

Pepperfry.com: A company in need of remodeling

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Agenda:

1. Introduction
2. Problem Statement
3. Recommendation
4. Analysis
5. Alternatives
6. Implementation
7. Financials

How can Pepperfry generate sustainable growth and attain profitability while retaining market lead?

Operations

Costumers

Competition

Recommendations

Recommendations

Analysis

Alternatives

Implementation

Financials

Leverage capabilities to evolve business model and drive revenue

Recommendations

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Revamp supplier relations

- Stick to consistent set of suppliers
- In-house co-created designs based on consumer data
- Privilege program for unique seasonal designers

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Position to serve growing middle class

- Expand product catalog to curated tech offerings
- Consumer retention programs: Loyalty and Warranty
- Digital marketing strategy to target most profitable segments

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Diversify revenue streams

- B2B logistics services
- Maintain studio growth plan → 46 in 2 years

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Our plan will keep Pepperfry.com as industry leader and forge path to profitability

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Financials

Variety and value alone won't differentiate you

Variety

UrbanLadder

Pepperfry.com

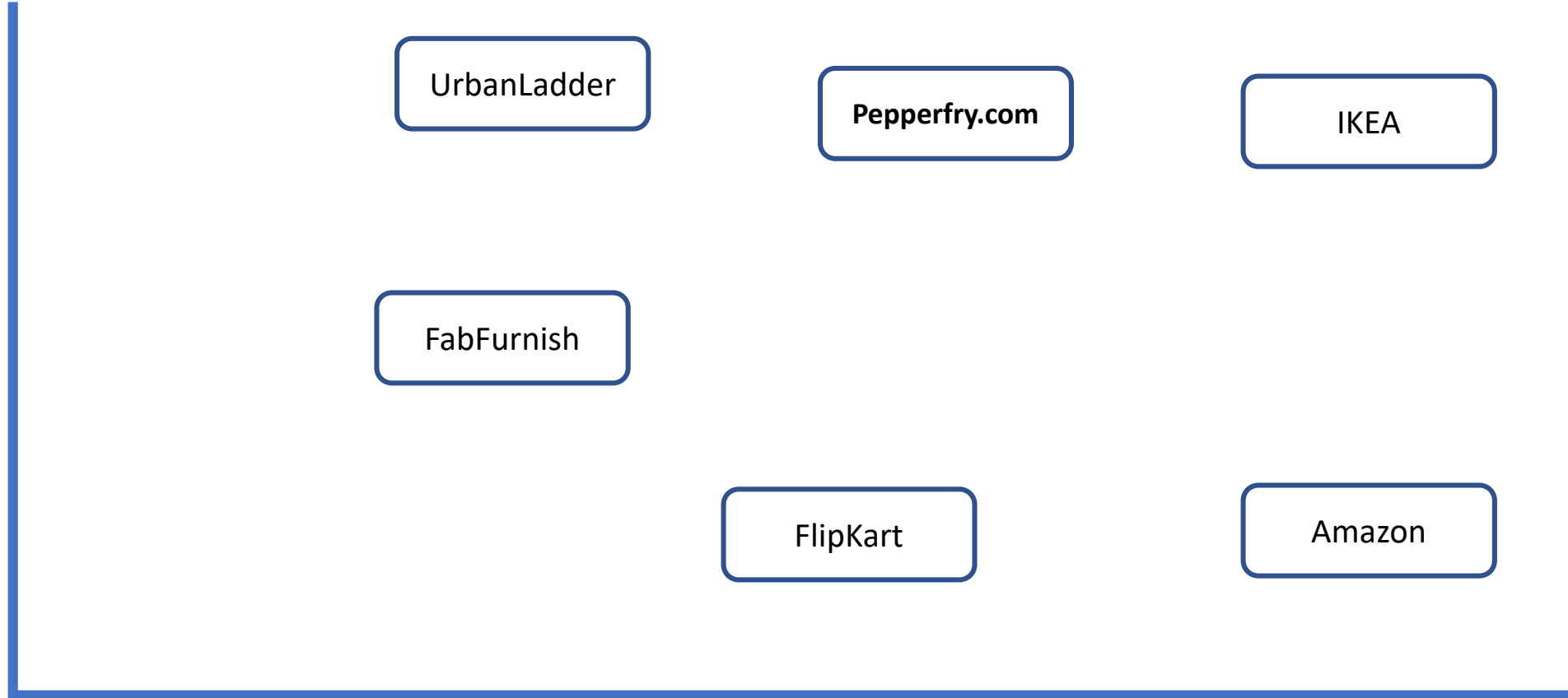
IKEA

FabFurnish

FlipKart

Amazon

Value



Recommendations

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The market will demand greater tech integration backed by purchasing power

Trend Focused

UrbanLadder

IKEA

FabFurnish

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FlipKart

Amazon

Tech Solutions

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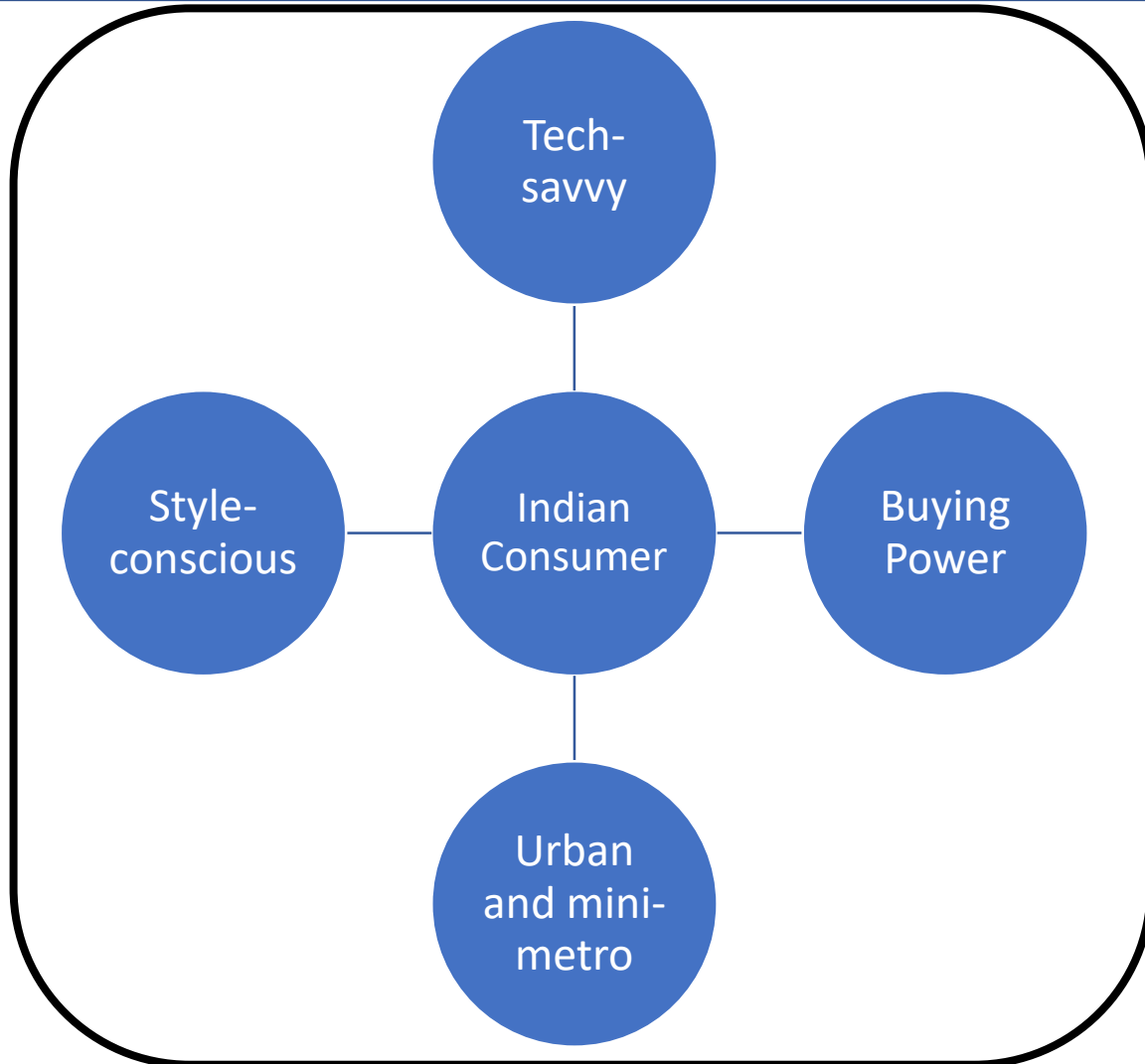
Analysis

