

Pepperfry

New Horizon

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Executive Summary

Issue

How can Pepperfry build new revenue stream to pave the way to profitability while keep on innovating as an omnichannel powerhouse?

Challenges

Growth Issue

Profitability Issue

Strategy

Improve Consumer experience in India & **Diversify** to B2B Internationally

KPI by 2021 over 4 years

Revenue increase 28%

NPV 385M INR

Overview

Analysis

Strategic Alternatives

Implementation

Financials

Risks & Mitigation

Conclusion

Analysis

Environmental Analysis

Booming Real Estate

Increasing Affluence

Growing Middle Class

Furniture industry growth from 25b to 35 b in 2020

Online portion worth 700m \$

Indians becoming more conscious of their homes

Analysis

Strategy

Implementation

Financial & Risks

Environmental Analysis

Booming Real Estate

Increasing Affluence

Growing Middle Class

Furniture industry growth from 25b to 35 b in 2020

Online portion worth 700m \$

Indians becoming more conscious of their homes

A huge opportunity for growth exists today in the Indian market

Analysis

Strategy

Implementation

Financial & Risks

Pepperfry Strengths

Market Leaders

- Largest furniture e-tailor in India
- Offering a curated platform
- All transactions are made profitable
- Lead to the establishment of a supplier ecosystem

Omnichannel presence

- 34 present physical stores
- Focusing on the franchise model to grow
- Use of digital marketing

Pepperfry Strengths

Market Leaders

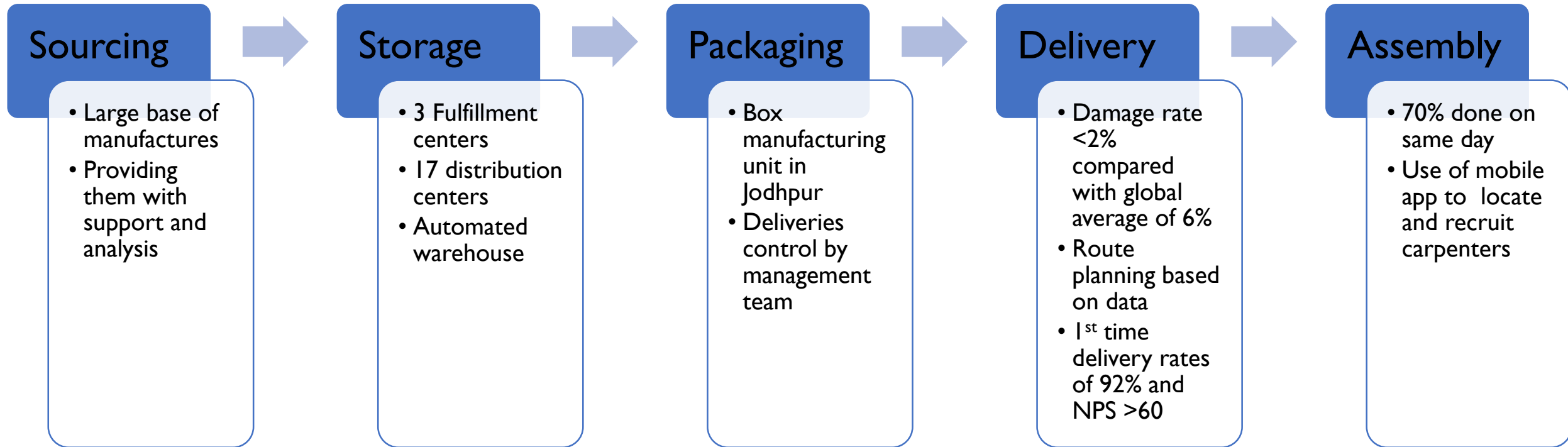
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Omnichannel presence

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Pepperfry lead to the organization of the Indian furniture retail industry achieving revenue growth CAGR of 65%

Pepperfry's Supply Chain



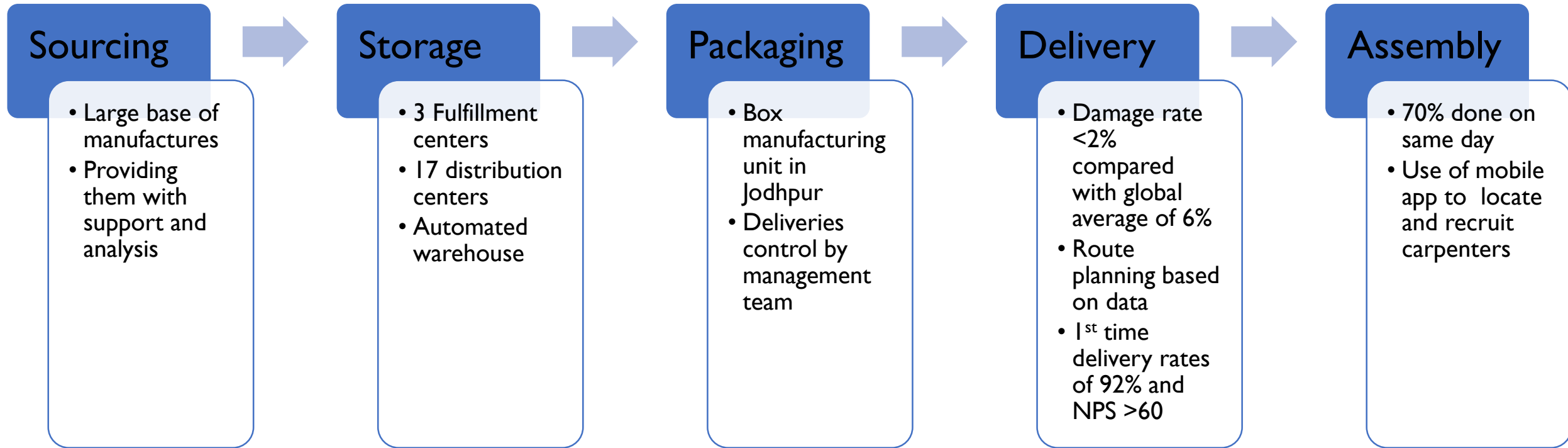
Analysis

Strategy

Implementation

Financial & Risks

Pepperfry's Supply Chain



SC is well established and Pepperfry grabs any opportunity at continuously improving and developing itself

