BUILDING A DISRUPTIVE FURNITURE MARKET

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THE PROBLEM – WE NEED TO LOOK AT NEW MARKETS

- We have competitors moving into our space, and innovation is impacting business at an unprecedented rate

- How do we maintain our leadership position of the market and utilize our competitive advantage?

RECOMMENDATION

- We need to take advantage of the boom in the housing industry and outfit those new homes with our homebrands.

AGENDA

- What does your company look like?
- Industry analysis
- Market analysis
- Decision

- Alternatives
- Implementation
- Financial Projections
- Risks

WHAT IS THE CURRENT SITUATION?

- Grown by 65%

- 34 stores

- Online being "impossible"/"unheard of"

- Strongly established structure

- Strong relationships

- Strong brand established

- The first to implement delivery/omnichannel/

WHAT IS OUR FOCUS?

- How can we continue to grow

- In a great position for growth

- Ready to be disrupt vs be disrupted

WHAT YOU DO GREAT AT – CORE COMPETENCIES

- Web-design
- Supply chain expertise
- Strong relationships with stakeholders
- Omni-channel
- Data analytics
- Logistics for carpentry for assembly and custom
- Design thinking
- Marketing of products

WHAT DOES OUR ENVIRONMENT LOOK LIKE?

Social

- Ease/ Accessibility
- Personable Experiences

Economy

- Booming housing market
- Population needing homes on the rise
- Harder for youth to purchase "new" products

Technology

- Omnichannel on the rise
- Ecommerce driven shops
- Online purchasing for retail increasing

WHAT DOES THE FURNITURE INDUSTRY LOOK LIKE?

- Strong established suppliers

- Loyal customers (60% repeat)

- Attractive market – buyers always available

- Traditionally ma and pa – disrupted the radius – broad variety

  - Low entrants

STAKEHOLDERS

- Franchisers

- Small businesses

- Suppliers

- Initial Investors

- We have to make sure any decision we make will positively affect them!

COMPETITOR LANDSCAPE

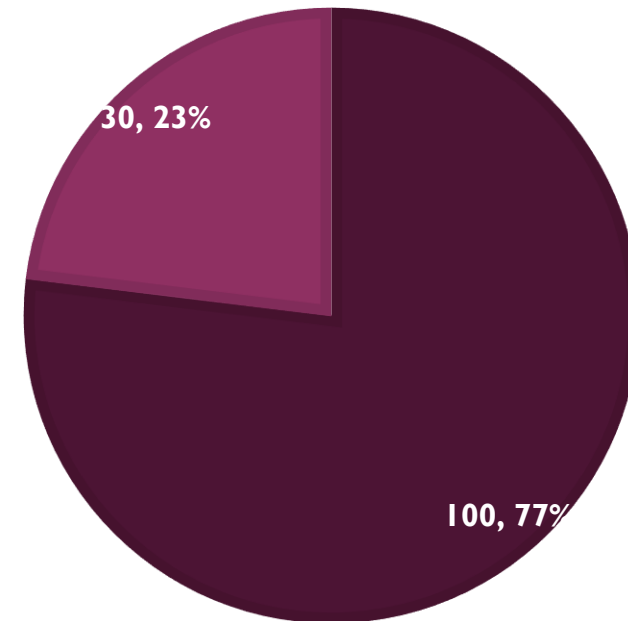| Competitor	Positioning	Offering
Flipkart	B2C India	Furniture
Ikea	B2C Global	Horizontal Standardized furniture products
Amazon	B2C Global	Furniture

MARKET SIZE

- $35 Billion USD furniture industry

- $700 Million online

MILLIONS OF PEOPLE

■ Internet Users ■ Current Customers

30, 23%

100, 77%

MICRO MARKET ANALYSIS

- Focus on B2C for furniture

- Online sales

- Core target market = 30+ year old's, online, tech savvy, hip and modern
  - Expend into different market segments

Place - India	Price -$37.5 USD to $270 USD
Promotion - Television and Internet	Product - Customizable furniture - Standardized house brands

