Urban Company:
Pioneering Excellence in Home Services

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In the home service market, Urban Company is the market leader having the largest market share in Asia and currently is facing challenges in its expansion journey. The company witnesses excellent growth in domestic and foreign markets. Yet, in scaling and maintaining the standard quality of service in diverse regions and catering to diverse customer preferences and regulatory compliances, maintaining a premium and standardized service experience is a challenge for the company. Balancing while markets present hurdles in the workforce management, training, and regulatory compliances is also a major problem for the company. In addition to this, competition is rising and the gig economy regulations evolving further adds some uncertainty for the company.

How can Urban Company increase their scale of its operation while not compromising on its quality, customer satisfaction, profitability? How Urban Company leverage innovative approaches, which will still require the company to maintain its quality, consistency and be able to effectively navigate the regulatory landscape and meet vastly different market needs?

Background

Urban Company or Urban Clap, is an Indian startup that has completely changed the home service industry. Founded in 2014 by three friends Abhiraj Bhal, Varun Khaitan, and Raghav Chandra (see **Exhibit 1**), the company has expanded its presence across major Indian cities and internationally. The company offers various services, from appliance repair to beauty and wellness. As of 2024, the Urban Company is Asia's largest home service company, currently valued at $2.8 billion (see **Exhibit 2**). The company has gained significant traction among urban customers by building a strong network of skilled professionals and utilising a user-friendly mobile app. Currently, Urban Company offer more than 24 services (see **Exhibit 3**).

The Home Service Industry

The home services business sector worldwide grew to USD 3.71 billion during 2021 due to increasing demand of home services. The Company is expected to grow at a rate of 16.7% year-to-year between 2022 and 2030 (see **Exhibit 4**). Customer nowadays are preferring the home services by professionals over traditional services providing method. The home services market in India is expected to grow from $217 million in 2022 up to $1092 million by 2030 (see **Exhibit 5**). Urban Company has shaped the Indian home services industry by organising the industry as large share of the market is still unorganised.

Technology plays a pivotal role in growth of this industry and as the spread of smartphone and digital payment is increasing the demand for the home services will constantly grow. There are 954 million Internet users in India currently and increasing rapidly this will help in growth of Urban Company. (see **Exhibit 6**). Half of all service providers in this industry work independently or serve clients on demand because customers want top-quality and flexible services. This make this industry very critical to gig economy workers.

Demand for House Services in India

The home service industry is constantly growing due to increasing urbanisation and economic development. Also, as the per capita income increases significantly, it will result in an increasing trend for professional home maintenance. When more people compete for success in big cities, they depend heavily on home services that can be ordered online. The COVID-19 pandemic made people more aware of health services and personal hygiene, raising demand for these services.

Research shows that the home services industry in India grew at a 20% annual rate during this period and is expected to reach $1092 million by 2030. Home services enjoy high traction in both tier 2 and tier 3 cities (**Haidar 2024**). Urban Company have captured a large market share in India. Beyond basic services, the company is growing swiftly in its cleaning, sanitising, pest control and smart home service segments. Apart from this, Indian customers are also willing to put money in services that add to their lifestyle.

Business Model

Urban Company is a digital marketplace that enables trained professionals for beauty, wellness and cleaning services to market their services to customers. Urban Company's mobile app is innovative and has seen a good customer experience. The company has a percentage-based business model where it takes a percentage of revenue from service providers. The Company raised its net income by Rs 347 crore in FY22 and INR 496 crore in FY23 for goods and Rs 141 crore in FY23 for services, which is a considerable growth from Rs 91 crore in FY22 (see **Exhibit 7**). The company guide their service partners and provides them with devices by the company required which they require to serve the customer. They separate themselves from independent or local service providers.

Urban Company started its own product lines, such as water purifiers (see **Exhibit 8**) and smart locks (**Exhibit 9).** Urban Company adds product sales to its existing services and becomes an end-to-end solution for all the home needs of the beneficiary.

The digital approach of Urban Company brings two important benefits to the business. Our digital approach works two ways through it. It helps us meet customer needs better and run our business processes more efficiently. The company platform presents simple prices for customers to understand and perform real-time bookings while monitoring their service progress and paying without cash. The company analyses data to select the correct service professional matching customers' location requirements and service preferences. The system allows the company to handle a wide selection of service providers effectively. Urban Company uses technology-based customer services and supports its service providers to dominate the Indian home service market while expanding internationally.

