

Pepperfry.com – Turning the tables on disruption

Presenting to:

Ambareesh Murty & Ashish Shah
Founders of Pepperfry.com

Presented by HHU Consulting:

Lukas Grote
Ina Jonalik
Johann Wiebold
Lina Zaika

Agenda

01 Situation Analysis

02 Strategic Alternatives

03 Implementation

04 Financials

Problem Statement

What to tackle?

Become profitable and continue growth to strengthen market leading position

Recommendation

What to tackle?

Become profitable and continue growth to strengthen market leading position

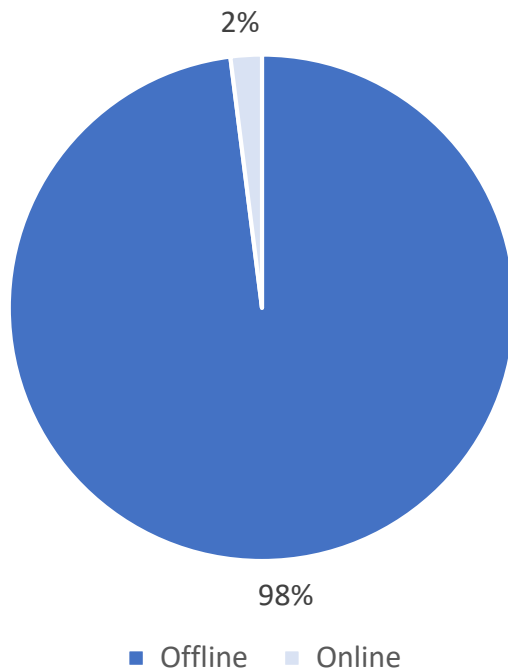
How to solve?

- Expand internationally
- Target B2B customers
- Expand logistics services offering to other companies

01 Situation Analysis

India's furniture industry is growing at a fast pace, still predominantly offline

Furniture industry by revenue (in INR mil)



Furniture industry size 2020

INR 2.3 trillion (\$35 billion)

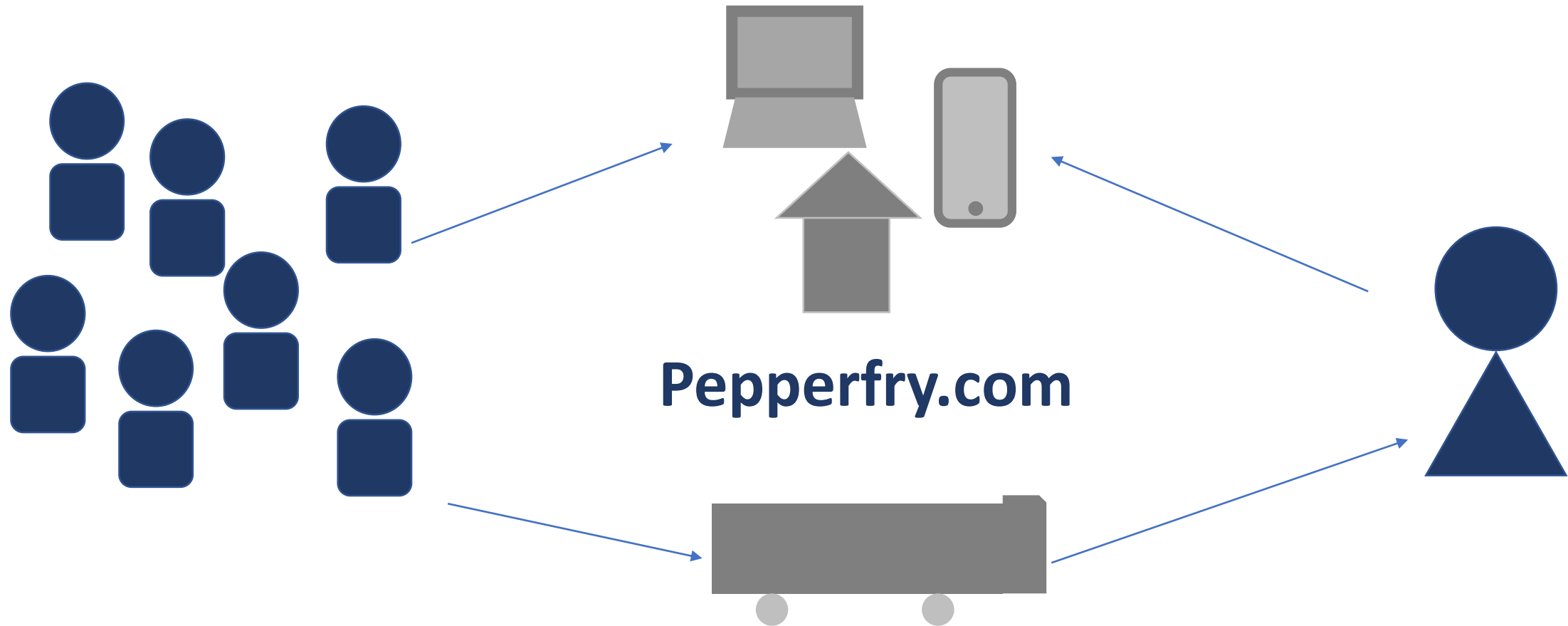
CAGR (2016 -2020)

