Pepperfry

New Horizon

OSB Consultants

Carmen Bassim  Joanna Salame  Johnny Khalil  Jad Rizk
<table>
<thead>
<tr>
<th>Issue</th>
<th>Challenges</th>
<th>Strategy</th>
<th>KPI by 2021 over 4 years</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Improve <strong>Consumer experience in India &amp; Diversify to B2B Internationally</strong></td>
<td>Revenue increase 28%</td>
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<td>NPV 385M INR</td>
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How can Pepperfry build new revenue stream to pave the way to profitability while keep on innovating as an omnichannel powerhouse?
Overview

Analysis

Strategic Alternatives

Implementation

Financials

Risks & Mitigation

Conclusion
Analysis
Environmental Analysis

Booming Real Estate

Furniture industry growth from 25b to 35 b in 2020

Increasing Affluence

Online portion worth 700m $

Growing Middle Class

Indians becoming more conscious of their homes
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
Pepperfry Strengths

Market Leaders

• Largest furniture e-tailer 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**
- Largest furniture e-tailer in India
- Offering a curated platform
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**Omnichannel presence**
- 34 present physical stores
- Focusing on the franchise model to grow
- Use of digital marketing

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

**Sourcing**
- Large base of manufactures
- Providing them with support and analysis

**Storage**
- 3 Fulfillment centers
- 17 distribution centers
- Automated warehouse

**Packaging**
- Box manufacturing unit in Jodhpur
- Deliveries control by management team

**Delivery**
- Damage rate <2% compared with global average of 6%
- Route planning based on data
- 1st time delivery rates of 92% and NPS >60

**Assembly**
- 70% done on same day
- Use of mobile app to locate and recruit carpenters
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SC is well established and Pepperfry grabs any opportunity at continuously improving and developing itself
Continuous Growth and Improvement

Focusing on decor and utilities
Launching 10 House Brands
Offline studios doubling in 2019
New customer base (furniture rental)
Partnerships with 1400 architects and interior designers
Competitive Landscape

- **Ikea**
- **Durian**
- **Godrej**
- **Home Town**
- **Pepperfry**
- **Urban Ladder**
- **Livespace**
- **Homelane**
- **Amazon**
- **Flipcart**

Omnichannel

- **Offline**
- **Online**

Vertical

Horizontal
## Competitive Landscape

<table>
<thead>
<tr>
<th></th>
<th>Funding in USD</th>
<th>Revenue in INR</th>
<th>Physical Presence</th>
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</thead>
<tbody>
<tr>
<td>Pepperfry</td>
<td>195 M</td>
<td>2580 M</td>
<td>34 stores</td>
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<tr>
<td>Home Lane</td>
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## Competitive Landscape

### Funding in USD | Revenue in INR | Physical Presence
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Pepperfry | 195 M | 2580 M | 34 stores
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Livspace | 27.6 M | 224 M | 7 cities ~ 7 stores
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Pepperfry is still the market leader which will attract more suppliers & consumers.
Strategic Alternatives
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
   - Choose markets where business environment is similar to India

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
Strategy: Alternatives

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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

#### 1. 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

**Analysis** | **Strategy** | **Implementation** | **Financial & Risks**
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
### 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
Strategy: Decision Criteria

- Cost
- Revenues
- Growth
- Vision

Analysis  Strategy  Implementation  Financial & Risks
## Strategy: Decision Criteria

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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
Implementation
**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
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

Heard of AR or physical store

In-store

Browse items

Take online & home

Consumer touchpoints

Buzzfeed via influencers using AR: Nikita Bhaveera + 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

Online browsing → Chose an item → Try AR → Make purchase

Consumer touchpoints

Kavin Shah
31 year-old Tech Savvy

Popups suggesting AR

“Let’s see if it goes with your house?”

Augment item
Receive recommendations

Analysis
Strategy
Implementation
Financial & Risks
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

Why?

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

**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%
Road To Success

Improve
- Enhance Consumer Experience
- O2O Synergy

Diversify
- Expand to B2B
- Win-Win
Diversify to B2B internationally

**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

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**Pillar 2**

- Analysis
- Strategy
- Implementation
- Financial & Risks
How to implement PepperfryM2M.com?

Go to Italy & GCC
City Test: Qatar

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 1

Step 2
Production capacity managed through local SMEs

Step 3
Shipment through third-party logistics to Qatar
Road To Success

Improve
- Enhance Consumer Experience
  - O2O Synergy

Diversify
- Expand to B2B
  - Win-Win
Mutual Benefit – International Merchandisers

Pepperfry
New Revenue stream
+ International expansion

Merchandisers
Cheap Supply
+ High Quality

Analysis
Strategy
Implementation
Financial & Risks
Win-Win

Pepperfry
New Revenue stream +
International expansion

Merchandisers
Cheap Supply +
High Quality

Increase Sales at low cost

Analysis
Strategy
Implementation
Financial & Risks
Financials
## Timeline & Cost

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<thead>
<tr>
<th>Millions INR</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<tr>
<td>AR service Development</td>
<td>200</td>
<td>30</td>
<td>30</td>
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<tr>
<td>AR Marketing Launch</td>
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<td>20</td>
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<td>B2B - Salesforce</td>
<td>10</td>
<td>15</td>
<td>20</td>
<td>25</td>
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<tr>
<td>B2B – Digital marketing</td>
<td>80</td>
<td>100</td>
<td>130</td>
<td>200</td>
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**Total Cost** 1B INR
Gross Merchandise Value and Revenue

Total Incremental Revenue over 4 years 5.75B INR
Incremental Profits – Millions INR

NPV over 4 years 385M INR
Risks & Mitigation
Risks & Mitigation

**Risks**

- **AR development might take longer than planned to implement**
- **Privacy issue when dealing with European businesses**
- **New Skillset needed to develop consumer clusters & advanced algorithms**

**Mitigation**

- **Agile development & focus on incremental value**
- **Comply with GDPR imposed by EU in May 2018**
- **On the Job training for most qualified employees**
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

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<td>Revenue</td>
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<td>2,001</td>
<td>2,580</td>
<td>4,283</td>
<td>7,109</td>
<td>11,802</td>
<td>19,591</td>
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<td>Profit</td>
<td>(1,255)</td>
<td>(2,992)</td>
<td>(2,486)</td>
<td>(2,303)</td>
<td>(1,452)</td>
<td>672</td>
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<tr>
<td>Cost</td>
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<td>4,993</td>
<td>5,066</td>
<td>6,586</td>
<td>8,562</td>
<td>11,130</td>
<td>14,469</td>
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<td>GMV</td>
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<td>5,122</td>
<td>6,500</td>
<td>10,790</td>
<td>17,911</td>
<td>29,733</td>
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<td>Final Profit</td>
<td>(293)</td>
<td>82</td>
<td>229</td>
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