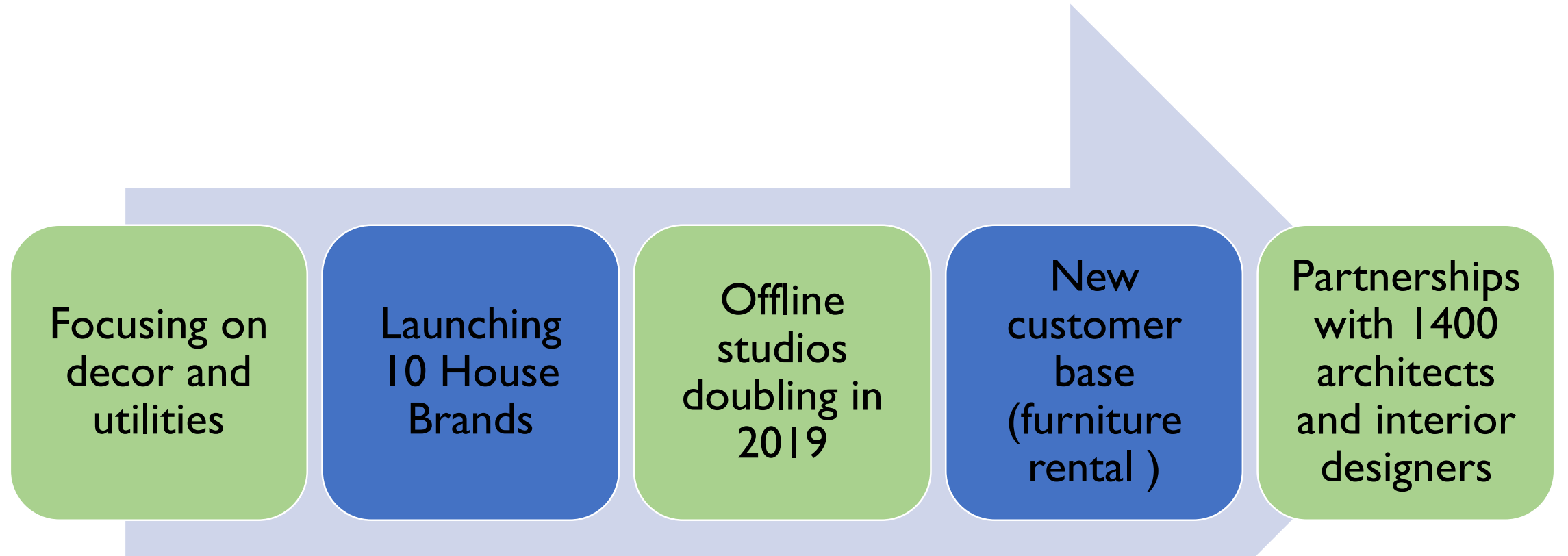
Analysis

Strategy

Implementation

Financial & Risks

Continuous Growth and Improvement



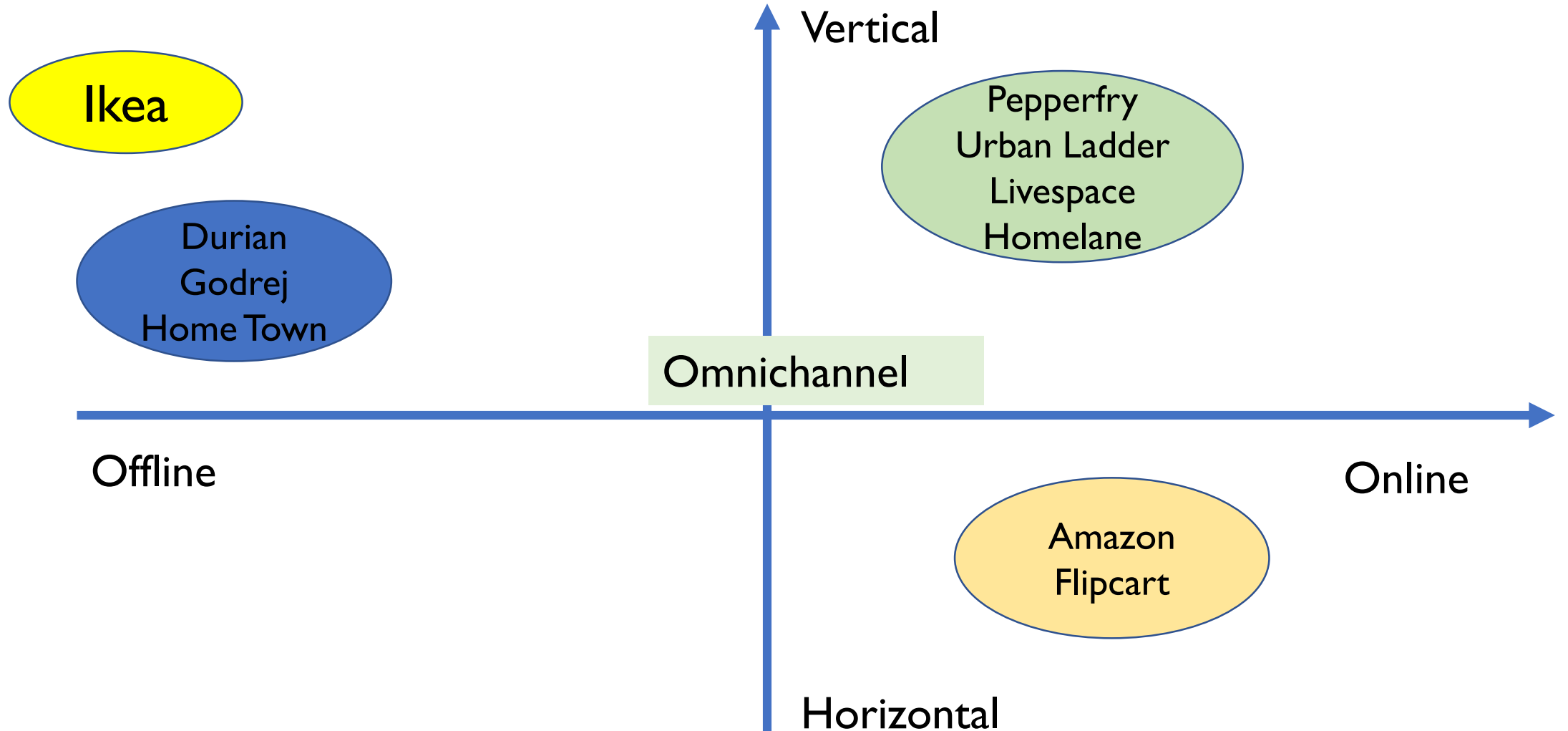
Analysis

Strategy

Implementation

Financial & Risks

Competitive Landscape



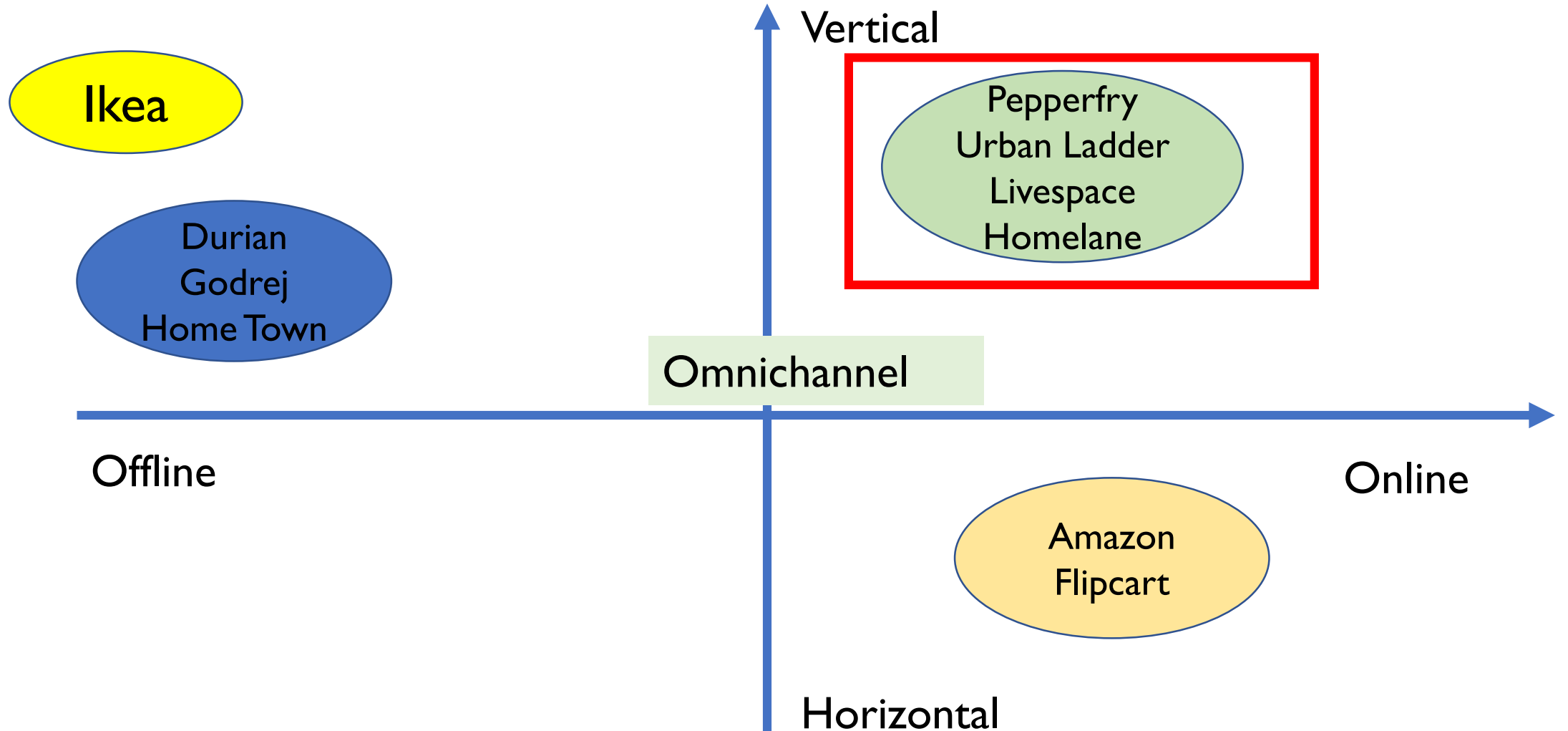
Analysis

Strategy

Implementation

Financial & Risks

Competitive Landscape



Analysis

Strategy

Implementation

Financial & Risks

Competitive Landscape

	Funding in USD	Revenue in INR	Physical Presence
Pepperfry	195 M	2580 M	34 stores
Urban Ladder	110 M	945 M	10 stores
Livspace	27.6 M	224 M	7 cities ~ 7 stores
Home Lane	25 M	340 M	8 stores

Analysis

Strategy

Implementation

Financial & Risks

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Pepperfry is still the market leader which will attract more suppliers & consumers