+8.8%

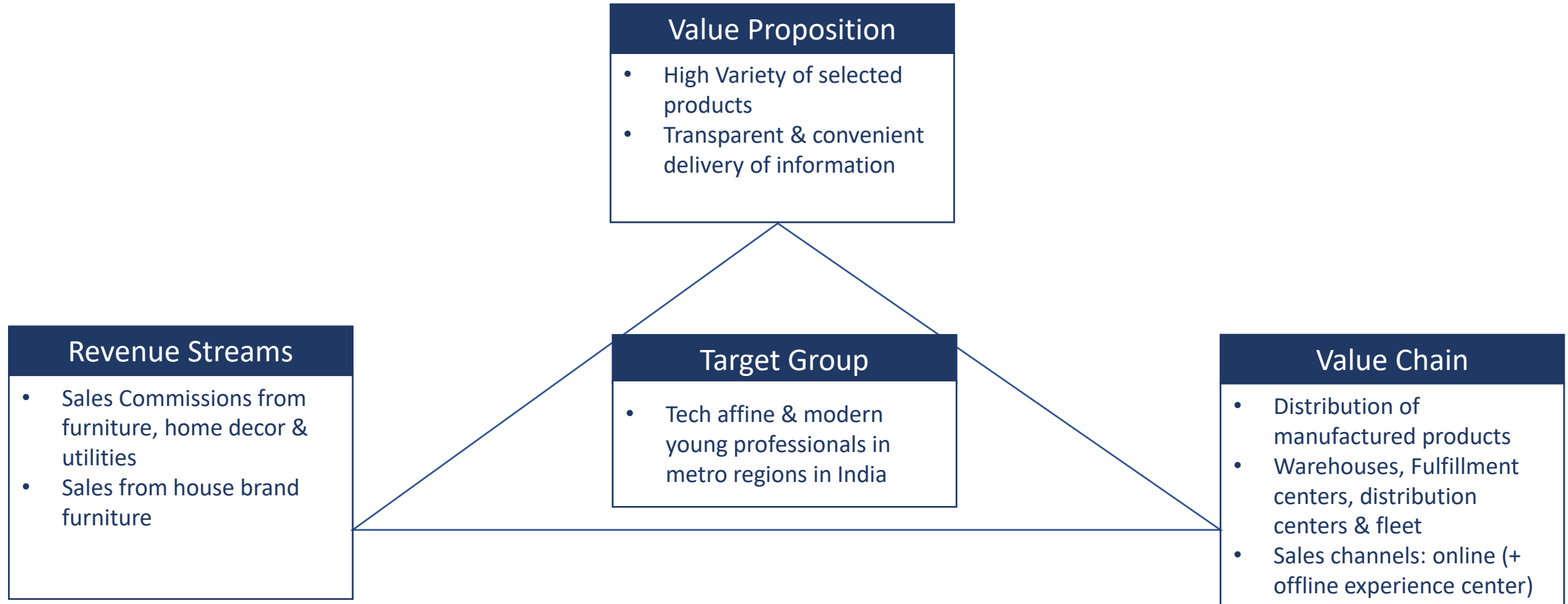
Pepperfry online market share

~5%

Pepperfry provides a seamless online and offline experience and a large variety of furniture



