

# Building the Pepperfry portfolio

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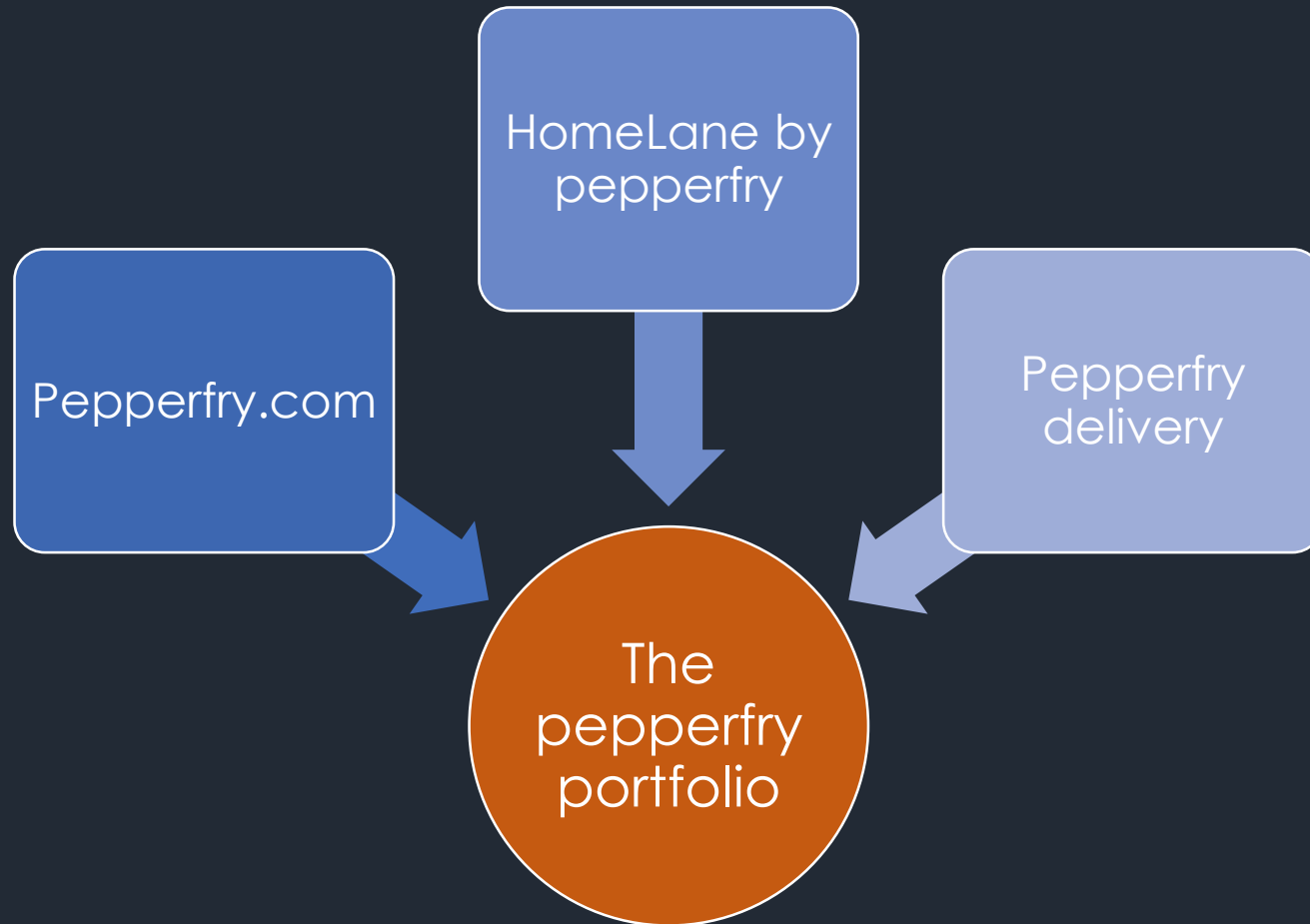
**Presenting to:**

The Board of Pepperfry

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“To stay the same you need to change”

# Creating a powerful portfolio to hedge market position



- Leveraging core competences
- Focusing brand identity
- Creating strong position to resist global competition

# Portfolio growth resulting in financial uplifts



# Agenda

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# Situation as of right now

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## Pepperfry

Disruptive  
startup

Integrated  
supply  
chain

Capitalizing  
on growing  
digital class

# How did we end up here?

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Growing online market in India

