Kids ride services HopSkipDrive and Shuddle click with customers and investors

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When Kelly Aluise first heard of HopSkipDrive, a transportation service that parents use to book rides for their kids, she had some concerns.

Like most parents, she was nervous about putting her 12-year-old daughter, Emma, in a car with a complete stranger.

But Aluise, 49, was in a bind: The Los Angeles-area real estate agent was struggling to juggle her full-time job with chauffeuring her daughter to and from swim and surf practices. She was spending almost $200 a week on babysitters to help shuttle her daughter around.

"It was stressful," she said. "I was in a panic."

Up in the Bay Area, Mary Inman had a similar problem. Both she and her husband work full time. Their sons, Miles, 14, and Devin, 9, had afterschool activities on different sides of town. She'd heard of a service called Shuddle - often described as an Uber or Lyft for kids - and decided to check it out.

More than a year later, Aluise and Inman are frequent and loyal HopSkipDrive and Shuddle customers (the former is only available in Los Angeles County, while the latter is available only in the Bay Area).

Thousands of parents use the services every day. The niche market is growing, and investors have taken notice.

Last month, HopSkipDrive announced a $10.2 million funding round, led by venture capital firm Firstmark Capital. The Los Angeles company also snapped up the former general manager of Uber LA, Eyal Gutentag, to be its operations chief.

Meanwhile, Shuddle raised $9.6 million last May, led by RRE Ventures.

One reason investors have taken to HopSkipDrive and Shuddle: They specialize in transporting children, giving them an advantage over the saturated ride-hailing market for adults, which is dominated by Uber and, to a lesser extent, Lyft.

When it comes to transporting children, the stakes are extremely high. The companies need to think about safety and security differently, and they need to earn the trust of passengers (kids) and customers (parents).

Whereas taxi, limo and other on-demand transportation services have been able to weather bad press about reckless drivers and passenger assaults, services involving children have little room for error.

"We have a unique challenge in making sure we're not just a ride; we are caregivers that also provide rides, and that's an important distinction," said HopSkipDrive Chief Executive Joanna McFarland. "It's not just a curb-to-curb ride. We help young kids get signed in and out of schools, so it's a lot more than that."

"We also have to think about growth very differently than an Uber or TaskRabbit or Instacart," said Shuddle Chief Executive Doug Aley. "For us, if we don't keep supply and demand in balance, the consequences for us are much different than not being able to deliver someone's groceries on time. If we get it wrong, we can strand a kid."

To that end, both services have expanded much more slowly than other app-based transportation services. In the LA area, HopSkipDrive has around 500 drivers. Shuddle declined to reveal its driver count. In comparison, Uber and Lyft have tens of thousands of drivers in LA alone.

The criteria for becoming a HopSkipDrive or Shuddle driver are different: Every driver must have experience caring for children and needs to pass rigorous background checks, including in HopSkipDrive's case a fingerprint check. All drivers are vetted in person. For Shuddle, some are vetted over the phone.

With ride-hailing services Uber and Lyft unable to offer rides to minors (both have terms of service that require customers to be over 18), investors see companies like HopSkipDrive and Shuddle filling a need.

"I have three kids aged 1, 5 and 11, and the movement of children around is a huge issue in our lives," said Firstmark Capital investor Rick Heitzmann. "Whether it's soccer or ballet or school, all of that is a big issue, so it was a pain I'd felt personally."

Heitzmann initially invested in HopSkipDrive as an angel investor. After seeing its growth potential, Firstmark Capital got involved.

"When we invest in a company, we want to be able to show a logical path to doing more than $100 million in revenue a year, because in a normal environment, that's what it takes to go public," Heitzmann said. "Simply penciling out what we know in the LA market, we think it alone could be tens of millions a year in revenue."

Shuddle investor Kirsten Green, who founded Forerunner Ventures, sees a similar opportunity in the Bay Area.

"You have a growing number of households where both parents are working," Green said. "At the same time, kids are more and more involved in structured activities. Those are two meaningful tail winds that are building a need for this solution."