Pepperfry.com has high expertise in selling furniture online and offline

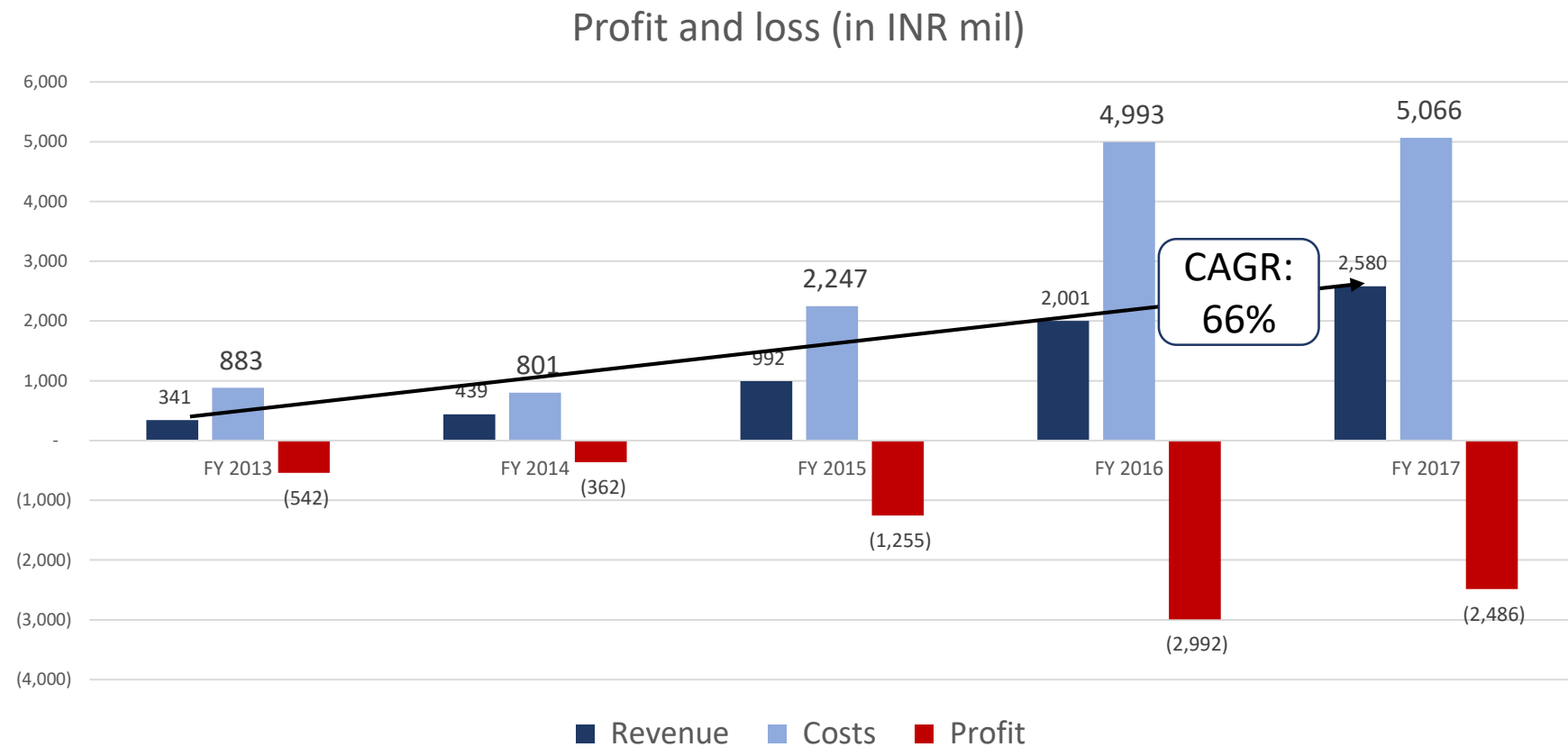


The arising competition pressing the need for action

Porters 5 Forces

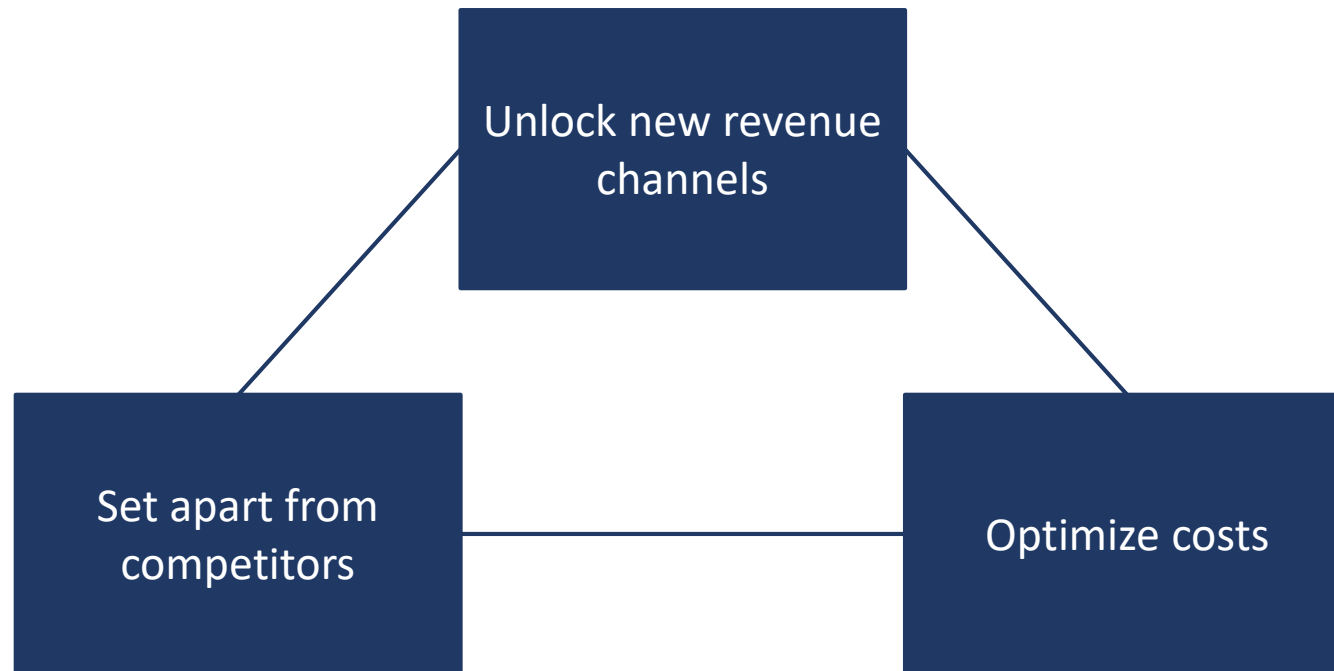


While growing at a fast past pace Pepperfry's cost base leaves room for improvement



Gross margin	48%
Selling and operating expense	144%

Key Issues



02 Strategic Alternatives

In order to become profitable & continue growing, several alternatives are promising

- 1

Address B2B customers

- Add furniture to the product portfolio especially for B2B customers
 - Focus on tech-savy companies
- 2

Expand product portfolio

- Identify new promising products to expand product portfolio
 - E.g. follow Ikea's example to sell food
- 3

Expand logistics services

- Lever Pepperfry's logistical network and expand our logistical service offering for other companies
- 4

Conduct M&A

- Achieve growth by acquiring a competitor
 - Potential M&A target: Livespace as a designer-company
- 5

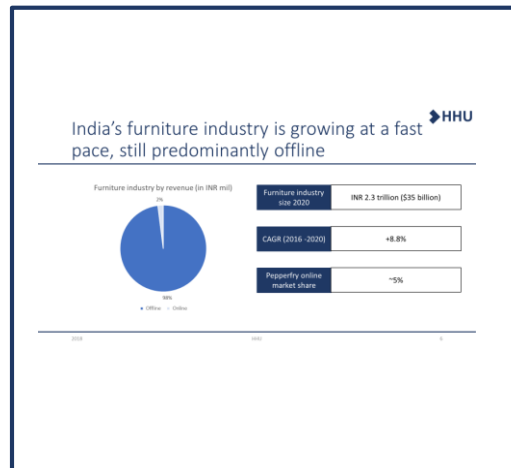
Build up cooperation

- Fill gaps in portfolio by cooperating with other companies e.g. Living room to combine physical stores
- 6