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graph TD; A[Growing online market in India] --> B[Technology capturing fragmented market]; B --> C[Major global players coming into India];
```

Technology capturing fragmented market

Major global players coming into India

# Main current challenges

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## Profitability

- Positive EBITA in 12-15 months

## Market position

- Keep market leadership

## Brand focus

- Leverage brand differentiation



## Main Challenge

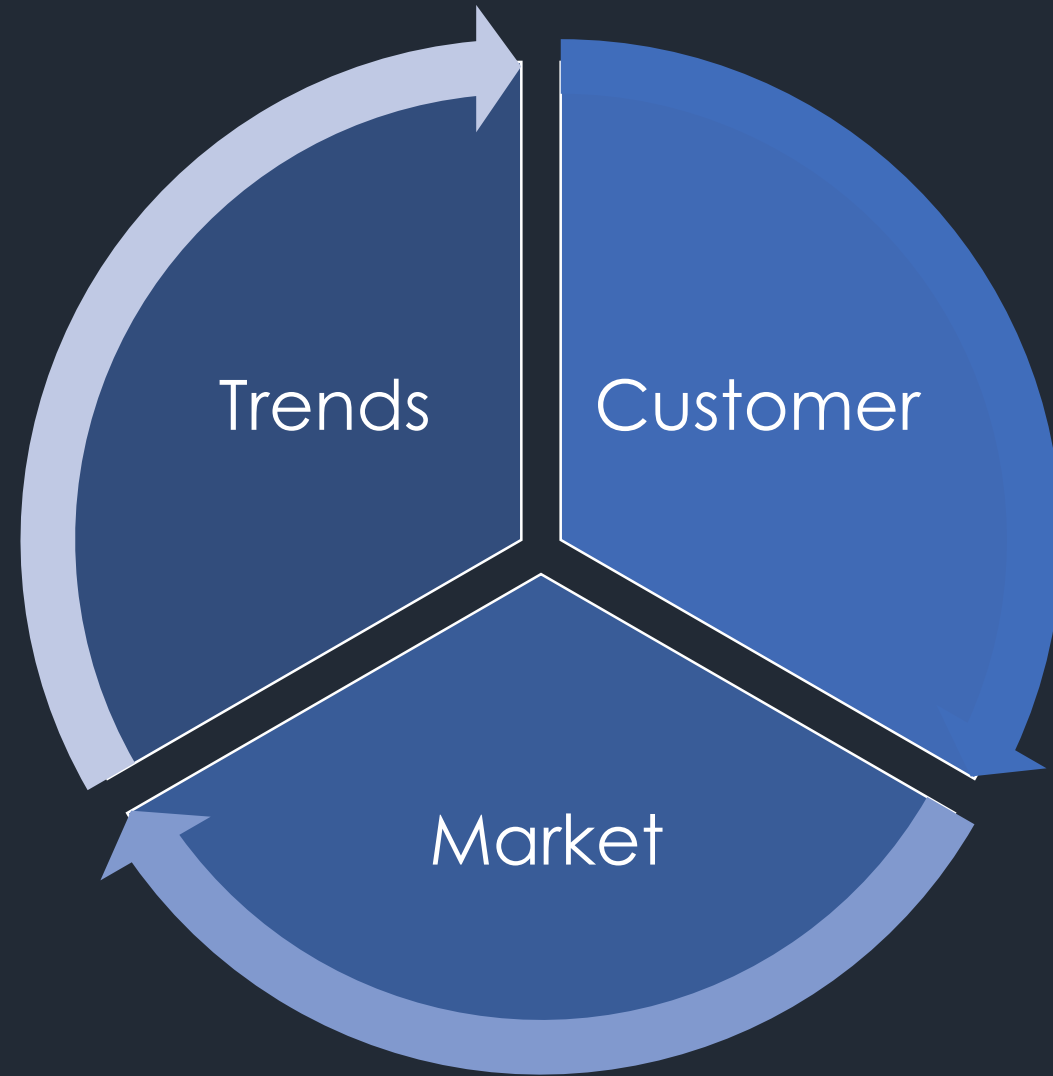
- How can Pepperfry drive stable bottom line growth to sustain competitive advantage in a changing market

## Recommendation

- Creating the Peppery brand portfolio: Driving curated Indian heritage furniture, private label furniture and delivery as a spin off.

# The analysis outlook

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Situation

Analysis

Alternatives

Recommendation