Alternatives

Implementation

Financials

Middle class segment in India is beginning to reflect western counterpart



Recommendations

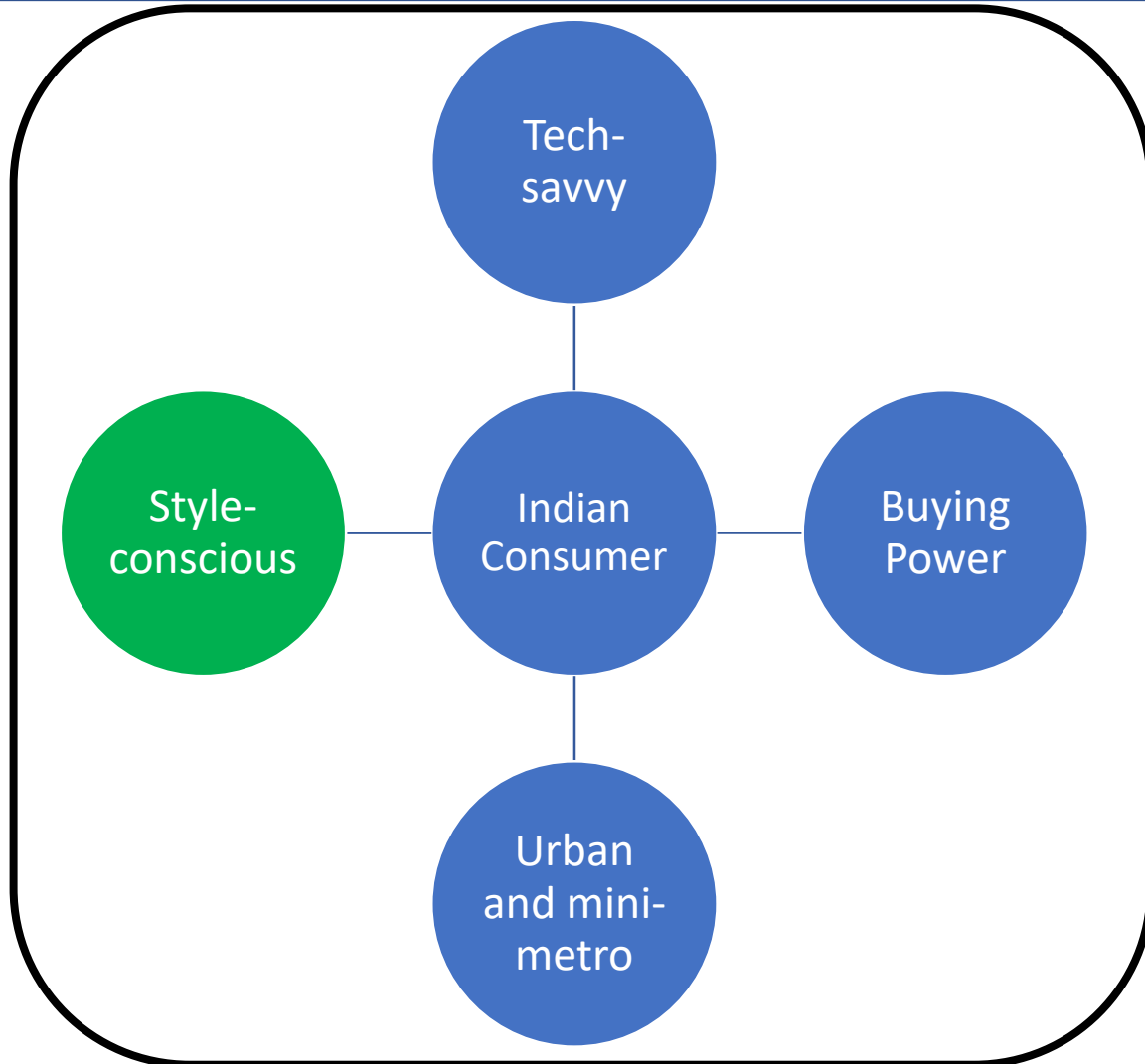
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