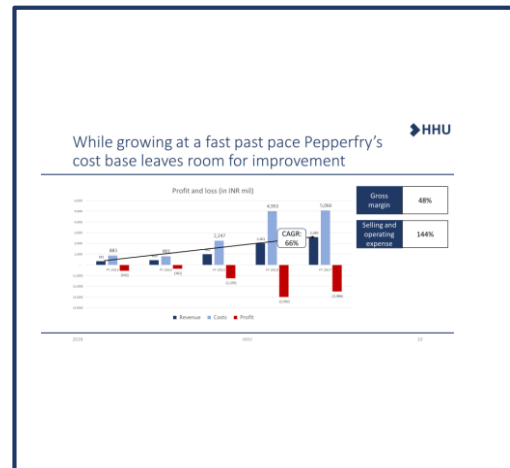
Expand internationally

- Fill gaps in portfolio by cooperating with other companies e.g. Living room to combine physical stores

In order to assess the alternatives, we identified several criteria



Financial feasibility



Revenue potential



Set apart from competition



Scaling opportunities

Three alternatives are most promising to become profitable and continue growth

● High
 ● Medium
 ● Low

	1 Address B2B customer	2 Expand product portfolio	3 Expand logistical services	4 Conduct M&A	5 Build up cooperation	6 Expand internationally
Financial Feasibility	●	●	●	●	●	●
Revenue potential	●	●	●	●	●	●
Set apart from competition	●	●	●	●	●	●
Scaling opportunity	●	●	●	●	●	●