DECISION CRITERIA

- Must align with our Core Competencies

- Needs to offer Growth and Sustainability in the Market

- Available Funding

DECISION MATRIX

	Core Competency	Growth
Backwards Integrate	NO	YES
Grow House Brands	YES	YES
Compete with IKEA	NO	YES

ALTERNATIVES

OPTIONS

- Backwards Integration
- Grow Housebrands
- Compete Directly Against Ikea

ALTERNATIVE 1 – BACKWARDS INTEGRATION

PROS

- Control the supply chain
  - Higher margins
  - Utilize analytics to predict "top" selling items

CONS

- Not a core competency
- Could lose existing customers

ALTERNATIVE 2 – GROW HOUSHOLD BRANDS

Partnership with major real estate builders and construction companies to completely outfit new homes

PROS

- High growth potential
- Higher margins (10%)
- Utilize data analytics and industry knowledge to predict consumer demand

CONS

- Might fail to sign deals with major RE developers

ALTERNATIVE 3 – COMPETE DIRECTLY WITH IKEA

PROS

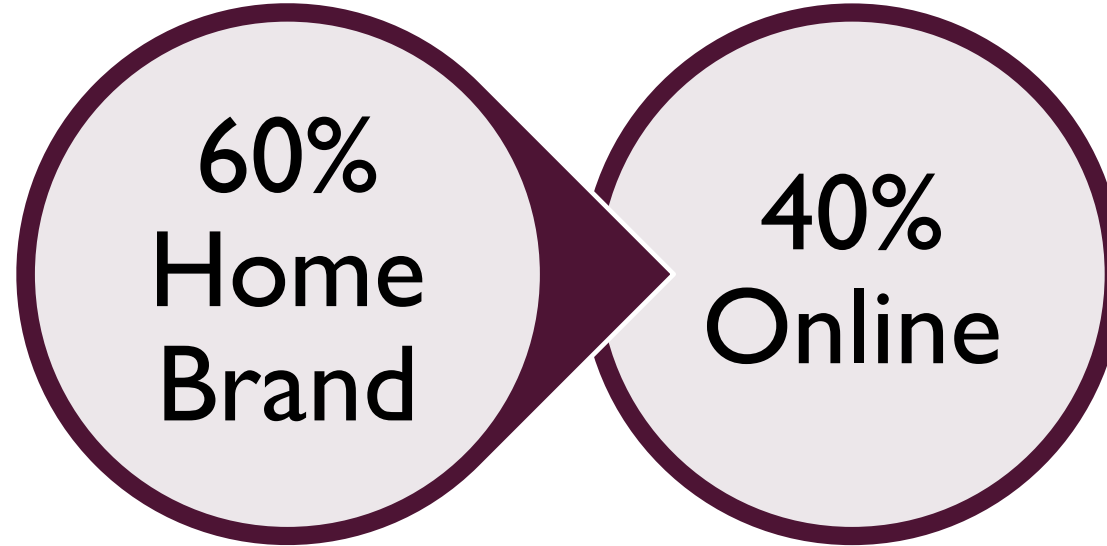- Our franchisees are growing and account for 20% of revenue

CONS

- Don't have the funding to match

RECOMMENDATION

- We should grow our housebrands!