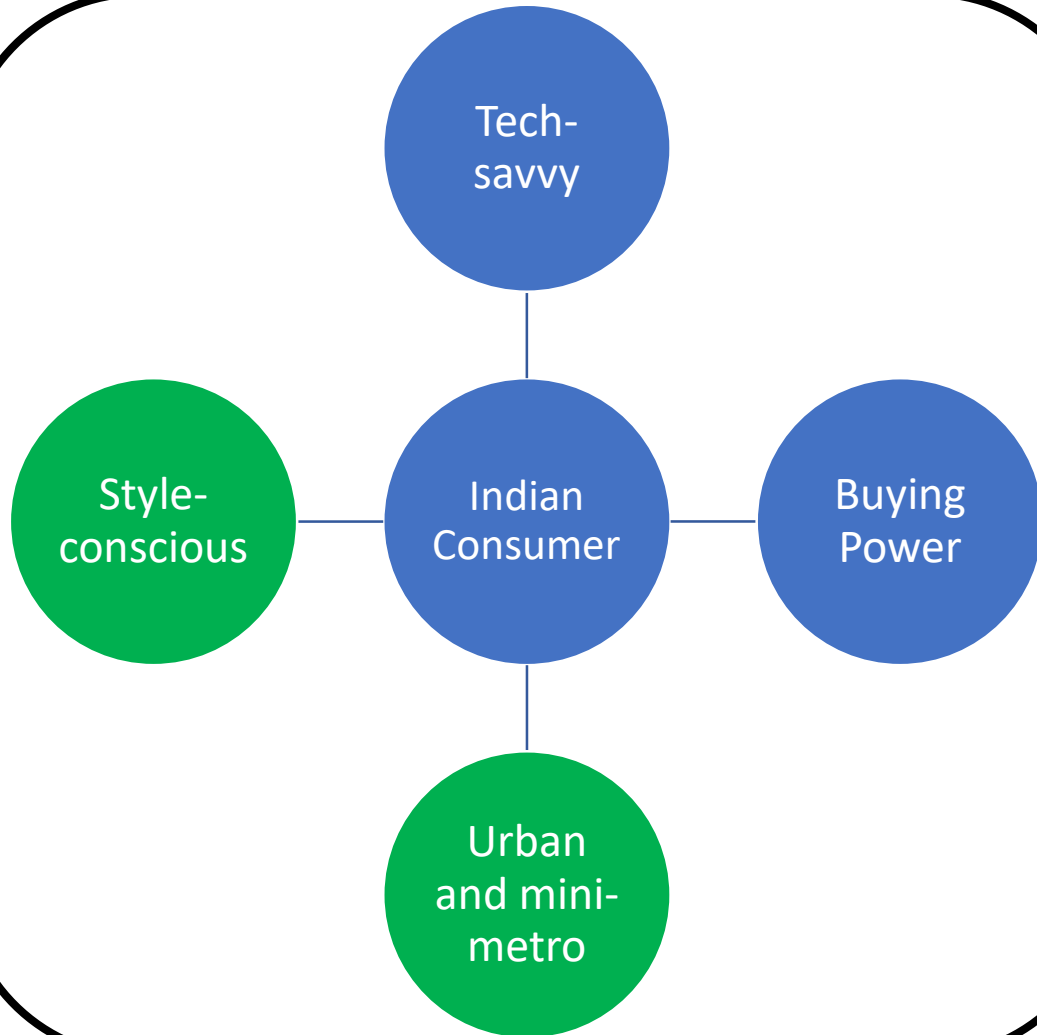
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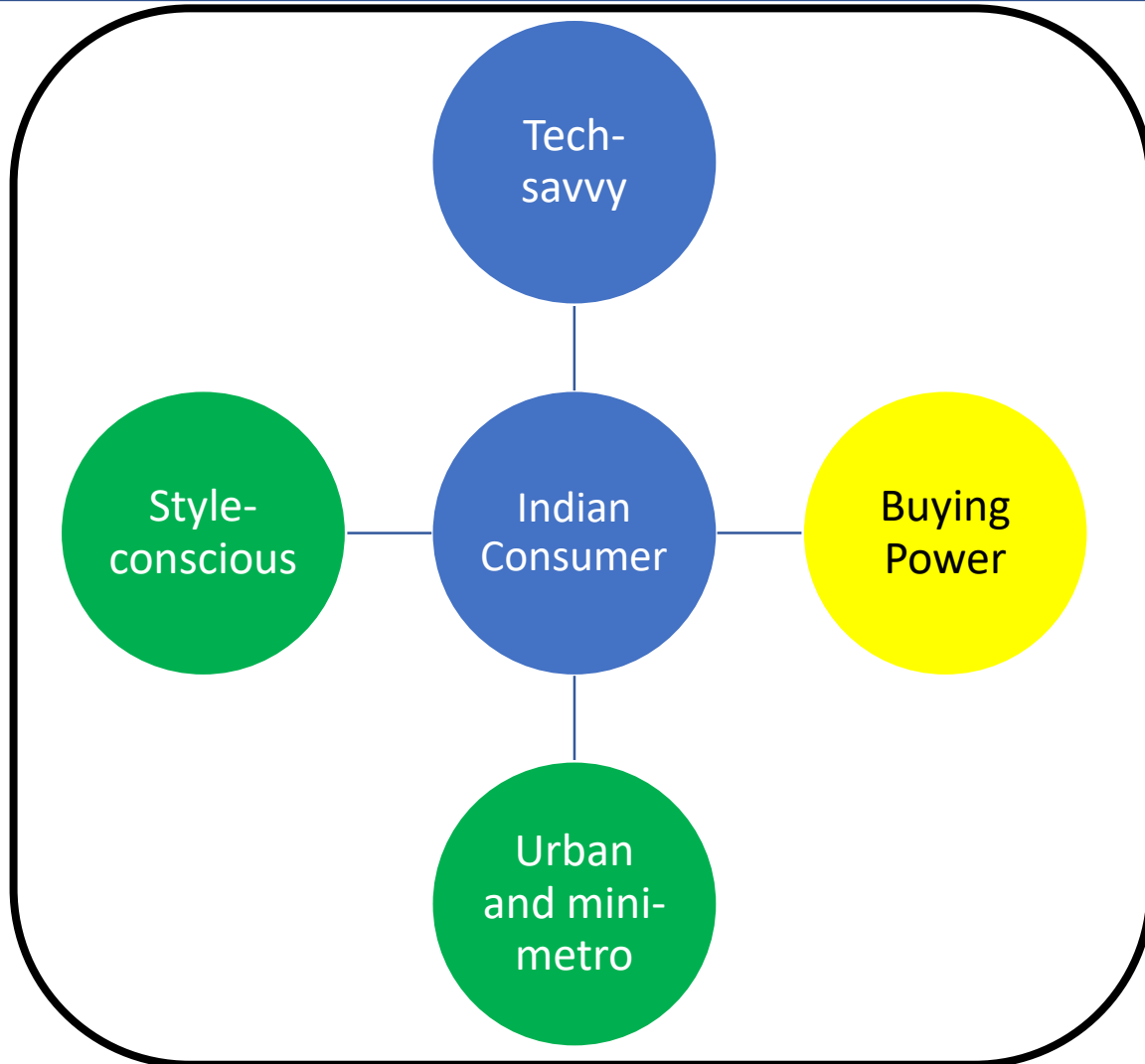
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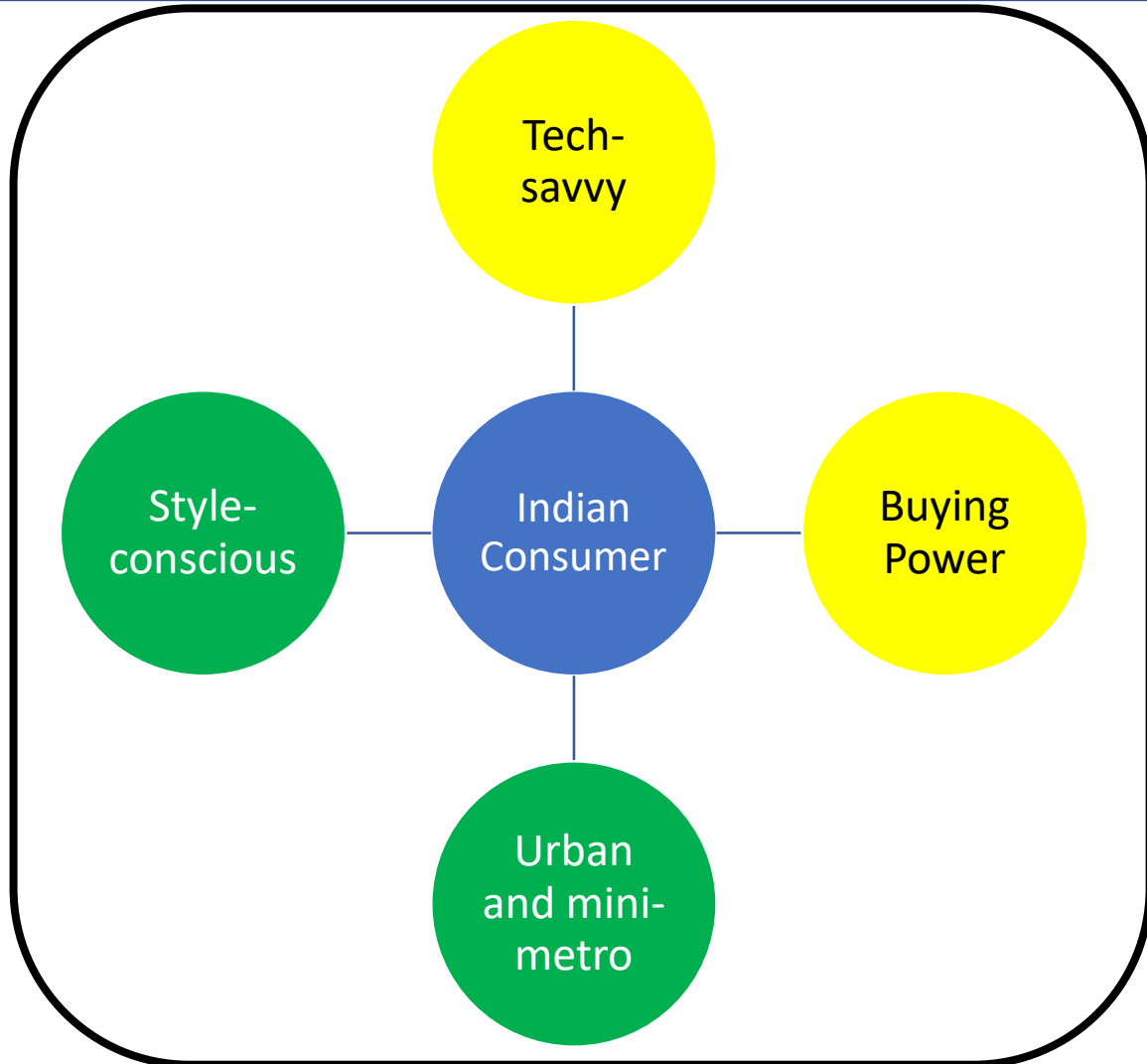