Analysis

Strategy

Implementation

Financial & Risks

Strategic Alternatives

Strategy: Alternatives

I Expand B2C in Neighboring Countries

- Leverage on successful business model to scale
- Choose markets where business environment is similar to India

Strategy: Alternatives

1 Expand B2C in Neighboring Countries

- Leverage on successful business model to scale
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2 Focus on in house brand to drive expansion in Rural India

- Increase revenue share of in house brands
- Increase profit margins and grow in attractive Indian market

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3 Improve Consumer experience in India & diversify to B2B Internationally

- Increase ARPU in attractive Indian Market
- Organize access for businesses in GCC & Italy to Indian manufacturers

Strategy: Alternatives

I Expand B2C in Neighboring Countries

Advantages

- Increase customer reach
- Leverage experience & established reputation

Disadvantages

- Might not benefit from first mover advantage
- Limited growth
- High opportunity cost, Indian market is still attractive

Strategy: Alternatives

2 Focus on in house brand to drive expansion in Rural India

Advantages

- Leverage data analytics
- Better Quality Control
- Increasing profit margins

Disadvantages

- Not in line with the company's vision to be an ecosystem
- Increasing competition
- High capital expenditure

Analysis

Strategy

Implementation

Financial & Risks

Strategy: Alternatives

3 Improve Consumer experience in India & diversify to B2B Internationally

Advantages

- Leverage experience & achieve economies of scope
- Increase ARPU from the Indian consumer
- Elevate Pepperfry's image to be a portal to Indian craftsmanship
- New Revenue Stream

Disadvantages

- Moderate capital expenditure
- Need to create a new network

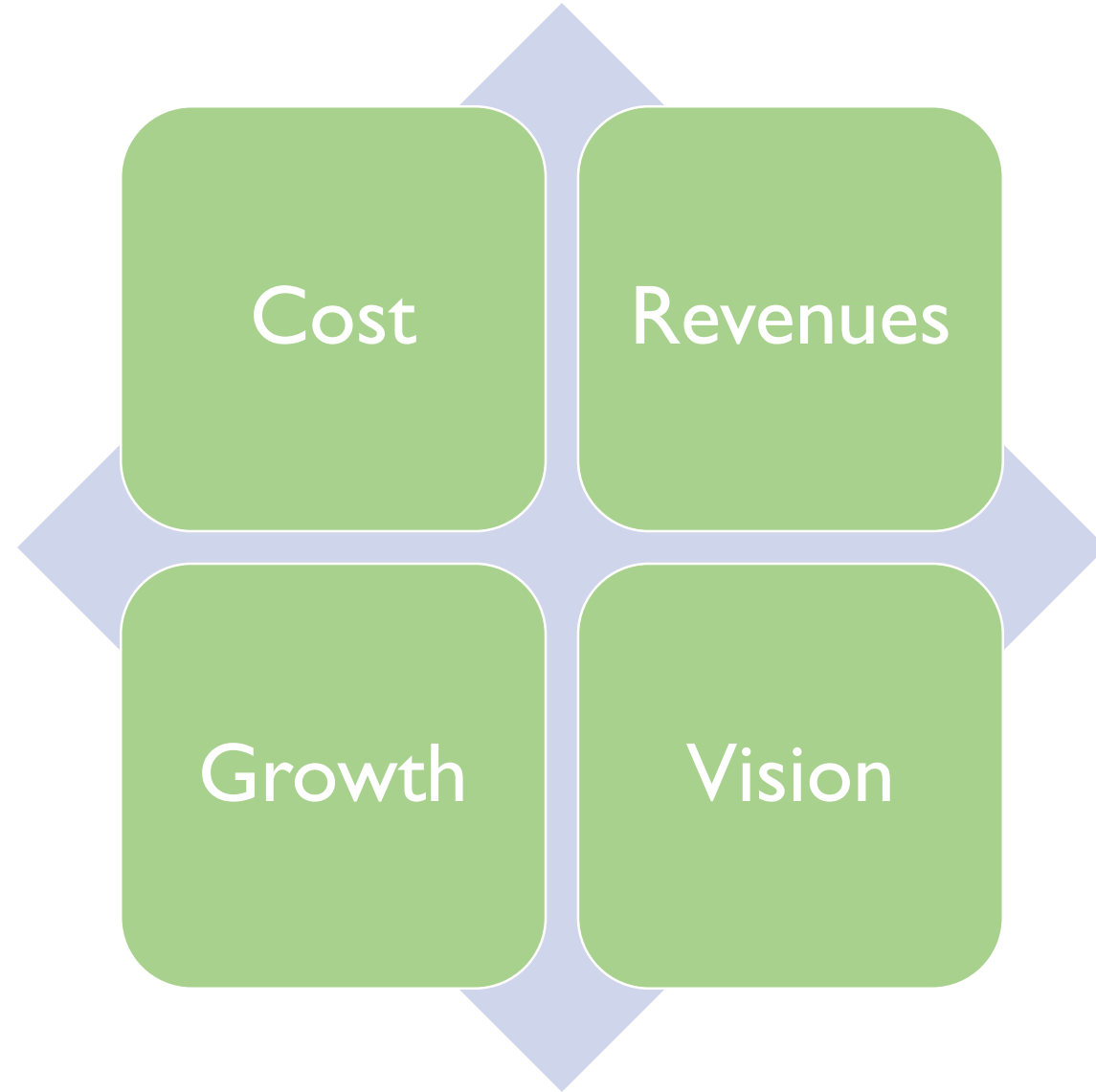
Analysis

Strategy

Implementation

Financial & Risks

Strategy: Decision Criteria



Analysis

Strategy

Implementation

Financial & Risks

Strategy: Decision Criteria

	Cost	Revenue	Growth	Vision	total
Expand B2C to neighboring countries	-	+	+	+	+2
Expand in house brands in rural India	--	++	++	-	+1
Improve customer experience & diversify to B2B internationally	---	+++	+++	+++	+6

Analysis

Strategy

Implementation

Financial & Risks

Strategy: Decision Criteria

	Cost	Revenue	Growth	Vision	total
Expand B2C to neighboring countries	-	+	+	+	+2
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Analysis

Strategy

Implementation

Financial & Risks

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Implementation

Recommendation

***Improve** consumer experience in India and **Diversify** to B2B internationally*

Road To Success

Improve

Enhance
Consumer
Experience

O2O
Synergy

Diversify

Expand to
B2B

Win-Win

Analysis

Strategy

Implementation

Financial & Risks

Augmented Reality for Pepperfry items online & offline

What?