Strengthen market leading position by

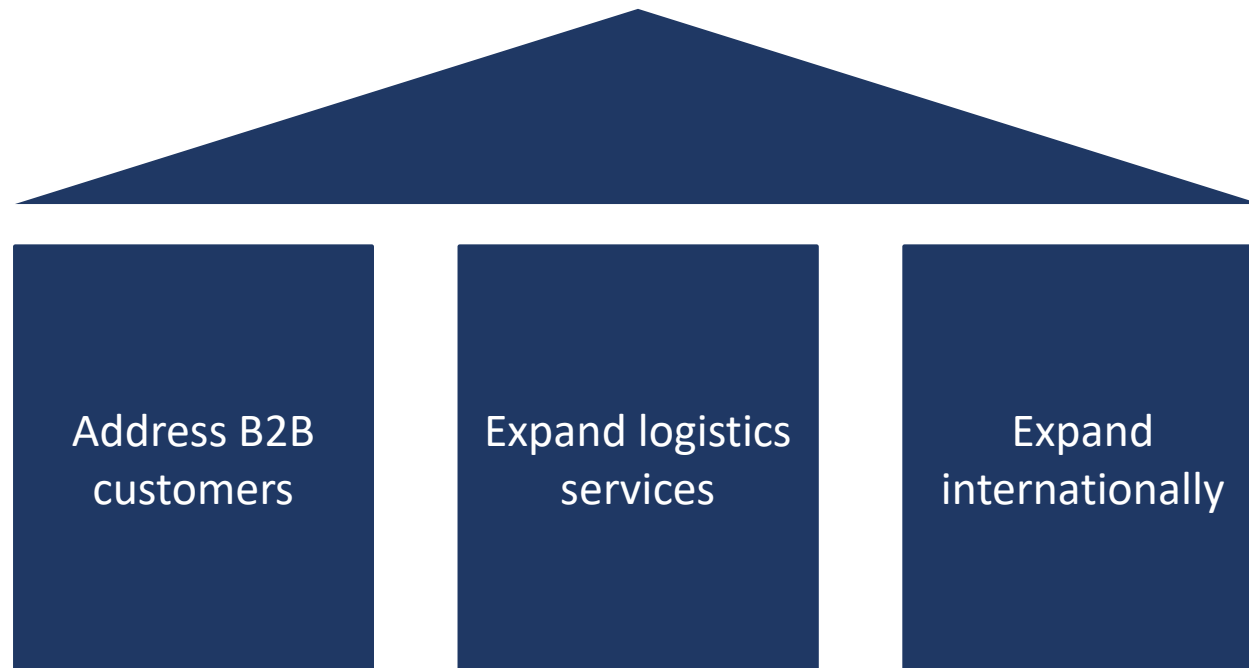
*→ Entry of **B2B** market*

*→ **International** expansion*

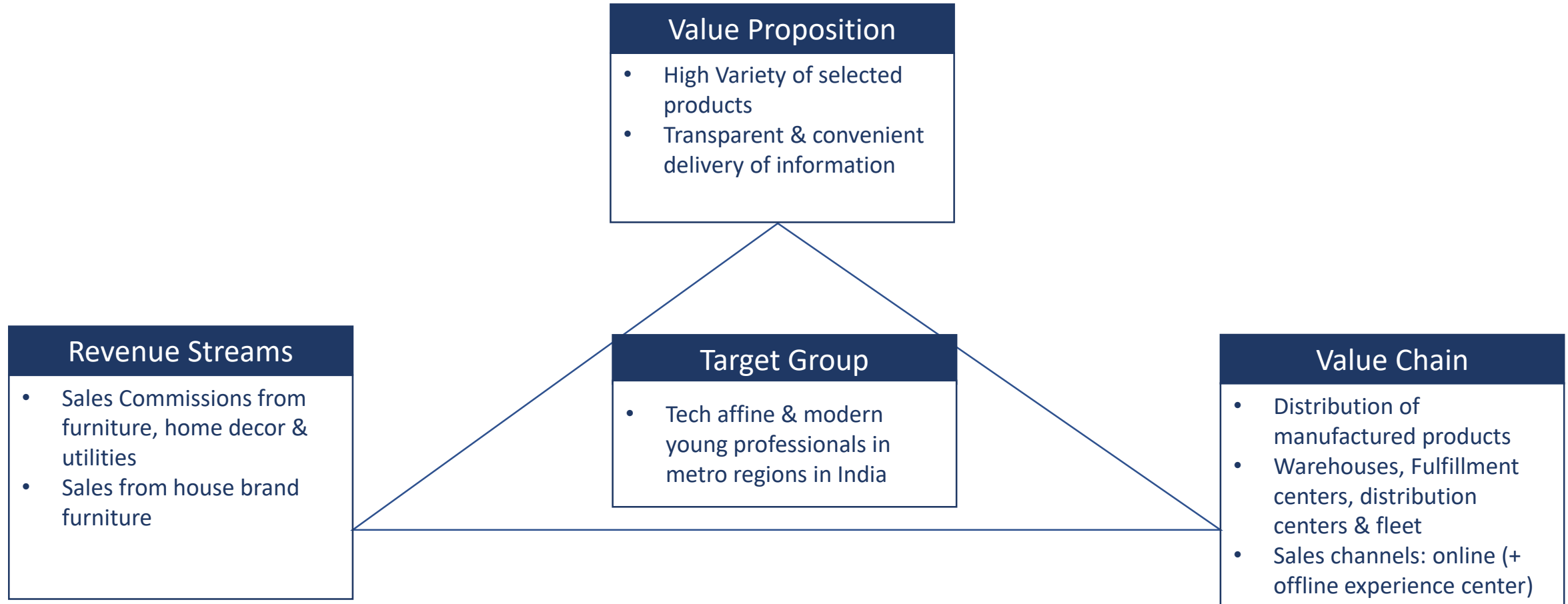
*→ Expansion of **logistics** services offering*