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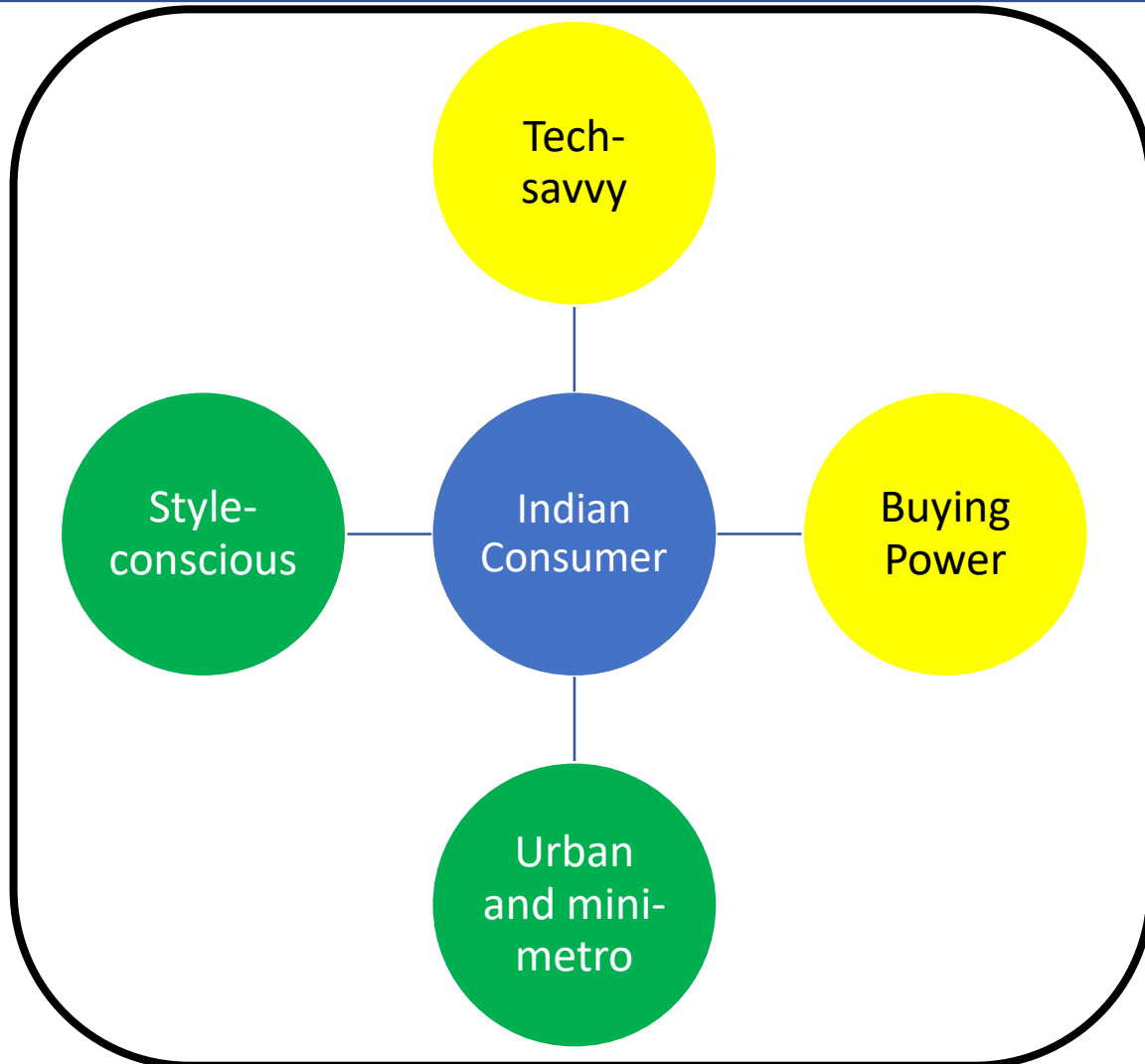
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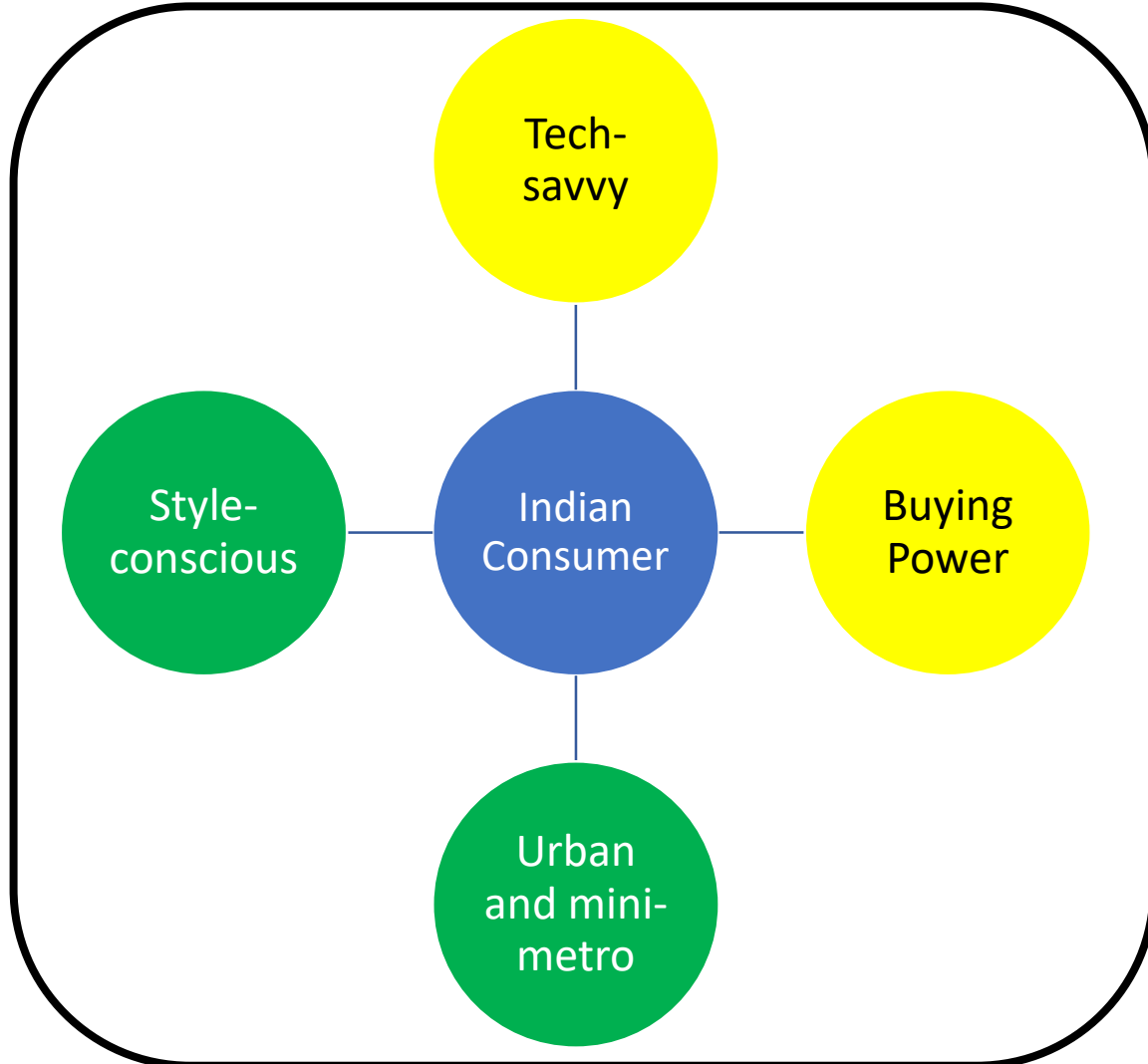