- Augment Option on Pepperfry online platforms
- Implement Instore AR

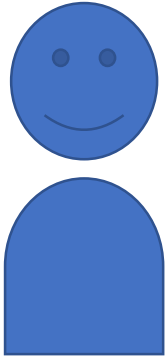
How?

- Use in-house tech experts to develop Augment feature
- Raise in-store Awareness through buzz-feed & BAs

AR : Physical Store Experience

Pillar 1

Neelesh Shah
35 year-old



Consumer touchpoints

Heard of AR or physical store

In-store

Browse items

Take online & home

Buzzfeed via influencers using AR :
Nikita Bhateera
+
E-Word Of Mouth

In-store **Brand Ambassadors**
Awareness of AR

In-store **Brand Ambassadors**
show AR scanning to Consumers

Try Item in the house → make purchase

Analysis

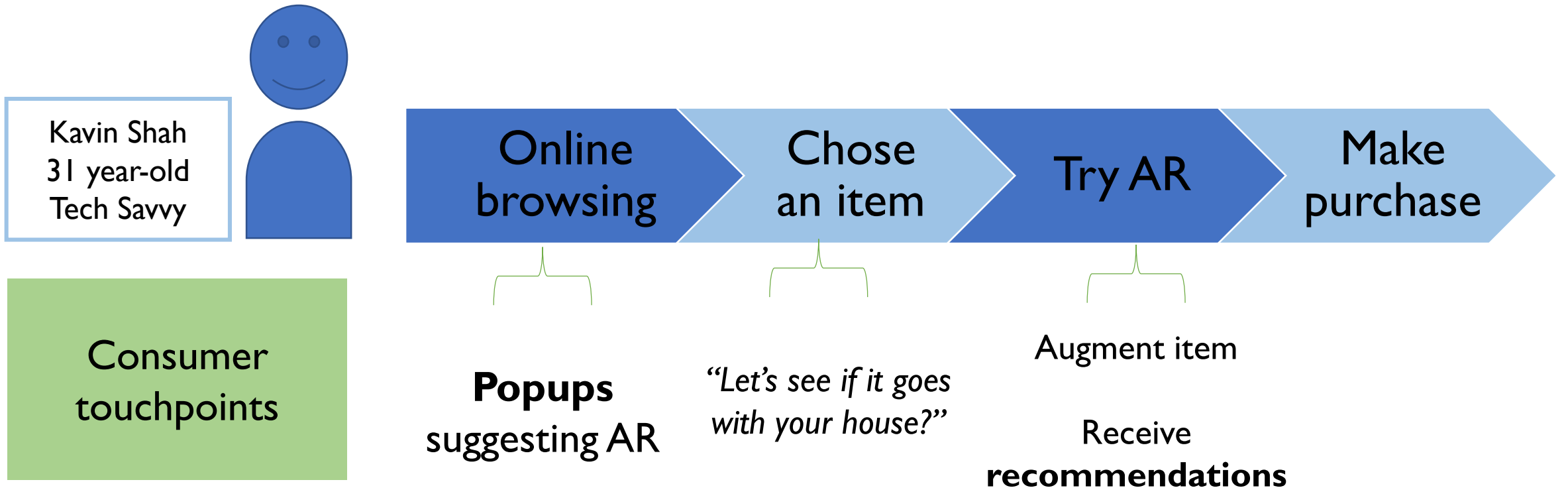
Strategy

Implementation

Financial & Risks

AR : Online Experience

Pillar 1



Analysis

Strategy

Implementation

Financial & Risks

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Analysis

Strategy

Implementation

Financial & Risks

Augmented Reality for Pepperfry items online & offline

Why?

- ✓ Strengthen Position as Omnichannel Powerhouse
 - ✓ O2O synergy
 - ✓ Increase conversion rate
- ✓ Decrease time of conversion to purchases

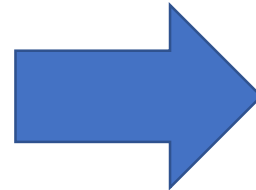
AR Added Revenues

Pillar 1

Current Status

20% Revenues from studios

*80% Revenues from Online
100% Higher average order*



After AR

35% Revenues from studios

65% Revenues from Online

Increase ARPU by 5%

Increase ARPU by 15%

Incremental average GMV Increase of 11%

Analysis

Strategy

Implementation

Financial & Risks

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Analysis

Strategy

Implementation

Financial & Risks

PepperfryM2M.com

What?

Link between Indian Merchants (SMEs) and International furniture merchandizers i.e. Italy & GCC

Why?

