemic and we're in various stages of reopening, many industries are changing.

[00:03:59.43] People are working from home. Health care is going telehealth.

[00:04:03.12] How do you see the new landscape looking for stylist's? Are we going back to the style parlor or are they going to start coming to the where people live like the delivery people do now?

[00:04:14.49] Well, I'm hoping for the later. I don't know if the I don't think that will happen one hundred percent. But I think that there's certainly I've looked at a lot of studies done forgetting the name of the dentist who commissioned a study. But there was already before the pandemic an enormous amount of growth in this field, double digit growth in some cases, and it was reaching newer and newer markets. And so, yeah, I do see I saw a market for this before the pandemic, but I certainly do now. So, yeah, I think that there are a significant number of people will choose to just get these services done at home because that would be way better if you could.

[00:04:50.26] Absolutely. And what are the challenges in starting a business like this? And it was stylist's where we come across so far.

[00:04:57.66] The challenge is one of the challenges. Just like in most On-Demand markets, there's really two markets, not just one. For example, you have the market. We are trying to do customer acquisition and that market, that side of it, that's easy for people to see. But the other side of it, in fact, we have had to program two different apps. Either side of it is you have to also market and recruit stylists. And that's another big part of it, because we can't sell anything to customers if there's no stylists. So that's a big part of it. And that's a huge challenge. And it's very costly and expensive to not only recruit more stylists to sign up to the program, but also to get customer acquisition as well that you have to advertise while the costs are more like in the beginning. But, you know, that's something that that's something I did not see. There were some other challenges like. But they are more programming side. So I don't want to go into too much detail for this podcast.

[00:05:55.74] Great. So how does Stylize now fit into the landscape? How would you position yourself against other companies, more traditional or otherwise?

[00:06:04.50] Well, at the national level, I'm I'm not I'm trying to think of like a national provider of, I guess, like Supercuts, that that would be a competition, if that's still a thing. I haven't been to one in years. But national chains that provide air services also just independently owned salons that are everywhere. They're their competitors. The other thing is, is that there's some in other cities there is something called glam squad, I think is the name. It kind of does something similar. Not exactly this. It does something closely similar. And then

obviously one of these ideas takes off. There's going to be thousands of copycats. That's a challenge to you. You have to grow fast and we have to get as big as we possibly can before somebody else catches up.

[00:06:53.76] So what's the go to market plan for your deal there? What do you plan to do to kick it off?

[00:06:58.77] And we're already on an already active we've already launched it. And the thing is right now, it's that we're trying to get a big enough base in Austin and San Antonio, central Texas markets. And then we want to go statewide, which is going to be very expensive. We're going to need to raise a lot of money for that. And then we want to go national and hopefully one day global.

[00:07:18.57] Ok, have you thought about doing what it started? They were doing delivery and then one day said, well, we'll just sell our technology to everybody else that wants to do delivery. And then they got out of having to recruit drivers and delivery people and all that. They just go and sell it to everybody that wants to get into the business because they already have the technology set up. Sound like you have the technology setup. Have you thought about going to Supercuts and saying, hey, I'll I'll give you another revenue stream here, especially during. Lockdown's you can use my tools to go out and white label or in some way, shape and form, support them in that.

[00:07:51.01] Well, that's the thing. There's there's a lot of services that do that and probably can do it much better than me.

[00:07:56.00] So, no, I've not done that. Well, what do you mean when you say the technology side, just like there's lots of On-Demand services and they can customize that and retool it, for example, labor, or there's another app called Home H.O. and they do Plumbers. That seems like something you could you could easily sell the technology part to two people. In my industry. You just be having a different start. You'd be having a different product that are different service that you're selling.

[00:08:25.06] Right. Instead of competing with the current stylist boutiques, you go to all of them and say, hey, I've got an app that I can customize for you and have a onboarding process.

[00:08:35.26] And they get to sign up for use of that app and then they get to apply it to all of their customers and then they maintain ownership of their stylists and their customers. But now they're having a revenue stream where the customer doesn't want to come in. The stylist can go out and it all goes through their system, is there their revenue, so to speak. And now you have a B2B play. You are selling a technical solution to a company with recurring revenue and contracts and all the usual thing versus A B to C play where you're trying to recruit your own stylists and build your own network and then send them out directly, which can be a little bit harder to build and more expensive. If you had 10 big accounts like Supercuts, your cost of going to market is is much lower. You do have to support those guys with their the backend technology, but it sounds like you already had that. And what you don't have are all the stylists and all the customers, which my strategy is figure out what I have.