Movement towards embracing e-tail

Engaged consumers on mobile –
Smart home growing trend

80% of market untapped by
Pepperfry.com

Middle class segment in India is beginning to reflect western counterpart



Movement towards embracing e-tail

Engaged consumers on mobile

80% of market untapped by
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Pepperfry.com must continue to use its tech capabilities to penetrate

Recommendations

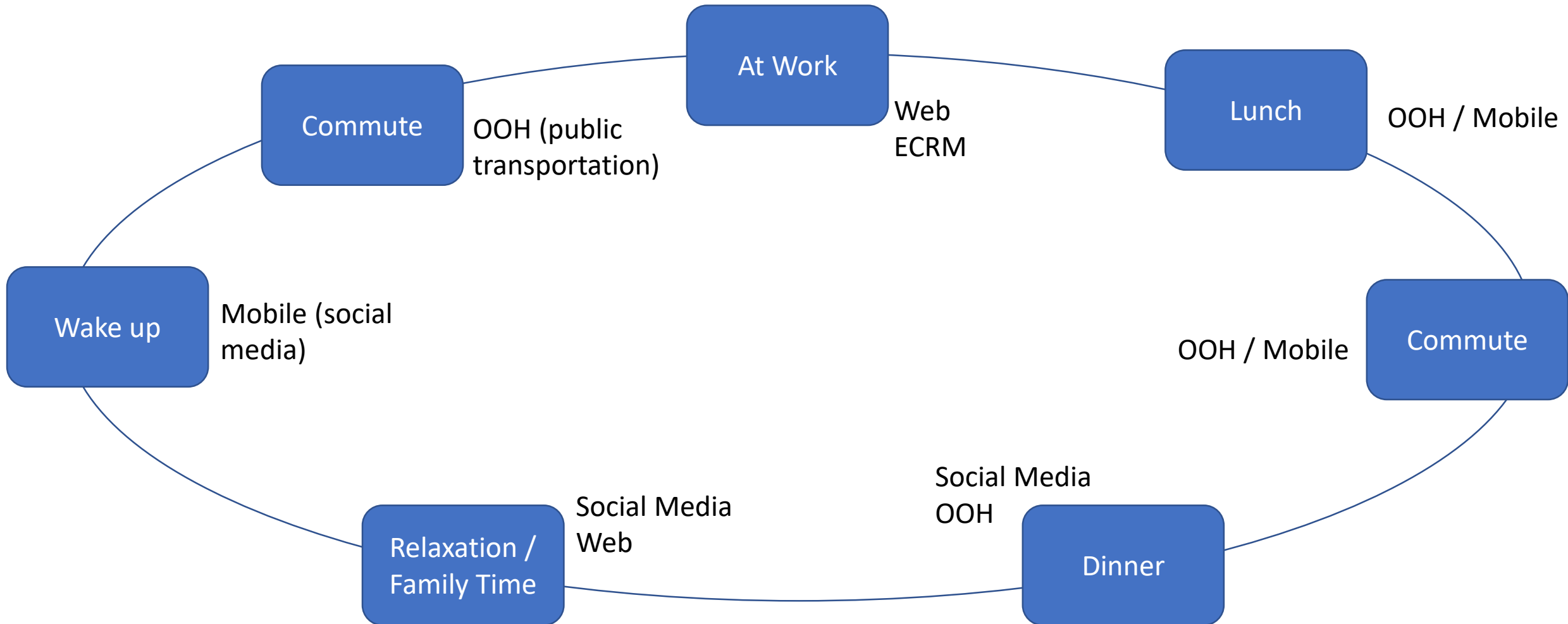
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Many potential mobile-friendly touchpoints in target consumers' day



Recommendations

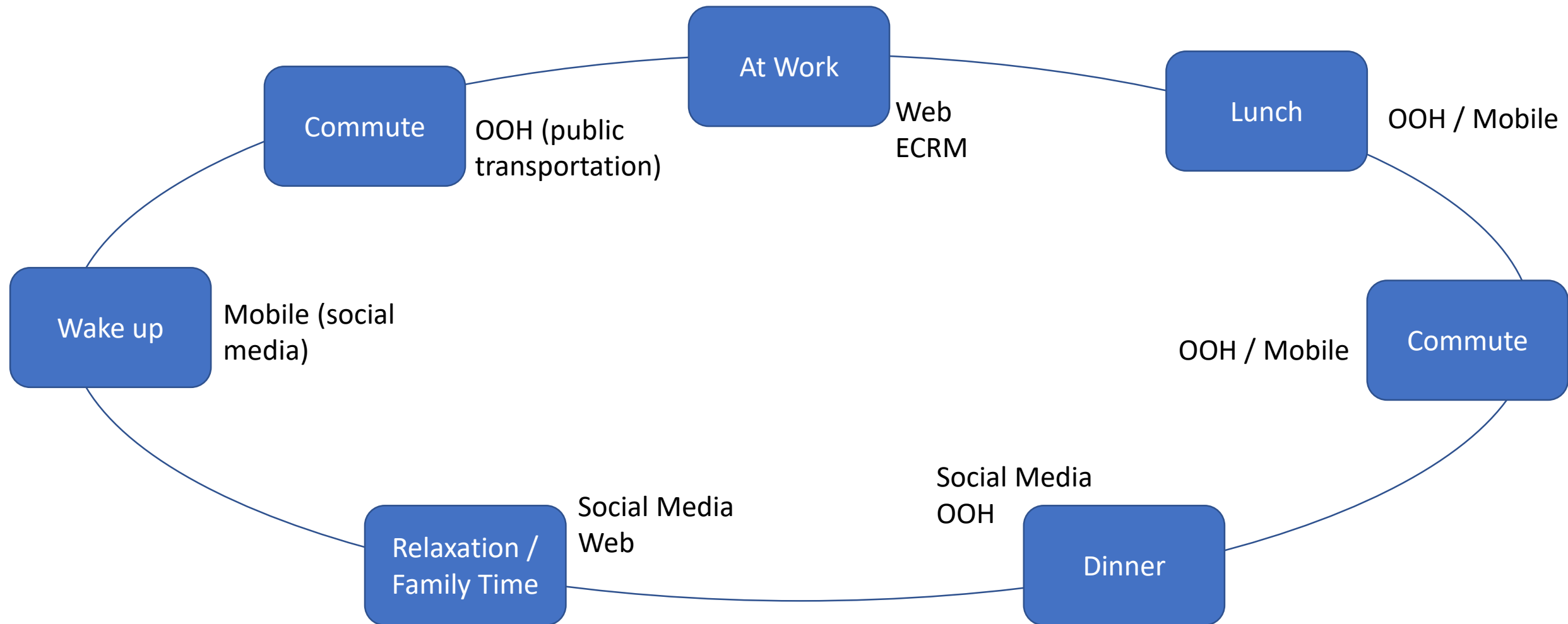
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Many potential mobile-friendly touchpoints in target consumers' day



