PepperFRY your competitors!
How can Pepperfry retain its leading position and become profitable?
Obtain the e-tailing leadership for niche products of high quality, design and functionality by extending your long-tail business and transparent purchasing guidance.
Key issues

Non-profitability up to today due to low revenue streams

High competition in the e-tailing and retailing market

Online purchasing is still perceived as not trustworthy out of potential customer’s perspectives
Todays agenda

1. Analysis
2. Alternatives
3. Evaluation
4. Implementation
5. Risks & Contingencies
How Pepperfry creates value

- "provides comfort and a feeling of home"

Key activities

Customer relations

Customer segments

Key partners

Key resources

Customer

Cost structure

Asset sales

Analysis | Alternatives | Evaluation | Implementation | Risks & Contingencies
Value offered on an online platform

All products provided are of high quality and functionallity
The business infrastructure that creates the value

"provides comfort and a feeling of home"
Pepperfry’s key activities, resources and partners

- Sourcing
- Storage
- Packaging
- Delivery
- Assembly
Pepperfry’s key activities, resources and partners

Over 250 suppliers with manufacturing mindset
• Invest in space
• Hire people
• Build workbenches
• **Follow Quality processes**

→ Strong pepperfry support
  (materials, investments, bank loans)
Pepperfry’s key activities, resources and partners

- Warehouses
- Fulfillment centers
  → Jodhpur, Delhi, Mumbai

Distribution centers

Analysis | Alternatives | Evaluation | Implementation | Risks & Contingencies
Pepperfry’s key activities, resources and partners

- Customized packaging
  - Highly important key partner
Pepperfry’s key activities, resources and partners

- Sourcing
- Storage
- Packaging
- Delivery
- Assembly

- 400 own vehicles
- Excellent route planning algorithm

Damage control
Pepperfry’s key activities, resources and partners

- Support is provided by hired carpenters
- Real time availability through mobile devices
Pepperfry’s key activities, resources and partners

- Sourcing
- Storage
- Packaging
- Delivery
- Assembly

Well established supply chain with high degree of digitization
For whom value is created and how it is perceived

Key partners

Key activities
“provides comfort and a feeling of home”

Customer relations

Key resources

Distribution channel

Customer segments

Cost structure

Asset sales

Analysis | Alternatives | Evaluation | Implementation | Risks & Contingencies
It pays off to profile your customer

You create high value for your target customers

Analysis | Alternatives | Evaluation | Implementation | Risks & Contingencies
Challenges of attaining a broader customer base

Online purchasing is perceived as not trustworthy

India's internet user base: 450-480 mio

1. Quality
2. Delivery
3. Assembly

E-tailing users: 90-100 mio

Increase in perceived trustworthiness to use high market potential
Reaching of the customer base

Multichannel Marketing

- Online
- "Experience center"

Based on franchising models
Commission of 10% on total sales

"Experience center" doubled orders
# How Pepperfry creates value

<table>
<thead>
<tr>
<th>Key partners</th>
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| Cost structure | Revenue streams |
In summary

**Strengths:**
- Supply chain
- Digitization
- Existing investors
- Market and country knowledge

**Weaknesses:**
- Not profitable
- Lack of purchasing guidance

**Opportunities:**
- Growing Indian middle class
- First mover advantage

**Threats:**
- Competitors entry

How can Pepperfry overcome its weaknesses?
How to increase revenue

1. **Focus:**
   Decrease product portfolio

2. **Brand image:**
   Offer selected products with house brands

3. **Filter system:**
   Customer specific product filtering

Continue to increase transparency in the Indian furniture and decor market
### Evaluation of the Alternatives

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>Economies of Scale</th>
<th>Differentiation from competitors</th>
<th>Complexity</th>
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Key recommendation aspects

Analysis | Alternatives | Evaluation | Implementation | Risks & Contingencies
Key recommendation aspects

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Analysis | Alternatives | Evaluation | **Implementation** | Risks & Contingencies
Enabling easier choice making in long-tail business to reach greater customer base
Enable filtering system for comfortable purchasing

Wide product portfolio

Products meeting customer’s requirements (e.g. design or functionality)

Reaching faster decision and purchasing process
Usage of multichannel filter system

Online
1. In general on website and App
2. Detailed AI use

Offline
1. In general on tablets and with VR in experience centers
2. Detailed

Additional use of customer profiles based on algorithm experiences
Example of AI based purchasing recommendation

1. Analysis
2. Alternatives

Increasing overall customer's revenue streams
Obtain the e-tailing leadership for niche products of high quality, design and functionality by extending your long-tail business and transparent purchasing guidance.

| Transparent purchasing guidance | Extending franchise systems to suburbs | Introducing quality approve |

**Key recommendation aspects**

**Analysis | Alternatives | Evaluation | Implementation | Risks & Contingencies**
Extend franchise system in suburbs as non-competitive market
Extracted structure of franchise systems in suburbs

Franchise system
- Mumbai suburb
- Gujarat suburb
- Chennai suburb

Setting market activities in less competitive market environment
Advantages of extending the franchise system in suburbs

- Domestic company
- Market experience
- Use of wide product portfolio

Recognition and acceptance as competitive advantage
Obtain the e-tailing leadership for niche products of high quality, design and functionality by extending your long-tail business and transparent purchasing guidance.

| Transparent purchasing guidance | Extending franchise systems to suburbs | Introducing quality approve |
Making online purchasing trustworthy for customers
Introducing quality approve for overall purchase

Selection and check of offered products and suppliers based on internal criterias

Product quality approved

Promote approval sign

Analysis | Alternatives | Evaluation | **Implementation** | Risks & Contingencies
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Analysis | Alternatives | Evaluation | Implementation | Risks & Contingencies
Timeline

Measures \ Year

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<th>2019</th>
<th>2020</th>
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Analysis | Alternatives | Evaluation | Implementation | Risks & Contingencies
Implementation costs

<table>
<thead>
<tr>
<th>Measures</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Costs in Mio $</th>
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Total Costs: 8.8 Mio $
## Key performance indicator

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<th>2017</th>
<th>2018</th>
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<th>2020</th>
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<tbody>
<tr>
<td>Number of franchise</td>
<td>7</td>
<td>35</td>
<td>80</td>
<td>130</td>
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<tr>
<td>Number of stores</td>
<td>32</td>
<td>60</td>
<td>105</td>
<td>155</td>
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<tr>
<td>Market share</td>
<td>6%</td>
<td>8%</td>
<td>10%</td>
<td>15%</td>
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Risks & Contingencies

I. No franchise partner

II. Quality complaints

III. Ikea as European brand
We are looking forward to further discuss on the topic!