[00:09:34.54] I'll sell that what I don't have a partner or I'll contract or do something that the other person or the other group take care of that I have not I might look either.

[00:09:44.86] That's considering that when I started developing this, those salons were closed. I did think about some kind of partnership with Salon schools and that because I wouldn't ever, ever reach a point where I'm competing with them because you still have to get certified as a cosmetologist or nail technician. So I thought about going to the schools and partnering with them, but I didn't think about going directly to the salons.

[00:10:09.01] They weren't even open unless I get started and you have technology salons, they have network and they know accreditation and they know that. But they most likely don't have technology. They don't know how to put these apps together or whatever.

[00:10:24.31] You you put a really good solution together and go so to five, ten groups and get a standard recurring revenue fee for how many people use it or how much money flows through it. There's a lot of different models out there you might want to look at, but I'd knock on their doors and say, hey, would you like to get a new revenue stream? You're not taking any customers that you're just enabling them to get more revenue from people that don't want to

travel because the home is now not only your place you live, it's your your workout place is your office. It's your education room. And it's also it could also be the place where you get your haircut. And so I think that's a trend that is going to continue because people just don't want to spend time commuting or standing in line. They really want to set an appointment, has somebody show up, do it, go away, and it's all on the credit card and all that. So it's a kind of fits into the mode. We're going in to revisit that, because I find BTC, like you said, that is expensive. You have to raise a lot of money. You have to build network and you have to be candid with yourself. When you look around the team you built so far, how many of these guys in the room can can do that? And I suspect if you look around the room, you're seeing a lot of people that can code, but you're not looking at a lot of people that know how to go build networks from the ground up using social media and all the other things. So it's something to think about.

[00:11:43.06] But you've been out raising funding and so forth. And let's hear your take. How's it been going so far?

[00:11:49.54] Well, that's that's something else they discussed is like until I started doing this and started applying for funding, I didn't know what it was. I could assume that there was some kind of PDF or PowerPoint that they sent to people, but I didn't know what the name of it was. So that was interesting.

[00:12:08.50] And I had to consult with people just to see if I'm even answering all the questions they want and that I joined something called Capital Factory here because in my senior year at UT, I got invited to do a three day workshop there and so I joined them. They've been connecting me with certain financiers and venture capitalists so that that's how it's been going so far. I haven't heard back from anyone yet, but that's the way it's been going so far.

[00:12:38.29] That's great. And so as you go out and raise funding, what what advice you had for other people. What have you learned that you would like to share?

[00:12:46.46] Yeah, make sure that you're able to even if even if make sure you're able to make sure you're able to write down your business model, why you chose to go with everything, why were why you chose to set it up the way you did. And also, don't raise money too soon. Make sure you figured out the problems in your business model. If we're going to raise money,

because sometimes you're going to you're going to burn up a lot of cash trying to figure it out. And I don't think that's a good thing. But also, you're going to have to explain yourself several times to people like I had trouble in the beginning getting explaining the business to people. I don't know why, but I just did. And I got very good at explaining it. After having to meet with investors or potential investors and then meeting with people that were giving me advice on my fill out something online, I have to explain what the business says. So that's another thing that really helped me.

[00:13:41.24] And so how do you plan to spend the money? What what's your use of funds there?

[00:13:46.25] Well, so far we're pristine, so it's the money that I've invested into the firm that I saved up. But the hope is, is to spend it mostly on advertising rather than spending on operations. At this stage, I would love to put together a great team. I would and to expand that side. But it's to me it's more important to get the revenue stream flowing and then put together the great team. And I can always put together the great team leader. And that also gives you even better time to to recruit and interview people. And it gives me more leeway on that side while I'm still growing the business.

[00:14:22.85] Right. Do you have any beta users so far or how far have you gotten with it?

[00:14:26.60] So today we have sixty six orders at this stage. How many. Sixty six.

[00:14:31.58] Wow. Sixty six orders. And that's what exactly is in order in this case.

[00:14:35.66] What's the average value of the average value. That's a good question. Seventy five dollars because on everyone just gets a haircut. Sometimes people get their hair colored or they get something called partial highlights and actually that's just the haircuts. I forgot to look before I came on here for the nail technician services. Oh, well, you are.

[00:14:55.68] If you're so eager to expand this into more of a salon approach instead of just a stylist, you could be someone else. And those things.