Focus on digital touchpoints throughout customer's day

Recommendations

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Financial challenges originate at start of supply chain

Pepperfry.com
supplier consulting



Suppliers

Technology

Operations
(Warehousing,
packaging)

Distribution

Marketing

Follow Up

Recommendations

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Financial challenges originate at start of supply chain

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supplier consulting



Suppliers

Average turnover
~ 1000 suppliers/yr

High setup /
maintenance costs

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Average turnover
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Technology

Operations
(Warehousing,
packaging)

Low inventory

Automated sourcing

Industry-leading
packaging solutions

Distribution

Logistic capabilities

Last-mile coverage

Top management
hands-on delivery

Marketing

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Consumer data capture

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Top management
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Marketing

Content creation

50:50 digital / offline

Brand recognition

Follow Up

55 – 60% of
transactions are
repeat customers

Recommendations

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Reduce costs related to supplier and leverage strong logistics

Financial Analysis

Recommendations

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Financials

Attract customers through simple products and upsell to furniture

Revenue: INR 2.5Bn

Transactions: 300K

Décor: 20%

INR 500M

3rd party
Furniture

INR 700M

Furniture
80%
INR 2Bn

House
Brands

INR 700M

Studios

INR 500M

200K

43K

43K

14K

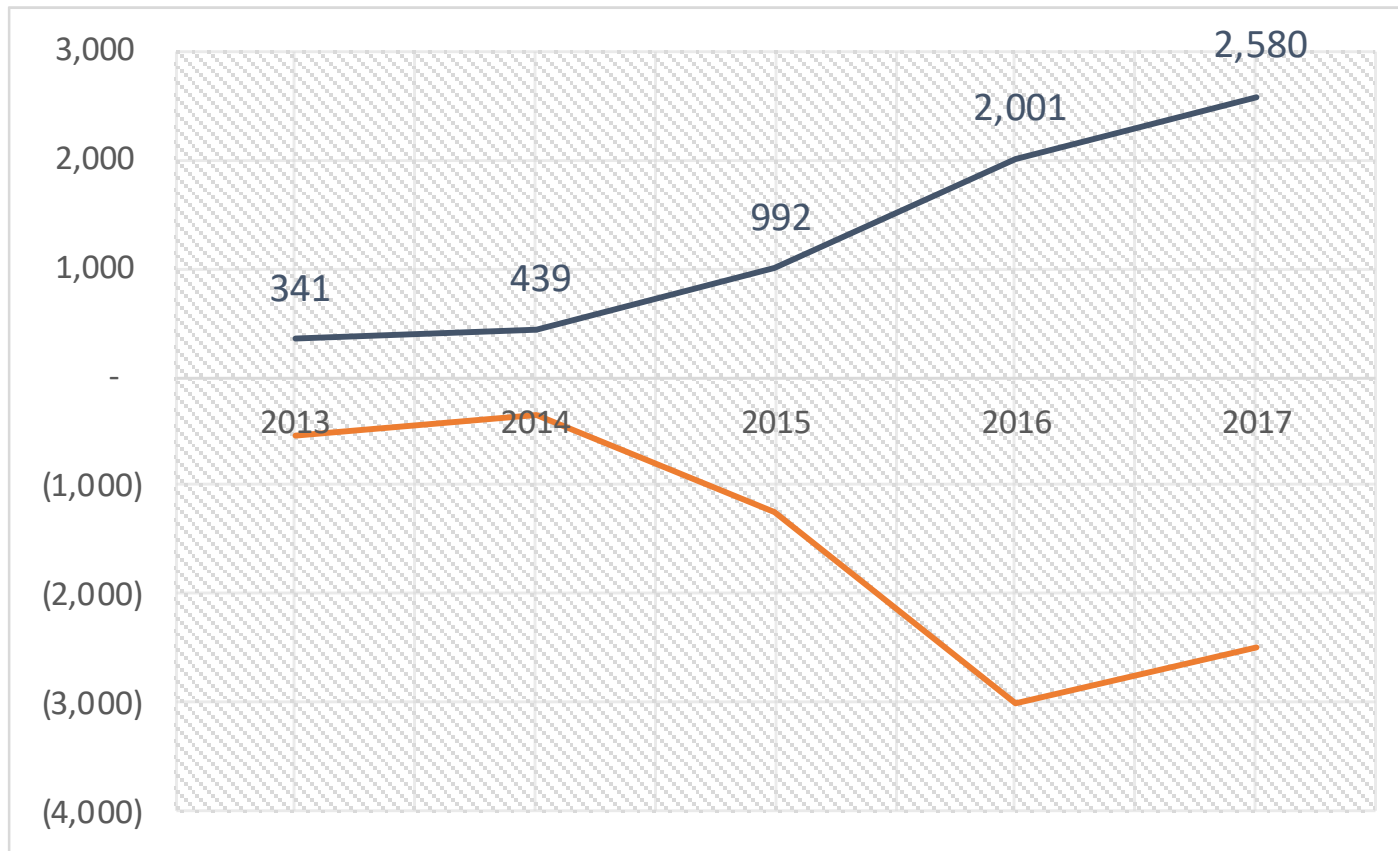
- Entry Point
- Lot's of suppliers
- Low Basket Size: INR 2.5K