- ✓ New customer base
- ✓ Leverage on knowhows & capabilities
- ✓ Improve relationship with Indian Merchants → New revenue streams

Go to Italy & GCC City Test: Qatar

Step 1

Create B2B Platform

1. Offline: Hire experts Sales-force to go to Qatar and visit major manufacturers with PepperfryM2M offers
2. Online: Ads of PepperfryM2M.com on B2B Platforms

Step 2

Production capacity managed through local SMEs

Step 3

Shipment through third-party logistics to Qatar

Road To Success

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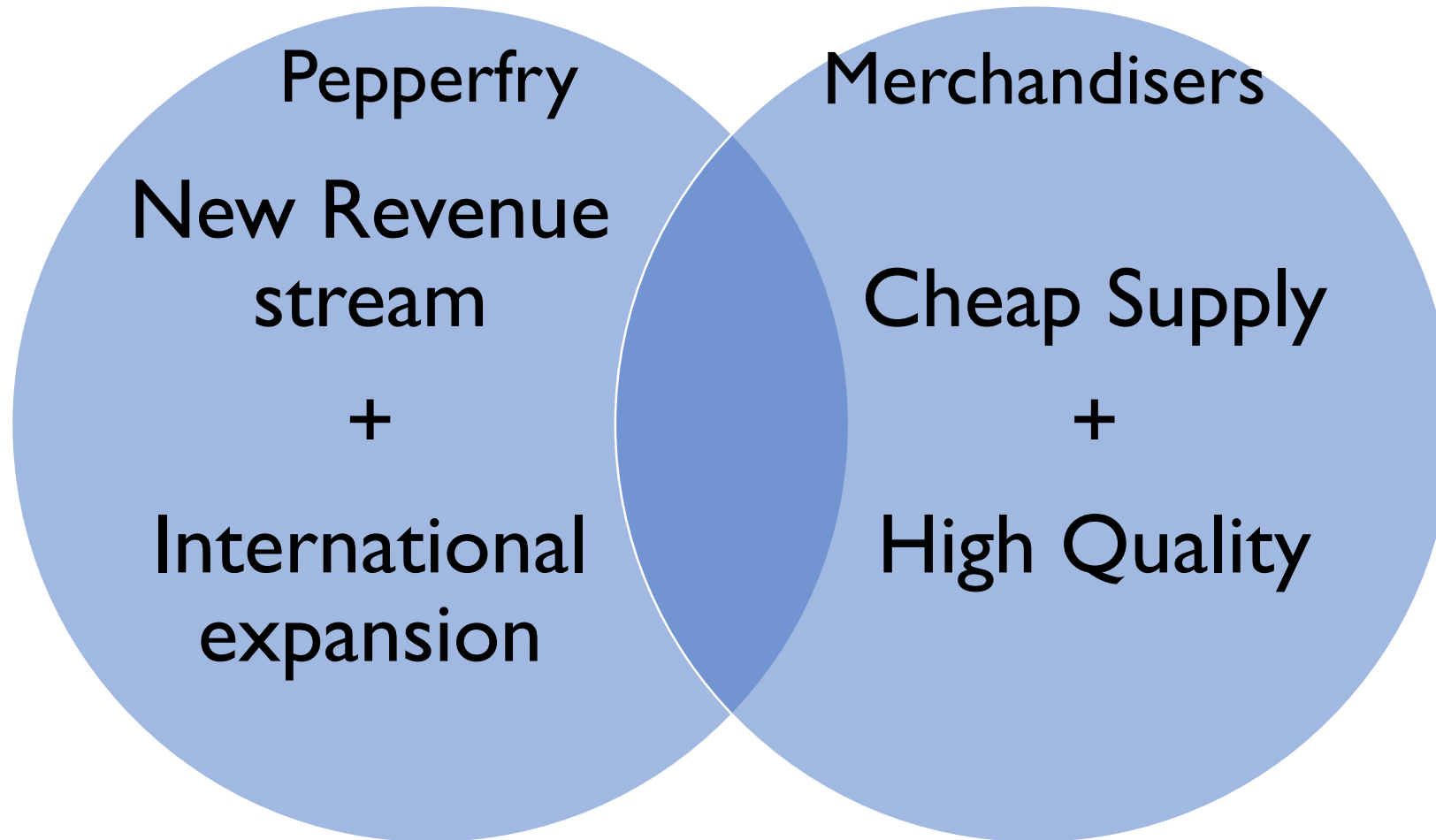
Strategy