[00:15:03.08] Well, that's another thing like, well, I don't want to get into the conversation because there's some apps that do what I'm about to say. But it would be natural for us to expand into like massages, areas like in lashes. Somebody mentioned that there somebody was suggesting to me that we should do eyelashes. I've never had that done. So I didn't naturally think of that. But that's another area we could expand into. Getting facials, waxes, all kinds of things that, you know, are billion dollar a year industries. And all we do is we take it. We don't even we just take a commission. From each service sold from each unit of service. So what's your take rate?

[00:15:42.43] Right now it's 20 percent.

[00:15:44.68] Ok, and you have you done enough orders to have any sort of recurrent repeat revenue or consistent revenue? And can you calculate kind of a pension fund?

[00:15:57.16] We've only been in operation for we've only been launched inactive for a month. And so therefore, no, people usually don't get more than one haircut in that time span.

[00:16:08.56] I assume you have all the contact details so you can follow up next month to see if they want to do it again, I guess, and see what kind of repeat rate you get out of it. And any feedback so far from those who have done it?

[00:16:19.84] Yes, so far it's and so far they've really liked the service. No one's told me if they didn't like it, so we'll see.

[00:16:27.93] Great. Any problems with running it? Any glitches with scheduling or sign ups or anything like that?

[00:16:33.80] Yes, right. At first it was it goes on recruiting people who haven't ever maybe in a lot of cases, have not ever used an on demand service before. They didn't realize it was two different apps. So a lot of the stylists weren't going on the pro app, which is the app. And you don't want to fill that side, the supply side of the business. And they are just going on to the customer app and saying, well, I've never gotten one order. Well, no, because you weren't signed into the pro app. So that was one issue that we had. And so I created instructions for

that. And now every time that someone's approved. We send them a PDF, they instruct them what they need to do without the need to download how that works. And then some older people have called me wanting to know how it works, that they just went to the website based on some ads I ran. And we understand that you just click on you download the app and then that's how it works. Now we have a website. For the first three weeks, we did not have a website that went with the applications. And the reason for that is because when I was developing it, I was hoping to do x the web because I was publishing it through the client long story. But anyway, with that, that didn't turn out to work as well as I was hoping. So I had to develop the website independently. And so now there's a Web portal that you can also it is called Stylize now dot com that you can also go there and order as well.

[00:17:58.76] Great. Well, in the last few minutes that we have here, what else should we care that we haven't?

[00:18:03.41] I mean. I can think of lots of things, but I don't know if they have anything to do with fundraising necessarily. What's big right now in the fundraising markets?

[00:18:13.06] Well, you know, after covid, we have a whole new set of care about. And so we're really starting a whole new cycle. And it's being driven partly because the world has changed. People are moving to on demand delivery services, as you're a part of. You see a lot of things moving into the world of autonomy, so to speak, with block chain and systems. You can put up that you don't have to go and run everything that heart runs by itself, smart contracts and the like. We see a renewed interest in lot because there's the movement to digitize everything. Everything is going online and you need lot devices to connect the real world into the the cyber world. And so you see that cyber security is also very hot right now. There's just a huge amount of hacking going on every which way. And so you can see a lot of startups going in that direction as well. So we've got a whole new startup cycle and probably is fueled by the fact that interest rates are now zero. The world just is free money and everybody you can't make money off. Bonds are debt instruments anymore. You can pretty much only make money in the public stock market or the private stock market.

[00:19:22.66] So investors are going in and putting money into early stage companies that are taking advantage of some of these new trends. So you're in the on demand world, and I think

you'll find that there's a lot that a lot that goes on there. I think you'll find it is expensive to build a B2C business. And you might think about doing some local B2B plays, go to local companies, signed up to do it for them and provide the technology. My goal is look at what you're capable of doing and focus on that and then push off the other pieces to partners and affiliates and other groups that you don't have to go raise money for. That's the big challenge. Some people say, well, I want all the revenue, but then you have to provide all the service and you have to raise all the money for that. And that can be daunting. Start small and then grow it up from there. And so that's that's one thing to look at. OK, cool. Well, how best for listeners to get back in touch with you.

[00:20:24.55] What you can call number, which is also my number five one two five one six seven five six zero. And you can also contact me at Ralley Mellow song.

[00:20:35.44] That's our l e i g h m e l amcon and now technologies inc.com. And you can just go on Stylize now dot com or nanotechnology's dot com and you contacts and say you want to speak to me and the messages.

[00:20:53.31] Right. Well put that in the show notes. I want to thank you for joining us today and I'll be back for a follow up soon.

[00:20:59.20] I hope so too. Thank you.

[00:21:01.81] Investor Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at Investor Connect, Doug.

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