- Hire a team of inhouse-designers and sales consultants to partner with and sell to real-estate builders and construction companies to outfit new homes
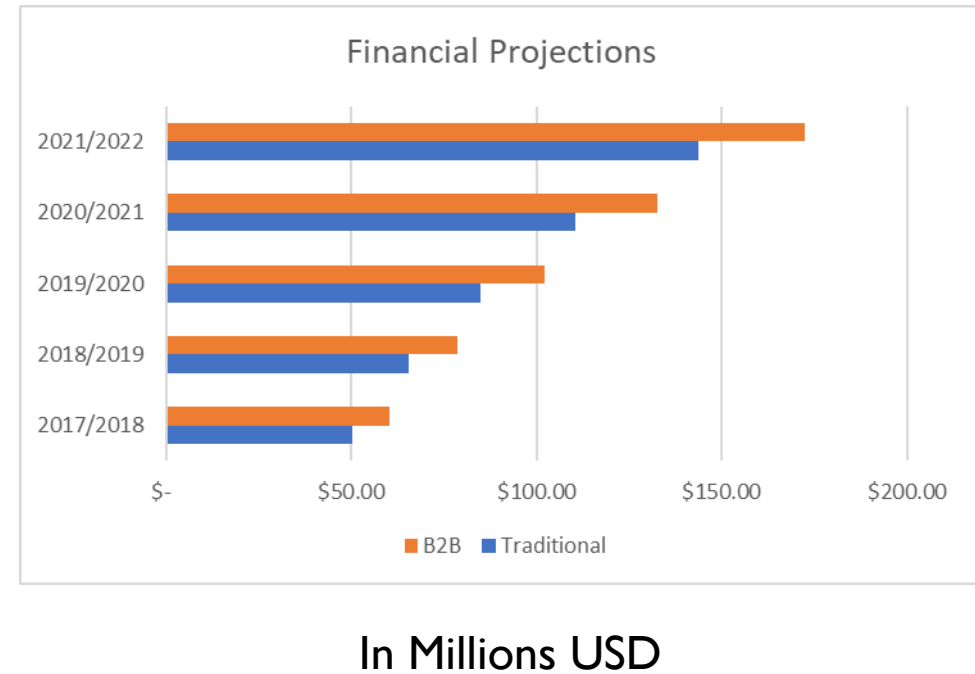
RECOMMENDATION

60%
Home
Brand

40%
Online

FINANCIALS

- Conversion: 1 INR= 0.015 USD

- Average Product Price

  - Furniture = $270 USD

  - Décor = $37.5 USD

  - Utilities = $22.5 USD

Assumptions:

- 28% Growth based on traditional

- B2B 20% on top of traditional

- Décor CM 10%

- Furniture CM 25%

Financial Projections

In Millions USD

IMPLEMENTATION – FOCUS AREAS

Décor & Utilities
- Grow this category to 40 % of Revenue in Timing > next 3 years
- Enable customers to personalize their space

House Brands
- Maintain 10% premium – category
- Grow our House brands to scale production

Offline Studios
- 2 X number of Studios
- Focus on Non-Metros

Furniture Rentals
- Subscription Model
- Marketing > Engage with millennials NOW who will be our customers TOMORROW

Partnerships
- Privilege Program
- Goal to host 10,000 partners by end of 2018
- Engage with Home Builders & Small Contractors
- Real Estate Staging

IMPLEMENTATION – MAJOR CONSTRUCTION PROJECTS

Timing 2018 > 2019

- Develop In House Design / Sales Teams - Recruit 10 Teams of 8 – Cost $3.6 Million

- Prepare Show Rooms / Real Estate Staging – various configurations – Cost $450K

- Grow our House Brands – Ongoing Supplier Development to Scale Business – Cost $300K

- Data Analytics on feedback to Merchants – Recruit Specialists Cost $100K

IMPLEMENTATION – OFFLINE STUDIOS

Timing – 2018 > 2022

- Continue to grow at a Organic Rate into Non Metro areas
- Standardize Franchisee Program

INCOME STATEMENT

- ## Assumptions

- ## 40% GM

- ## 20% Selling & Admin

Breakeven (Units)= 70,000 Units

		2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Sales		$ 50.31	$ 78.48	$ 102.02	$ 132.64	$ 172.43
Gross Margin		$ 20.12	$ 31.39	$ 40.81	$ 53.05	$ 68.97
Selling & Admin		$ 10.06	$ 15.70	$ 20.40	$ 26.53	$ 34.49
Implementation			$ 2.50	$ 2.50		
Operating Income		$ 20.12	$ 28.89	$ (2.50)	$ 53.05	$ 68.97

In Millions USD

RISKS

Risks	Metric	Contingencies
Economy - Slow down of real estate	Decreases in YoY Sales	Inventory management
Global Competitors	Decrease in Market Share	Re-evaluate the strategy & consider other markets
Funding	Cash Balance	Secure other sources of Finance

DASH BOARD

Target Market Reach to 60%

Logistics 95% Utilization

Delivery Performance is 95%

Net Promotor Score of 75

Damage Rates < 1%

Warehouse Fulfilment at 97%