Implementation

Financial & Risks

Mutual Benefit – International Merchandisers

Pillar 2

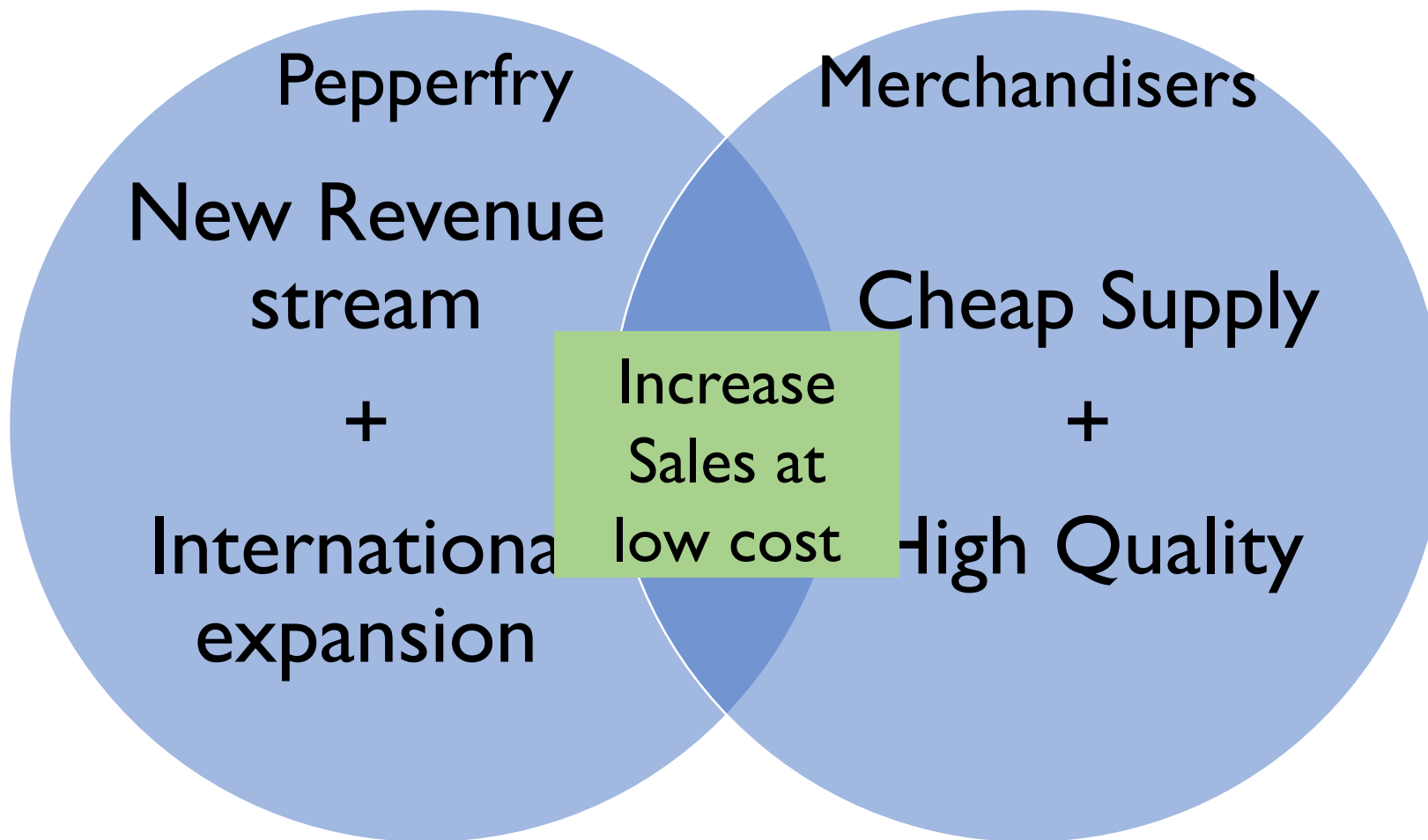


Analysis

Strategy

Implementation

Financial & Risks



Financials

Timeline & Cost

Millions INR	2018	2019	2020	2021
AR service Development	200	30	30	30
AR Marketing Launch	150	20	20	20
B2B - Salesforce	10	15	20	25
B2B – Digital marketing	80	100	130	200