03 Implementation

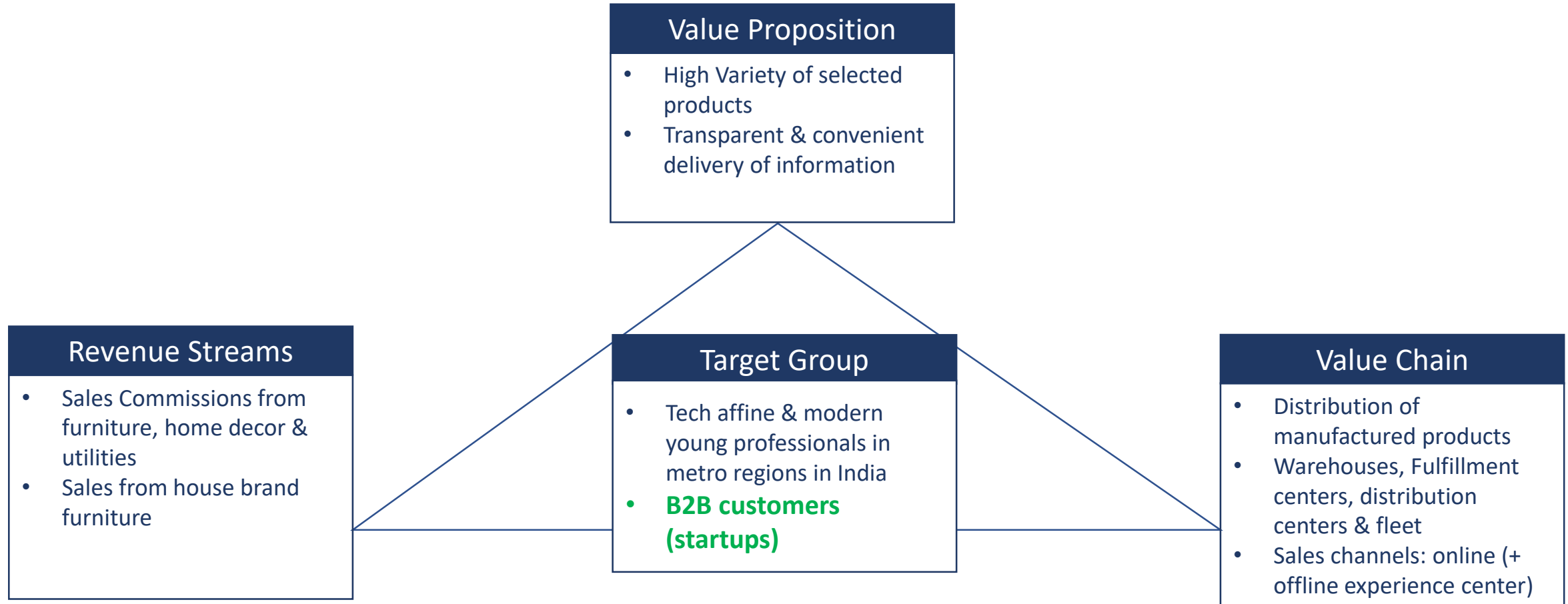
Implementation plan



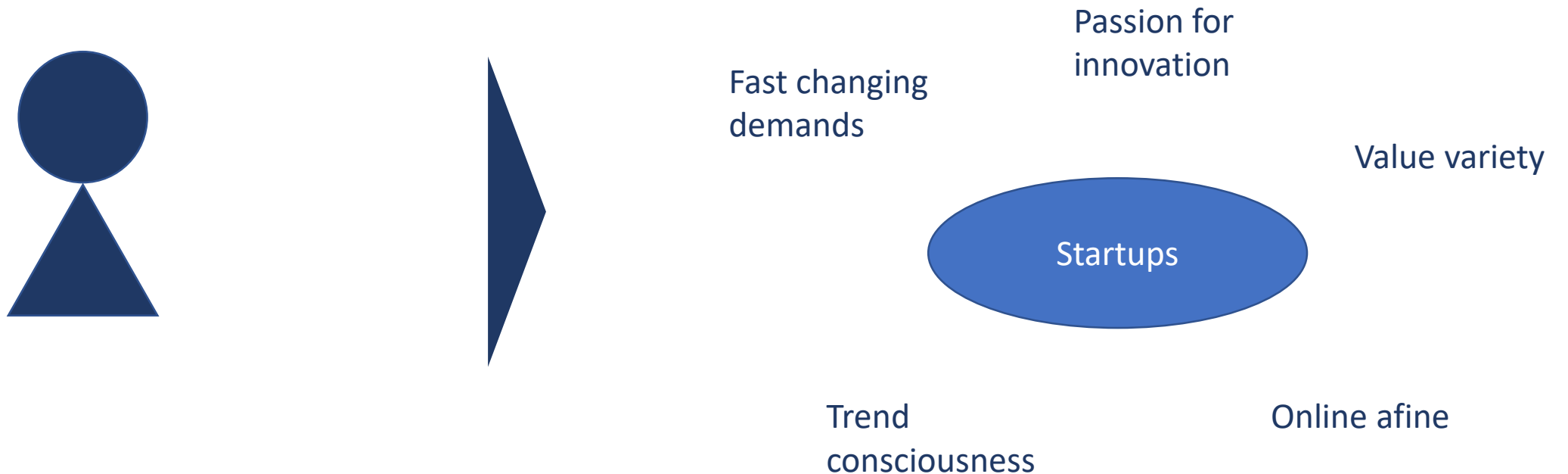
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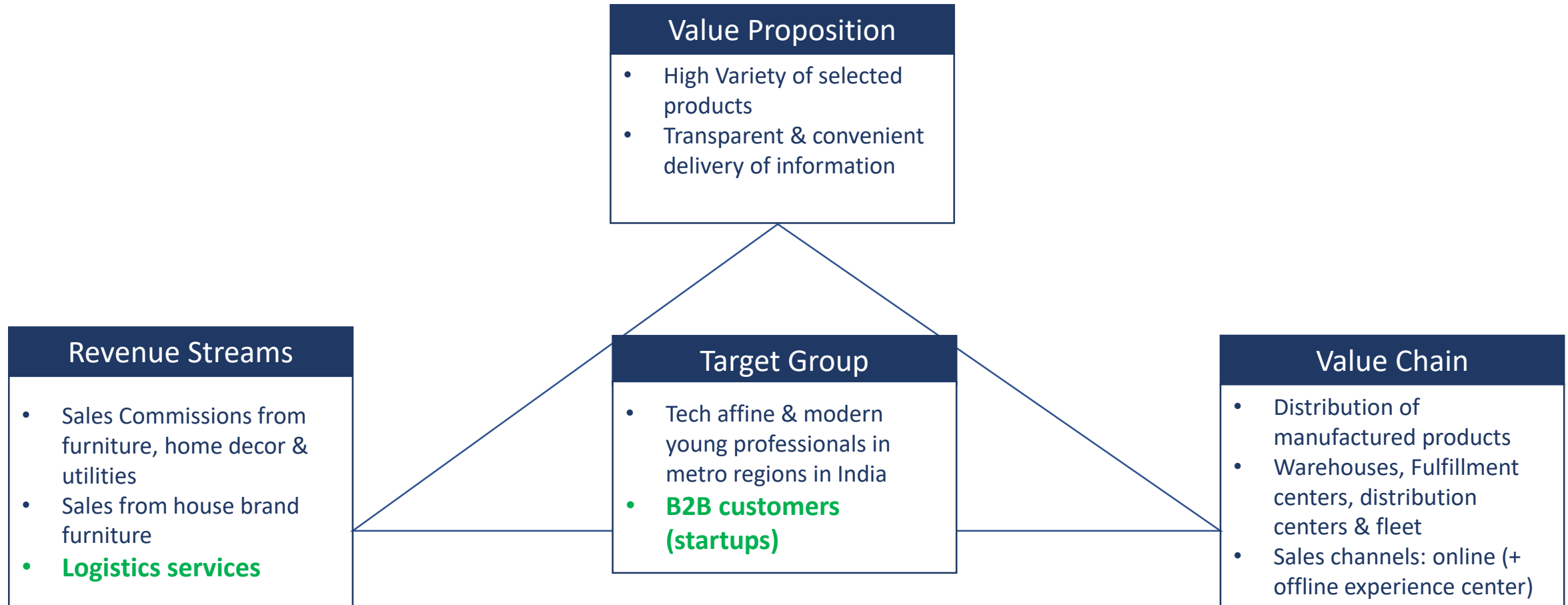
Startups as main target group in the B2B segment



Measures are tailored to meet B2B customer demands and increase revenues



Pepperfry.com has high expertise in selling furniture online and offline



Leverage Pepcart's strong capabilities by expanding transporting services

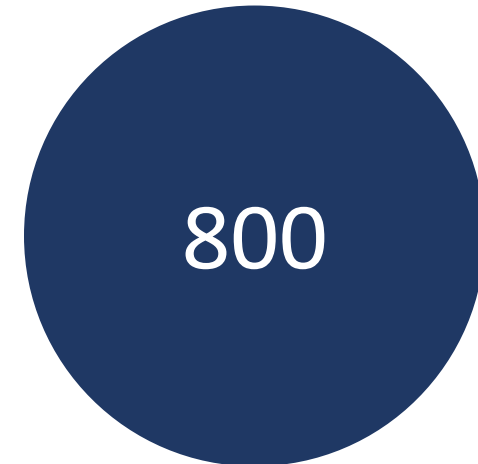
In million INR



100

2018

+50% p.a.