- Value Added
- Possibility to streamline
- Large Basket Size: INR 18K/36K

Concentrate on value added products and simplify supply chain

Business still losses money in line with revenue growth

Revenue and Losses



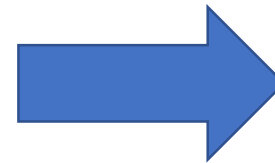
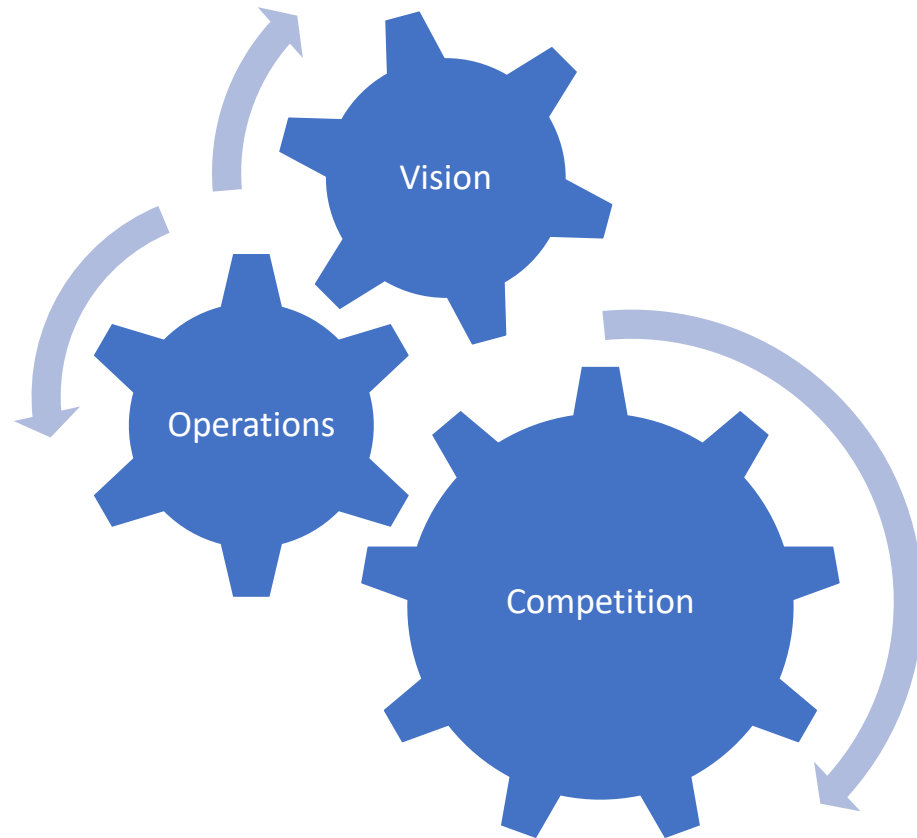
Profit Ratio: -96%

**200K customers
12,900 INR rev/customer
5,000 Acquisition cost**

Turnaround the business with value added products and simplification

Alternatives

No profit resulting from reliance on retail



Supply Chain

- Costs too much to organized disorganized marketplace

Revenue Streams

- Current revenue streams do not overcome costs

Competition

- New competition entering the home décor and furniture market

Evolve business model

Recommendations

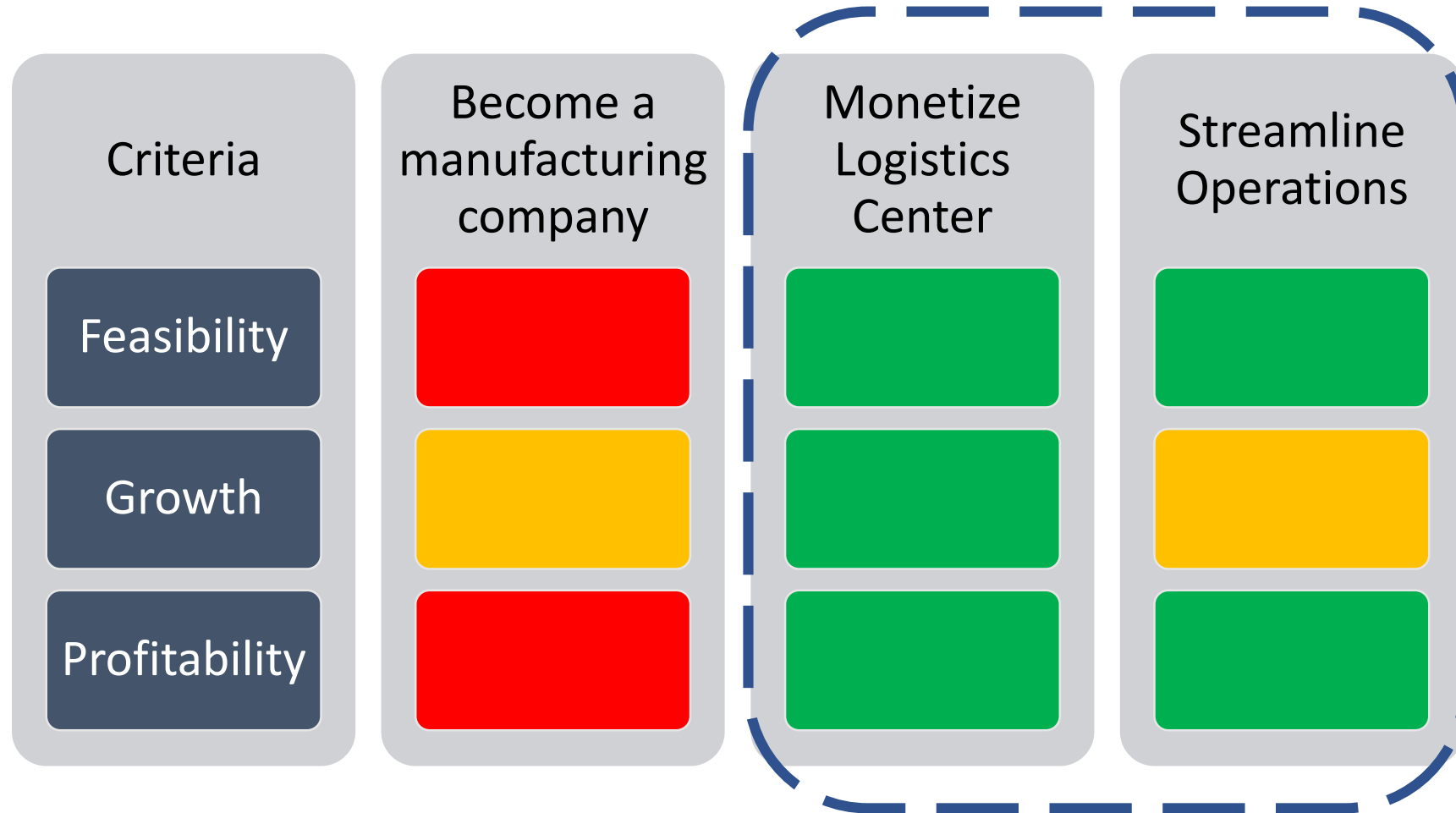
Analysis

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Financials

Enter B2B Marketplace



Position for growth by simplifying supply chain

Recommendations

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Risks can be mitigated

Risk

Mitigation

Contingency

Suppliers
stop working
with you

Source other
suppliers
with

Retrench and
grow house
brands

International
Competition

Marketing of
artisanal
furniture

Reposition
and change
catalogue

Lack of
capacity for
logistics

Add more
trucks

Retrench and
return to B2C

Implementation Plan

Recommendations

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Financials

Leverage capabilities to evolve business model and drive revenue

Revamp supplier
relations

Position to serve
growing middle class

Diversify revenue
streams

Our plan will keep Pepperfry.com as industry leader and forge path to profitability

Recommendations

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Implementation Plan at a Glance

2019

2020

2021

2022

2023

Revamp supplier relations

Reduce # suppliers

Set list of suppliers

Privilege Program for seasonal designers

Co-creation design feature on app

Position to serve growing middle class

Tech/Smarthome product offerings

Trust program to increase revenue per customer

Digital campaign to target profitable personas

App-based loyalty program

Diversity revenue streams

Offer B2B logistics: trucking, pick-up services

20 studios

26 studios

Immediate action is needed to decrease costs and maintain business viability

Recommendations

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Implementation Plan at a Glance