Total Cost **1 B INR**

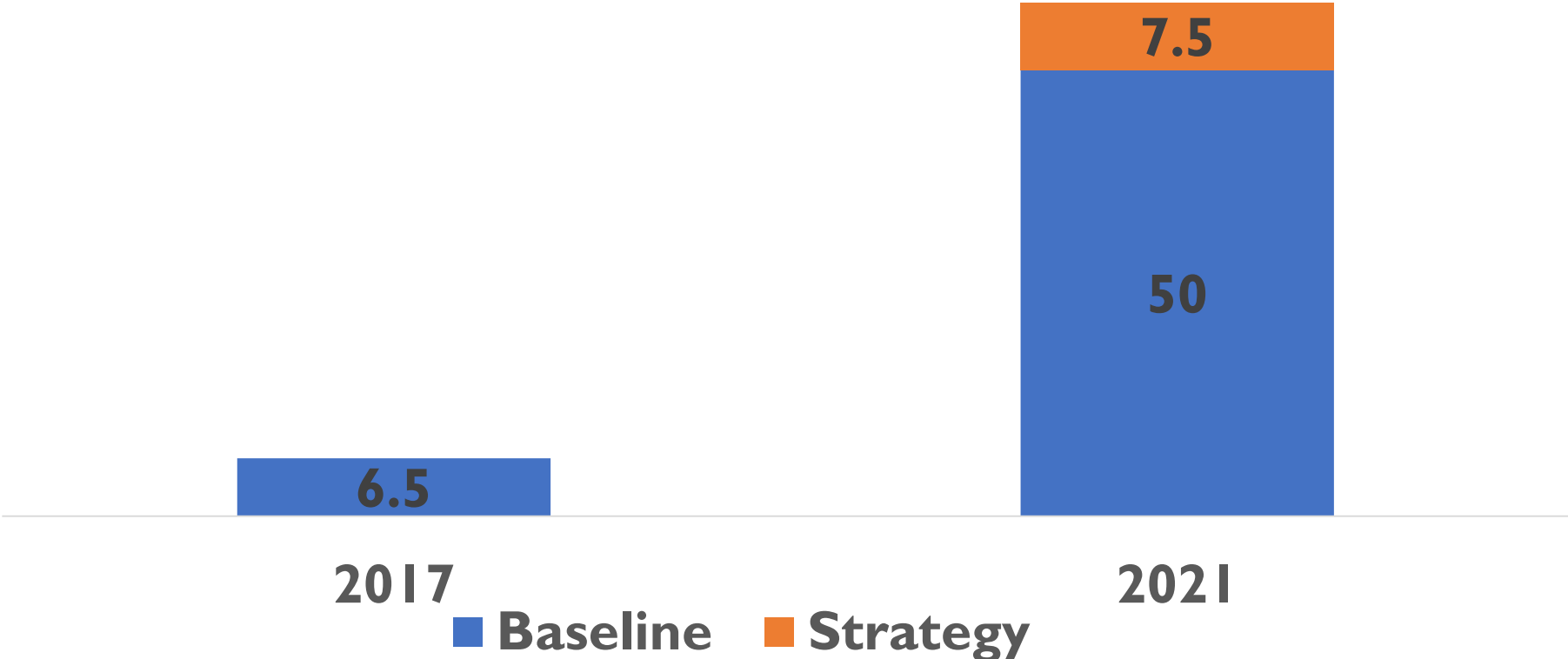
Analysis

Strategy

Implementation

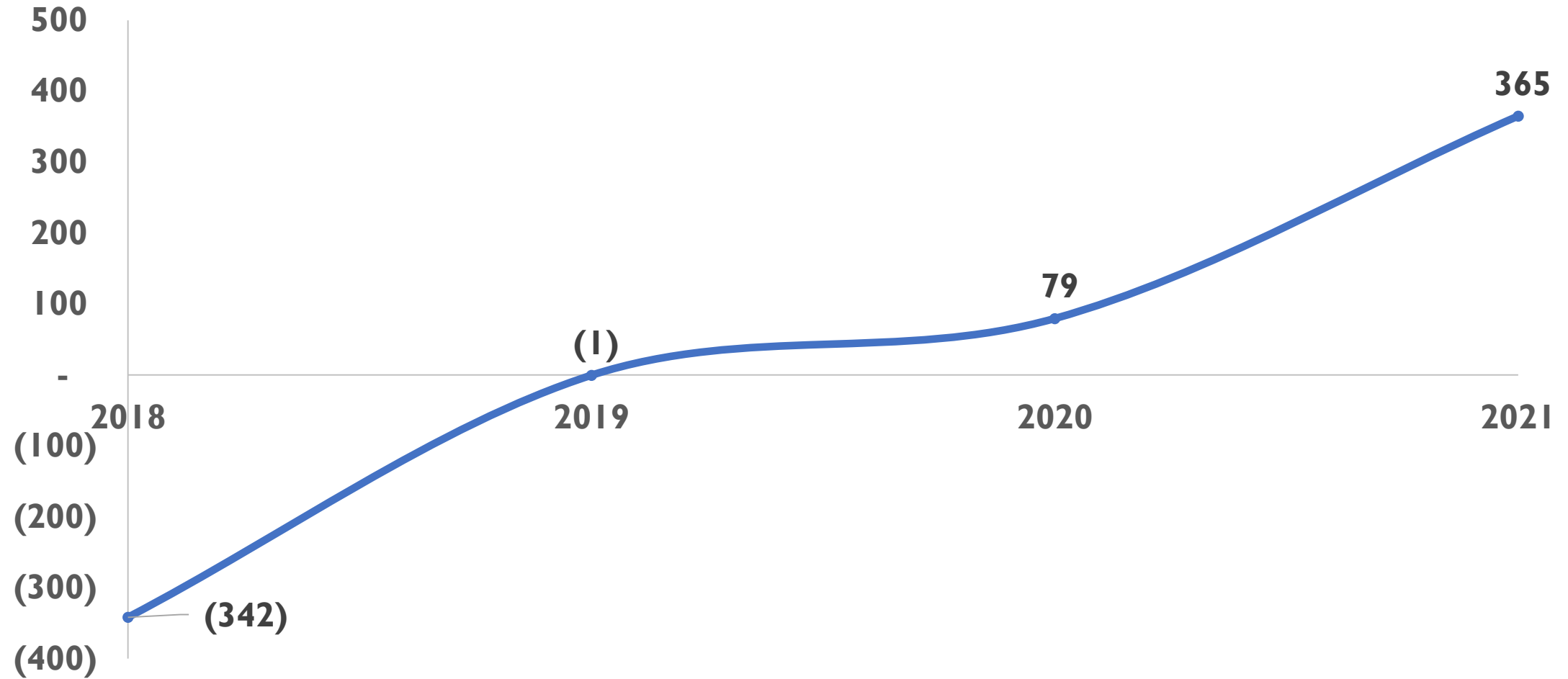
Financial & Risks

Gross Merchandise Value and Revenue



Total Incremental Revenue over 4 years 5.75B INR

Incremental Profits – Millions INR



NPV over 4 years 385M INR

Analysis

Strategy

Implementation

Financial & Risks

Risks & Mitigation

Risks & Mitigation

Risks

Mitigation

Probability

Impact

AR development might take longer than planned to implement



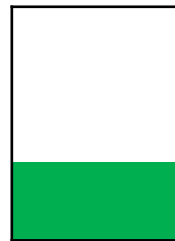
Agile development & focus on incremental value

Privacy issue when dealing with European businesses



Comply with GDPR imposed by EU in May 2018

New Skillset needed to develop consumer clusters & advanced algorithms



On the Job training for most qualified employees

Analysis

Strategy

Implementation

Financial & Risks

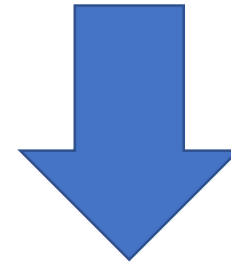
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Issue

How can Pepperfry build new revenue stream to pave the way to profitability while keep on innovating as an omnichannel powerhouse?

Strategy

Improve Consumer experience in India & **Diversify** to B2B Internationally



KPI by 2021 over 4 years

Revenue increase by
28%

NPV 385M INR

Appendix

Appendix

INR Million	2015	2016	2017	2018	2019	2020	2021
Revenue	992	2,001	2,580	4,283	7,109	11,802	19,591
Profit	(1,255)	(2,992)	(2,486)	(2,303)	(1,452)	672	5,122
Cost	2,247	4,993	5,066	6,586	8,562	11,130	14,469
GMV	2,202	5,122	6,500	10,790	17,911	29,733	49,357
Incremental GMV B2B				50	100	500	2000
GMV AR				1,187	1,970	3,271	5,429
Total				1,237	2,070	3,771	7,429
Revenues				491	822	1,497	2,949
Profit				147	247	449	885
Costs				440	165	220	225
Final Profit				(293)	82	229	660

Analysis

Strategy

Implementation

Financial & Risks