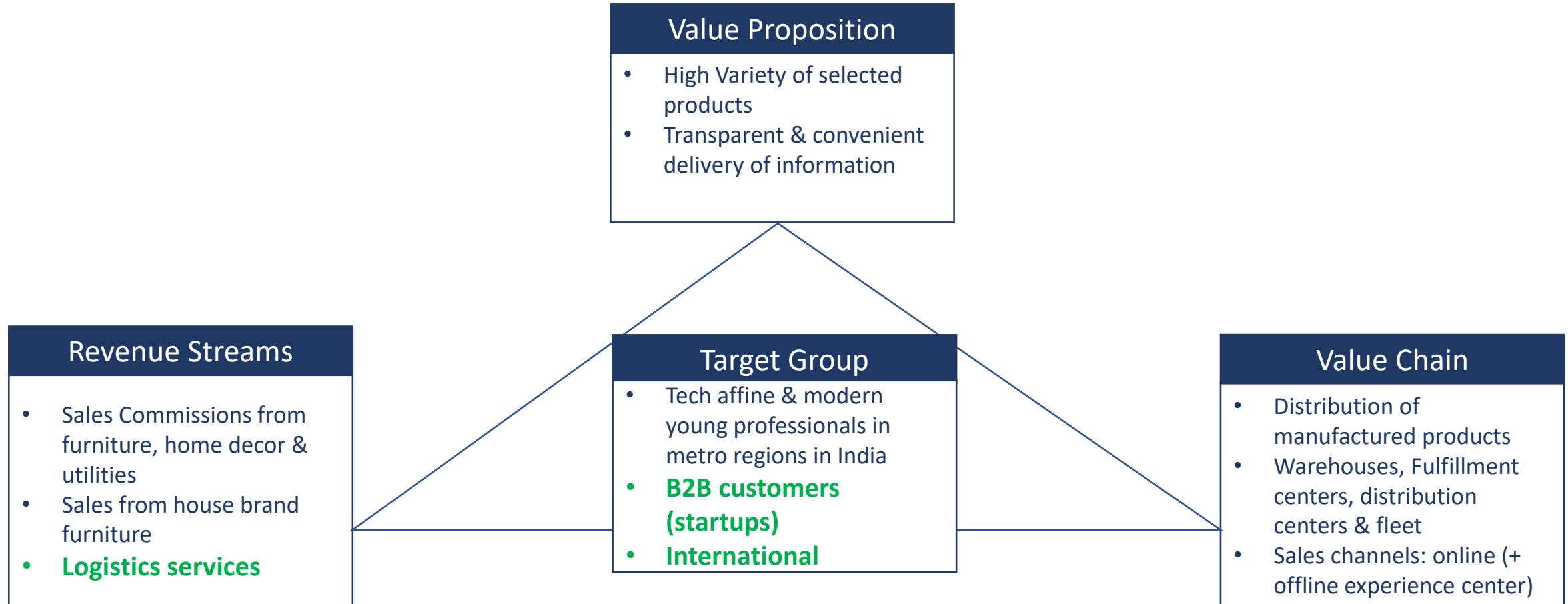
800

2023

- Conducted successful pilot projects
- High demand by other companies

- Leverage full potential
- Higher utilization of trucks
→ cost savings
- Additional revenues

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Healthy international growth with fast kick-off in Pakistan