Challenges

Urban Company's expansion strategy and maintaining standardised quality while becoming a giant in the market is a problem as it is expanding across India and the world. The company faced problems providing the same level of service to each customer with different demographics and preferences. The company started in India and today serves in countries like UAE, Singapore and Australia (see **Exhibit 10**). The company faces hardship in meeting users' demands because they have service providers with different expertise and experience. The company has more than 50,000 trained service providers associated with them and had put in crores of money to equip them to meet the standards of the company. There are obstacles for the company to meet the workforce guidelines of the different countries in which the company is operating.

On top of this, Urban Company encounters problems in adhering to administrative requirements and talent management in different countries markets. It is crucial for the company to work in different judicial systems that have different workforce regulations. Urban Company provides basic health insurance to its gig workers in India. Additionally, it is very hard to meet judicial standards as governments keep interfering with basic remuneration and the safety of gig economy workers, and if Urban Companies don't adjust to these policies they can go out of business. Additionally, customer retention is also very difficult in these industries where customers are physically involved in the process.

The strategy adopted by Urban Company

Standardized training programs and centers:

Urban Company has set up training centres to train professionals and maintain consistent customer service, and customers are satisfied with the service providers. The company also partners with the National Skill Development Corporation of India to help their service provider improve the quality of services through skill development courses. This ensures that they are able to provide standard service irrespective of the location; this differentiates them from local service providers who don't have any training program (**Company, 2023**). This helped the company to control and meet the customer's expectations and ensure that the same quality services are offered to the customers.

Technology Acquisition for Standard Setting of Service Delivery

The company uses an AI-powered algorithm to measure their service providers' customers' ratings and skill sets and determine what work they are best at. This increases availability by 15% while maintaining quality since the best performers are assigned new jobs (**UC Blogger, 2024**). This means that their staff has been improved by this technology-driven strategy.

Talent Retention and Meeting the Judicial Laws

The company has also managed to provide better working conditions for its personnel in countries like Australia and the UAE and has also met administrative crackdowns across gig economies around the globe. As the laws of the country they are serving vary, the company has copied this health insurance and minimum wage to other countries in India. This will help the company in gaining workforce's trust and reliability, which is important, given the increasing regulatory requirements put on practitioners and institutions (**Desai, 2024**). It also facilitates in building the company's image as a socially responsible one.

What is Next?

Mr Bhal said:

"Urban Company's growth strategy focuses on profitable, sustainable expansion and addressing the needs of all stakeholders. It will further reinforce the company's presence in Indian Tier 2 cities, with 40+ more cities in the Indian market. Urban Company also aims to fill the gap in the market need for regular and specific services by providing services like wall panelling, wall painting, and subscription-based bathroom cleaning. They are also preparing for an Initial Public Offering, depending on favourable market condition.

In FY 2023, Urban Company's revenue escalated by 45% to Rs 637 crore, while its losses were declined by 40%, as a result of good management and the core Indian market. While the company had difficulty with its workforce, its net earnings for service partners have increased 17% which shows the company's commitment to personnel satisfaction and retention".

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Exhibits

Exhibit 1

Source: 1 Urban Company

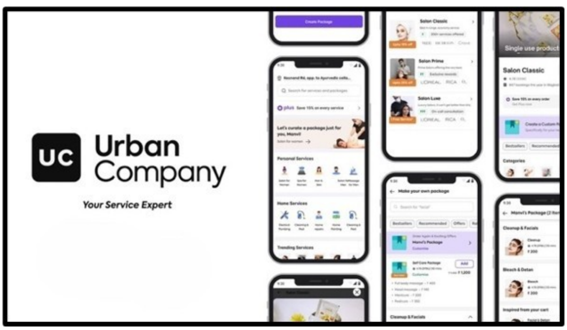
Exhibit 2

Urban Company valuation rises 33 pc within 6 months to USD 2.8 bn in 4th ESOP sale

Urban Company shared that it has concluded the sale of ESOPs (employee stock ownership plan), worth USD 7.3 million (Rs 54.6 crore) that were allocated to 770 employees comprising shares of around 390 former employees.

