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

<table>
<thead>
<tr>
<th>Competitor</th>
<th>Positioning</th>
<th>Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flipkart</td>
<td>B2C India</td>
<td>Furniture</td>
</tr>
<tr>
<td>Ikea</td>
<td>B2C Global</td>
<td>Horizontal Standardized furniture products</td>
</tr>
<tr>
<td>Amazon</td>
<td>B2C Global</td>
<td>Furniture</td>
</tr>
</tbody>
</table>
MARKET SIZE

- $35 Billion USD furniture industry
- $700 Million online

MILLIONS OF PEOPLE

- 100, 77% Internet Users
- 30, 23% Current Customers
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

<table>
<thead>
<tr>
<th>Place</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>- India</td>
<td>-$37.5 USD to $270 USD</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Promotion</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Television and Internet</td>
<td>- Customizable furniture</td>
</tr>
<tr>
<td></td>
<td>- Standardized house brands</td>
</tr>
</tbody>
</table>
DECISION CRITERIA

- Must align with our Core Competencies
- Needs to offer Growth and Sustainability in the Market
- Available Funding
## DECISION MATRIX

<table>
<thead>
<tr>
<th></th>
<th>Core Competency</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Backwards Integrate</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Grow House Brands</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Compete with IKEA</td>
<td>NO</td>
<td>YES</td>
</tr>
</tbody>
</table>
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 HOUSEHOLD 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%
<table>
<thead>
<tr>
<th>Décor &amp; Utilities</th>
<th>House Brands</th>
<th>Offline Studios</th>
<th>Furniture Rentals</th>
<th>Partnerships</th>
</tr>
</thead>
</table>
| • Grow this category to 40% of Revenue in Timing > next 3 years  
  • Enable customers to personalize their space | • Maintain 10% premium – category  
  • Grow our House brands to scale production | • 2X number of Studios  
  • Focus on Non-Metros | • Subscription Model  
  • Marketing > Engage with millennials NOW who will be our customers TOMORROW | • Privilege Program  
  • Goal to host 10,000 partners by end of 2018  
  • Engage with Home Builders & Small Contractors  
  • Real Estate Staging |
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

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<tbody>
<tr>
<td>Sales</td>
<td>$ 50.31</td>
<td>$ 78.48</td>
<td>$ 102.02</td>
<td>$ 132.64</td>
<td>$ 172.43</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>$ 20.12</td>
<td>$ 31.39</td>
<td>$ 40.81</td>
<td>$ 53.05</td>
<td>$ 68.97</td>
</tr>
<tr>
<td>Selling &amp; Admin</td>
<td>$ 10.06</td>
<td>$ 15.70</td>
<td>$ 20.40</td>
<td>$ 26.53</td>
<td>$ 34.49</td>
</tr>
<tr>
<td>Implementation</td>
<td>$ 2.50</td>
<td>$ 2.50</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income</td>
<td>$ 20.12</td>
<td>$ 28.89</td>
<td>(2.50)</td>
<td>$ 53.05</td>
<td>$ 68.97</td>
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In Millions USD
<table>
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<tr>
<th>Risks</th>
<th>Metric</th>
<th>Contingencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy - Slow down of real estate</td>
<td>Decreases in YoY Sales</td>
<td>Inventory management</td>
</tr>
<tr>
<td>Global Competitors</td>
<td>Decrease in Market Share</td>
<td>Re-evaluate the strategy &amp; consider other markets</td>
</tr>
<tr>
<td>Funding</td>
<td>Cash Balance</td>
<td>Secure other sources of Finance</td>
</tr>
</tbody>
</table>
Target Market Reach to 60%

- Logistics 95% Utilization
- Net Promotor Score of 75
- Damage Rates < 1%
- Delivery Performance is 95%
- Warehouse Fulfilment at 97%