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Break Even

IPO: 8bn INR 2000
INR per share
4m shares

Diversity revenue streams

20 studios

26 studios

Offer B2B

Immediate action is needed to decrease costs and maintain business viability

Cut costs by changing sourcing structure

Top 20% of suppliers

Privilege program for seasonal designers

Pepperfry to provide design

Co-creation of designs on website

Variety: Limited run seasonal designs through unique collaborations

Value: Use data and crowdsourcing to identify popular design trends

Reduce first mile pick-up costs

Reduce supplier training and set-up costs

Maintain oversight and offer in-demand products at a lower cost

Recommendations

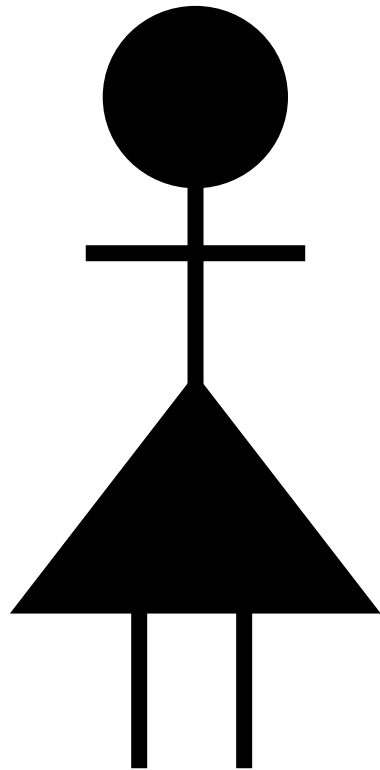
Analysis

Alternatives

Implementation

Financials

Target profitable personas through expanded catalog and digital marketing



Young professional

Busy

Digital nomad

Latest trends



Product portfolio: audio, video, home theatre, smart-home devices

Targeted digital campaign based on lifestyle: Facebook and Instagram (videos, content, influencers)

Targeted digital marketing is best way to reach your consumers

Recommendations

Analysis

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Financials

Customer engagement through loyalty and trust programs

Loyalty Program

App-based: sign-in required

Point-based: \$1 = 2 points

Trade points for discounts or
digital interior design
consultations

Trust Program

100-day full money back
guarantee

Encourage product testing

Small percentage of returns

Relationship-building will keep consumers loyal as competitors enter market

Recommendations

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Financials

Introduce new revenue stream by leveraging logistics capabilities

Hire 2 sales
people



Offer long-haul
services,
pickup services



Increase
revenue



Target: Hometown

New key activity will provide additional revenue and maximize asset utility

Recommendations

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Financials

Maintain studio expansion plan: 46 studios in ~2 years

2019: 20
studios



2020: 26
studios

Additional studios showcase expanded product offerings and send strong signals prior to IPO

Financials

Recommendations

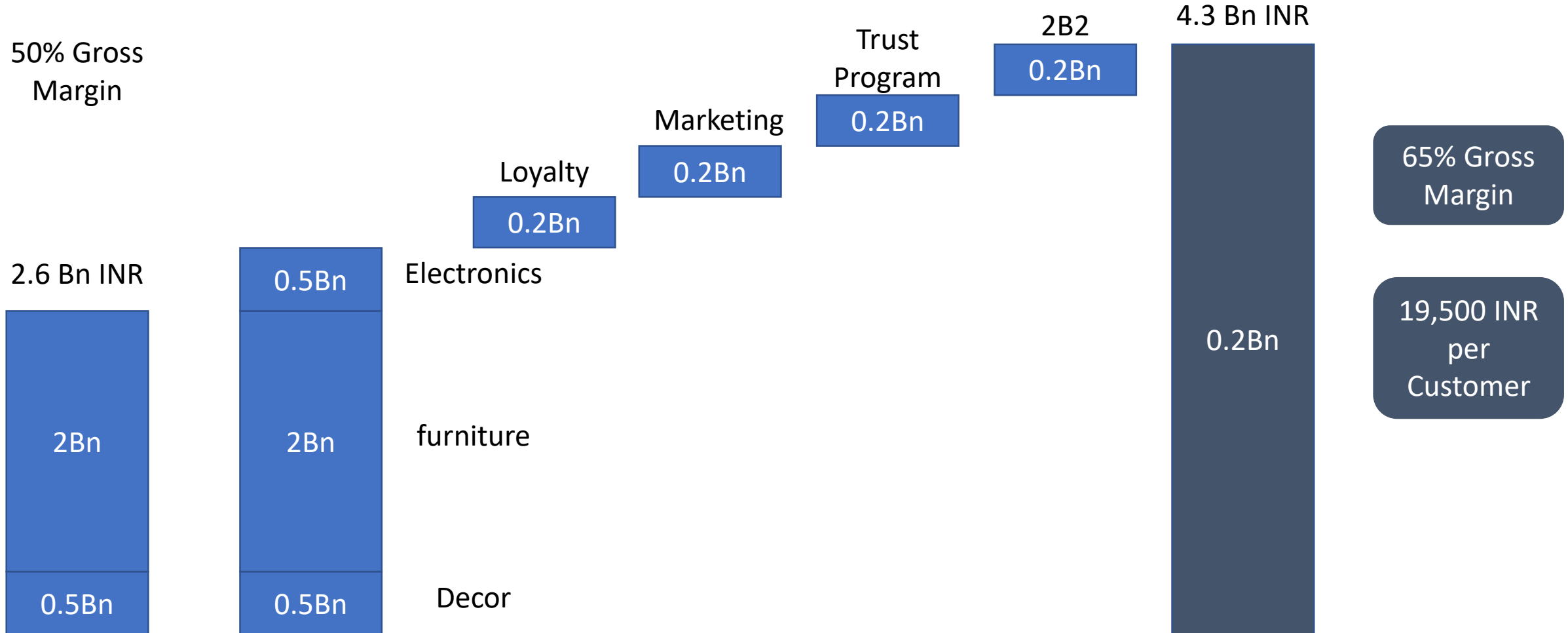
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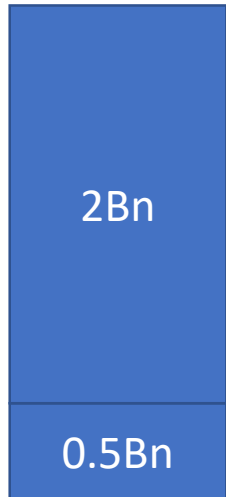
Financials

Diversify and expand revenue sources



50% Gross Margin

2.6 Bn INR



0.5Bn



Electronics

furniture

Decor

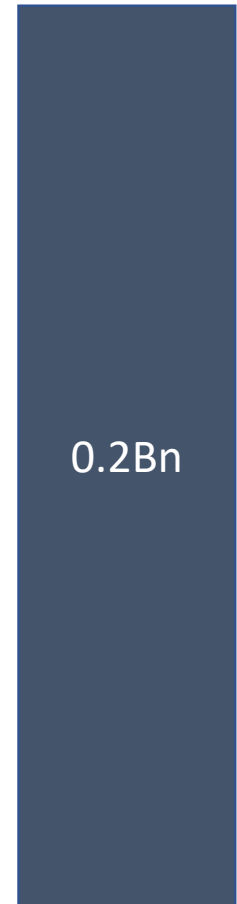
Loyalty
0.2Bn

Marketing
0.2Bn

Trust Program
0.2Bn

2B2
0.2Bn

4.3 Bn INR



65% Gross Margin

19,500 INR per Customer

Improve profitability by simplifying operations and expanding revenue sources

Year 1 break even and ready for sustainable growth

	2018	2019	2020	2021	2022
<i>Revenue</i>	4.3	6.4	7.1	7.8	8.6
<i>Cost</i>	1.5	2.2	2.5	2.7	3.0
<i>Extra Cost</i>	0.1	0.2	0.2	0.2	0.3
<i>Overheads</i>	2.7	4.0	4.4	4.8	5.3
<i>EBITDA</i>	0	1.25	1.6	2.1	2.6

IPO:

Value: 8Bn INR

2K INR Share Price

4MM Shares

Q&A

JMSB Consulting

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