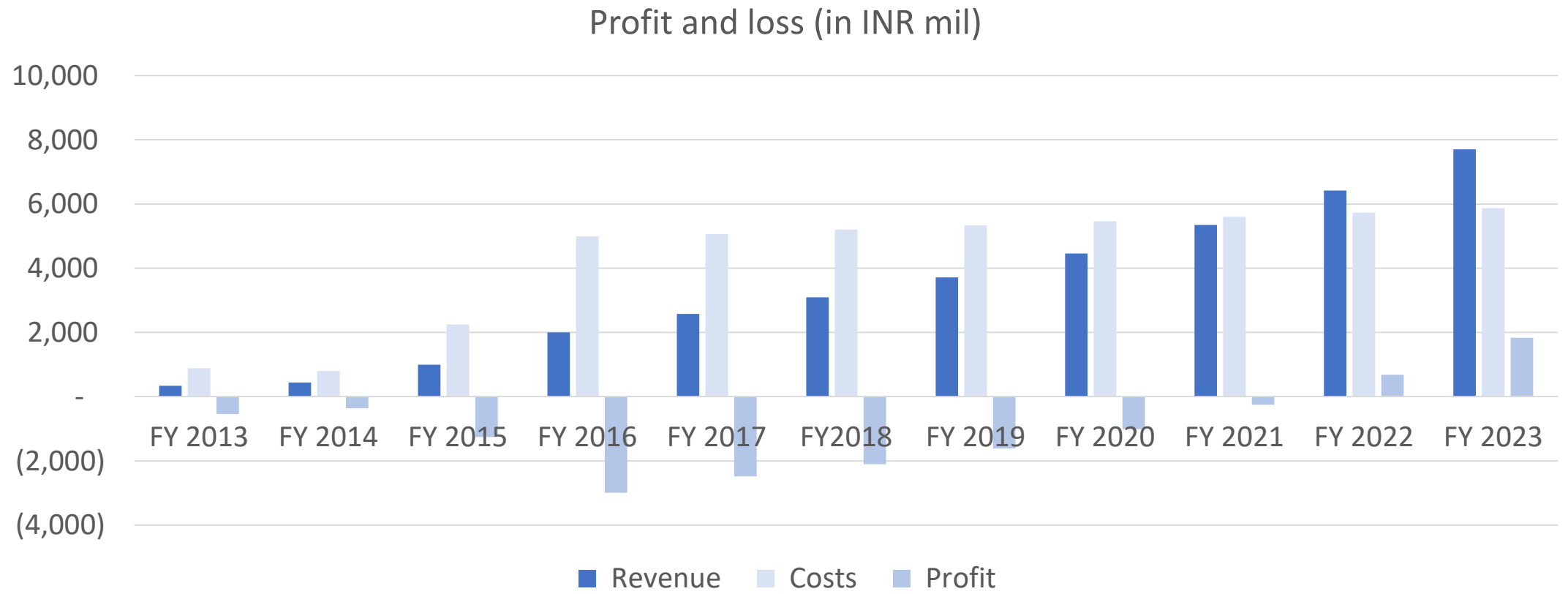


Action Plan

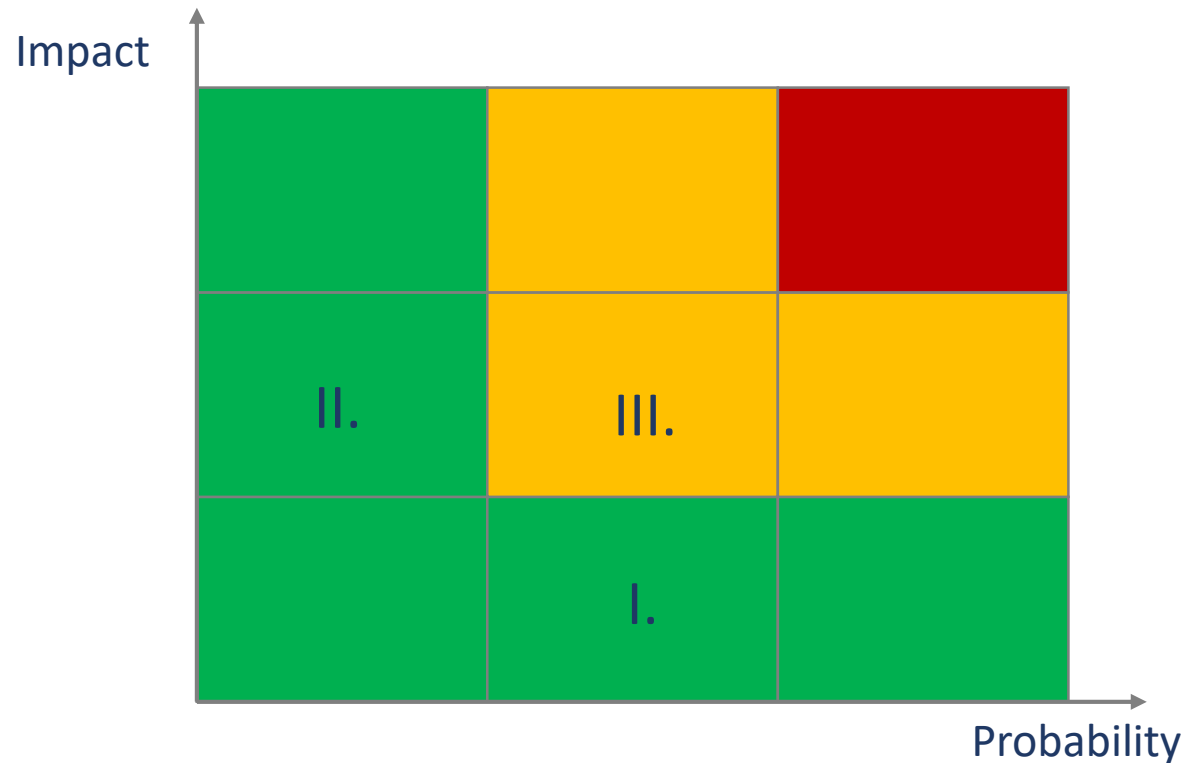
	2019		2020		2021		2022		2023		Costs (in INR mil)	
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	One-off	p.a.
B2B												
Privilege programe	█										133	
Supplier build-up	█	█	█									1.3
Sales representatives		█										
Experience center			█	█		█		█		█	40	5.3
Leasing programe			█	█	█	█	█	█	█	█		
Logistics services												
Roll-out		█	█	█								
Truck fleet		█	█	█							46	9
Driver												6
Expand internationally												
New fullfilment center		█	█	█							67	13.4
Marketing	█	█	█	█	█	█	█	█	█	█		90
Truck logistics			█	█							46	9
Sum											332	134

04 Financials

Financial Outlook



Risks and mitigation



I. Competitors target B2B customer as well
 → Leverage existing strength to set apart from competition

II. Geographic expansion might fail due to cultural differences
 → Thorough analysis of cultural characteristics

III. Expected cost savings might be lower than expected
 → Conservative assumptions applied

Wrap - up

