PEPPERFRY.com: Turning the table on disruption

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## Executive Summary

<table>
<thead>
<tr>
<th>Issue</th>
<th>Recommendation</th>
<th>Benefit</th>
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| **High Costs Low Profits**   | • **Logistics**: Better warehouse management, supply lines  
                              | • **Drop Utilities**: Costs too high, revenues too low  
                              | • **Reduce Costs**: Charge listing fee and slotting fee, furniture rental  
                              | • **Vertical Integration**                                                     | Removed unnecessary cost / Increased revenue |
| **Maintaining and Growing Market Share** | • **Increase Economy of Scale**: Go to Vietnam and Middle East  
                                            | • Expand offline studies around India  
                                            | • Aggressive Marketing Plan: AI, Social Media  | Increased market share / Lower cost per unit |
| **Product Differentiation**  | • **Drop Utilities → Increase Investment in Rental Economy**  
                              | • Embrace India brand and invest in local initiatives  
                              | • **Middle Class Millennials**  
                              | • **Urban Focus**                                                             | Niche market found / Focused target group |
Industry

Furniture Market

- 90% unorganized, 10% organized segment, 1% was online
- Local vendors and small carpentry shops
- Far from a furniture retailer
- Based on a catalog without seeing the actual product
Better utilize new revenue channels
Strengthen its position as an omnichannel
How could respond to competition
Elevator pitch

- **Product:** narrow but abroad
  - targeting, both sales and rentals

- **Money:** lower cost, higher profit
  - reduced fix cost, expanding revenue

- **Market:** not share, gain more
  - overseas, not only online both online and offline
Analysis: Economic Position

Revolutionized India Market for Online Furniture Sales
80% of Revenue

Unparalleled logistics network across India
3 Fulfillment Centers across 17 distribution Centers

Vertical Integration of Supply Lines
Empowering Indian Manufacturers

PEPPERFRY.COM

$37 Million in Series of F
$2.58 Million in Revenue
$6.5 Million in Gross Merchandise Value
Analysis: How do we make money?

• We are an e-commerce platform for Furniture, Décor, and Utilities
• We help Indian manufacturers produce, ship, and sell their goods
• We have an unparalleled logistics network in India that is unmatched in the Indian e-commerce market
• Clicks to Bricks: Our “try it out” stores increase sales and revenue
• Empowering Indians and supporting the local economy
Analysis: Micro Strategies & Target Market

MICRO STRATEGIES
- Target Products: Selected and specific
- Online Store: E-Commerce, Clicks to Bricks, Targeting Indians
- Rental Business: Embracing the rental economy
- Vertical Integration: Owning the supply lines and logistics

TARGET MARKET
- Millennials, 24-38 → Young Adults
- Middle Class and Migrating Workers
- Tech Savvy and Online individuals
Analysis: Our Recommendation

- Will Increase Profits and Reduce Costs
- Will Maintain and Grow our Market Share
- Will Differentiate Ourselves from Others
### Snapshot

<table>
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<th>Year</th>
<th>Description</th>
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| 2012/13  | Online market  
GMV INR582  
Rev/Loss -158%  
- Easy to access and sell | 2016/17  
Curated service and delivery  
GMV INR6,500  
Rev/Loss -96.3%  
- Reliable product and delivery | ~ 2020  
Disruptive innovation  
GMV $50,000  
Rev/Loss To be positive  
- Better service  
- Increased CM and reducing fixed cost by margin |
Implementation : Increasing the profit

Short term

Expect positive EBITDA within 12 ~ 18 months
Implementation: Increasing the profit

• Warehouse management
  • Promote suppliers to stock more inventory in “Pepperfry” warehouse
  • Suppliers pay certain amount for the warehouse usage
  • Advertise their products in return as an incentive

• Benefits
  • Better inventory forecast
  • Increased utilization of the warehouse
  • Lower fixed cost per unit
  • Increased earning
  • Increased revenue from warehouse usage fee
Implementation: Increasing the profit

- Charge listing fee/slotting fee
  - Categorize supplier subscriptions
    - Premium
    - Business
    - Economy

- Benefits
  - Increased revenue
Implementation: Increasing the profit

• Long term
Implementation: Increasing the profit

- Increase market share
  - To be mentioned in the next few slides in detail

- Benefits
  - Economy of scale for other investment and fixed cost
  - Better warehouse utilization
  - Lower cost per unit
Implementation: Increasing the profit

• AI Utilization
  • For customer demand anticipation

• Benefits
  • Supply & demand forecast
  • Better inventory management
  • Better warehouse utilization
  • Wise investment for capex (warehouse)
  • Efficient logistics
  • Lower cost per unit
Implementation: Increasing the profit

• **KPI management**
  • For vertical integration management
  • Intended to decreased damaged goods
  • Intended to decrease returned materials

• **Benefits**
  • Lower failure rate
  • Higher product delivery success rate
  • Lower cost per unit
  • Maintain customer loyalty
Implementation: How to increase market share

• Short term
Implementation
: How to increase market share

• Marketing through social media

• Benefits
  • Increased customers in the target group
  • Techsavvy people
Implementation

: How to increase market share

• Long term
Implementation

How to increase market share

• Expand offline studios around India
  • Footfall conversion rate > 65%
  • Average order value 80~100% higher than online only
  • 20% of the total revenue
Implementation: How to increase market share

• Global market expansion
  • Target Vietnam and Middle Asia

• Pros
  • Close to India
  • Efficient logistics

• Cons
  • Cultural differences
  • Politics
Implementation: Product/Service differentiation

- Focus on target groups
  - Exclude country side/Urban only
    - Low IT penetration in the country side

- Drop utilities service
  - Only 5~25% gross margin (while décor 30~50%, furniture 45~55%)
  - Negative profit with already high fixed cost

- Focus on décor/furniture
  - Ideal bundled service
  - Service differentiation
Implementation: Product/Service differentiation

- **Increase rental furniture**
  - IKEA/Amazon not involved
  - Increasing market with estimated $3 billion
  - Blue ocean
  - Appropriate target group
    - Growing middle class
    - Young
    - Move often
    - Niche market
# Risks and Mitigations

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<th>Damage</th>
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<td>Medium</td>
<td>High</td>
<td>Firewalls, Two Factor Authentication, Digital Twin, A.I.</td>
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<td>Computers, Automation, A.I., Oversight Programs</td>
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<td>Medium</td>
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<td>Country Expert, Government Specialists, Reinforce Ethics Campaign</td>
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<td>Unsustainable Growth</td>
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<td>Country expert, culture expert, geo strategies, diversify portfolio, product differentiation, rental company, new markets</td>
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