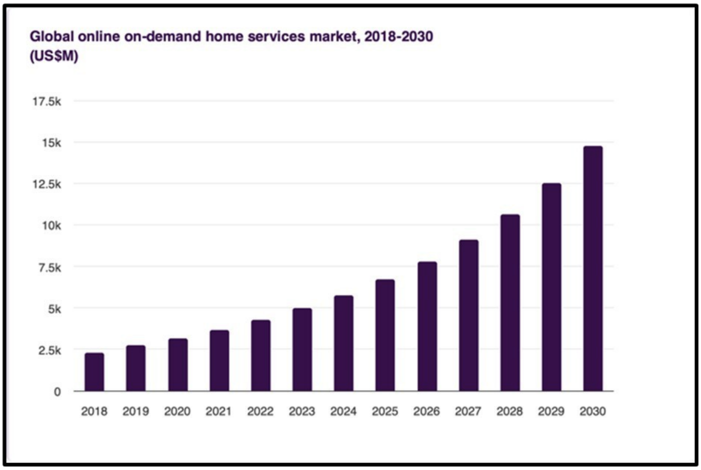
Source: 2 Money Control

Exhibit 3



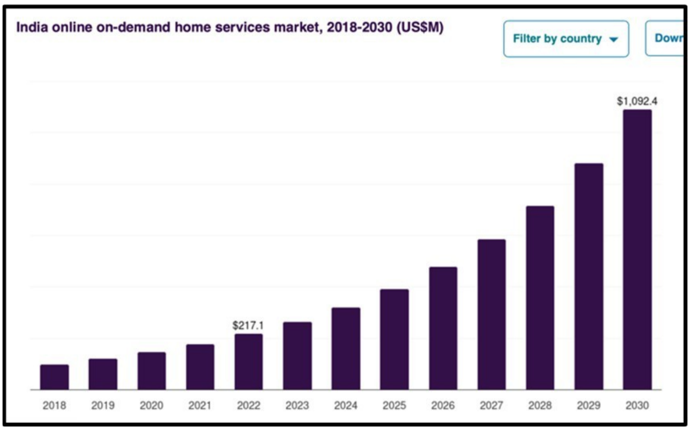
Source: 3 Urban Company

Exhibit 4



Source: 4 Horizon Grand View Research

Exhibit 5



Source: 5 Horizon Grand View Research

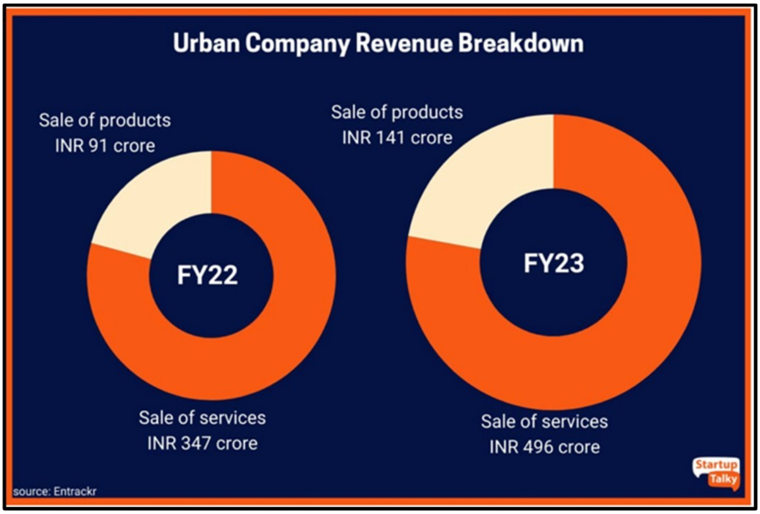
Exhibit 6

As of April 2024, 95.15% villages having access to internet with 3G/4G mobile connectivity

Total internet subscribers increased from 251.59 million as on March 2014 to 954.40 million in March 2024

Source: 6 Ministry of Communication, GOI

Exhibit 7



Source: 7 Entrackr

Exhibit 8

Source: 8 urban Company

Exhibit 9

Source: 9 Urban Company

Exhibit 10

Source: 10 Urban Company