Implementation

Financials

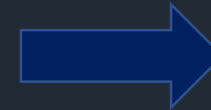
Risks

Conclusion

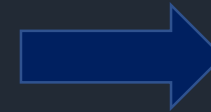
# Starting with the customer



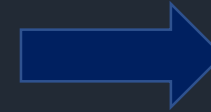
- Young professionals in growing urban areas
- Tech-savy, m-commerce friendly
- Growing desire for interior design and homed furnishing



- 55-60% repeat purchases



- +60 NPS



- Behavior synergies with secondary target group

# Market forces of a growing Indian furniture industry

Consumers  
demanding more  
quality and shorter  
lead times

Market value  
\$35b (2020)



Consumers  
demanding more  
quality and shorter  
lead times

Online penetration  
Prognosis 121 million  
shopper (2020)  
CAGR: 10%

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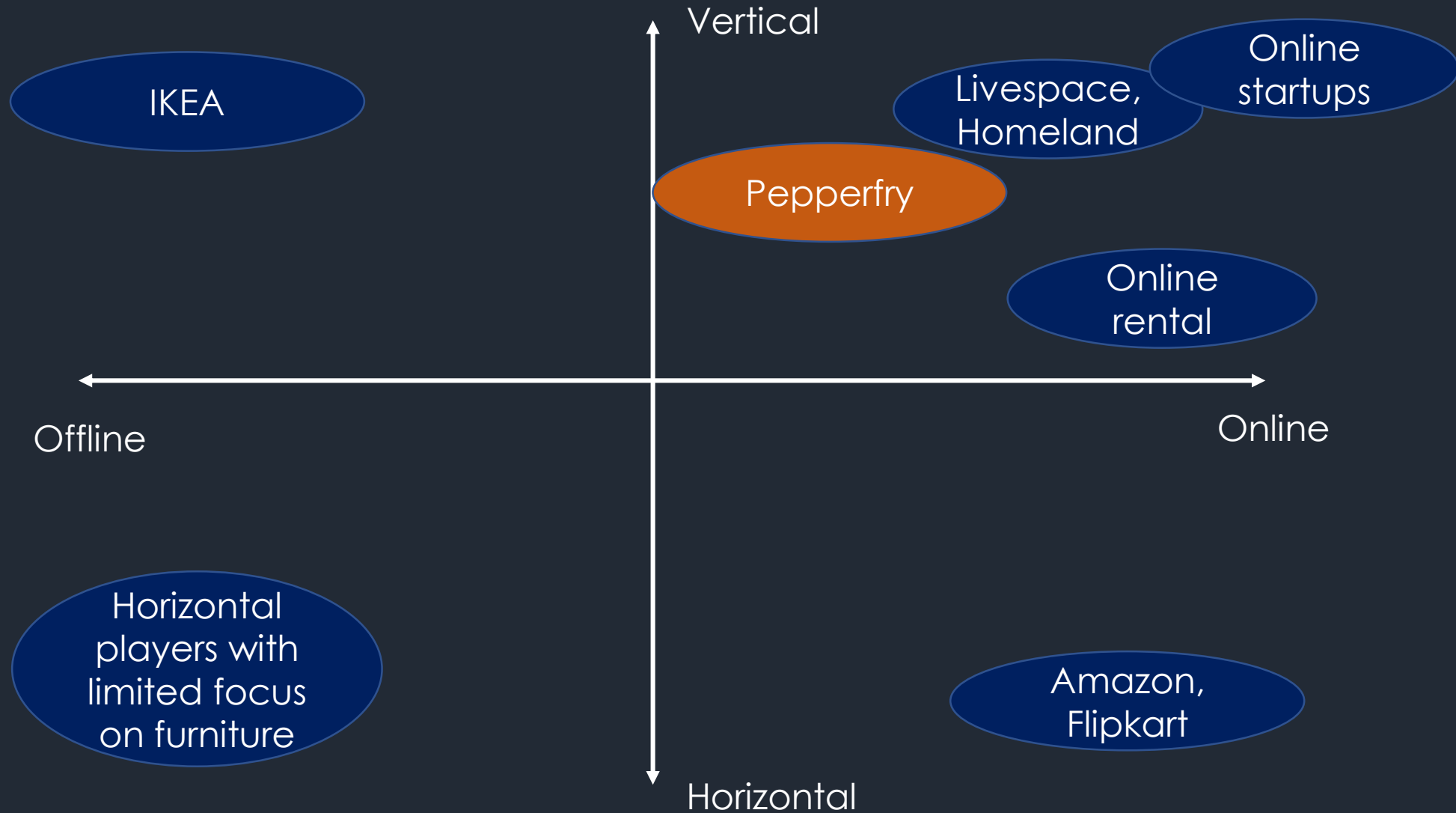
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# First glance on the Indian competitive landscape



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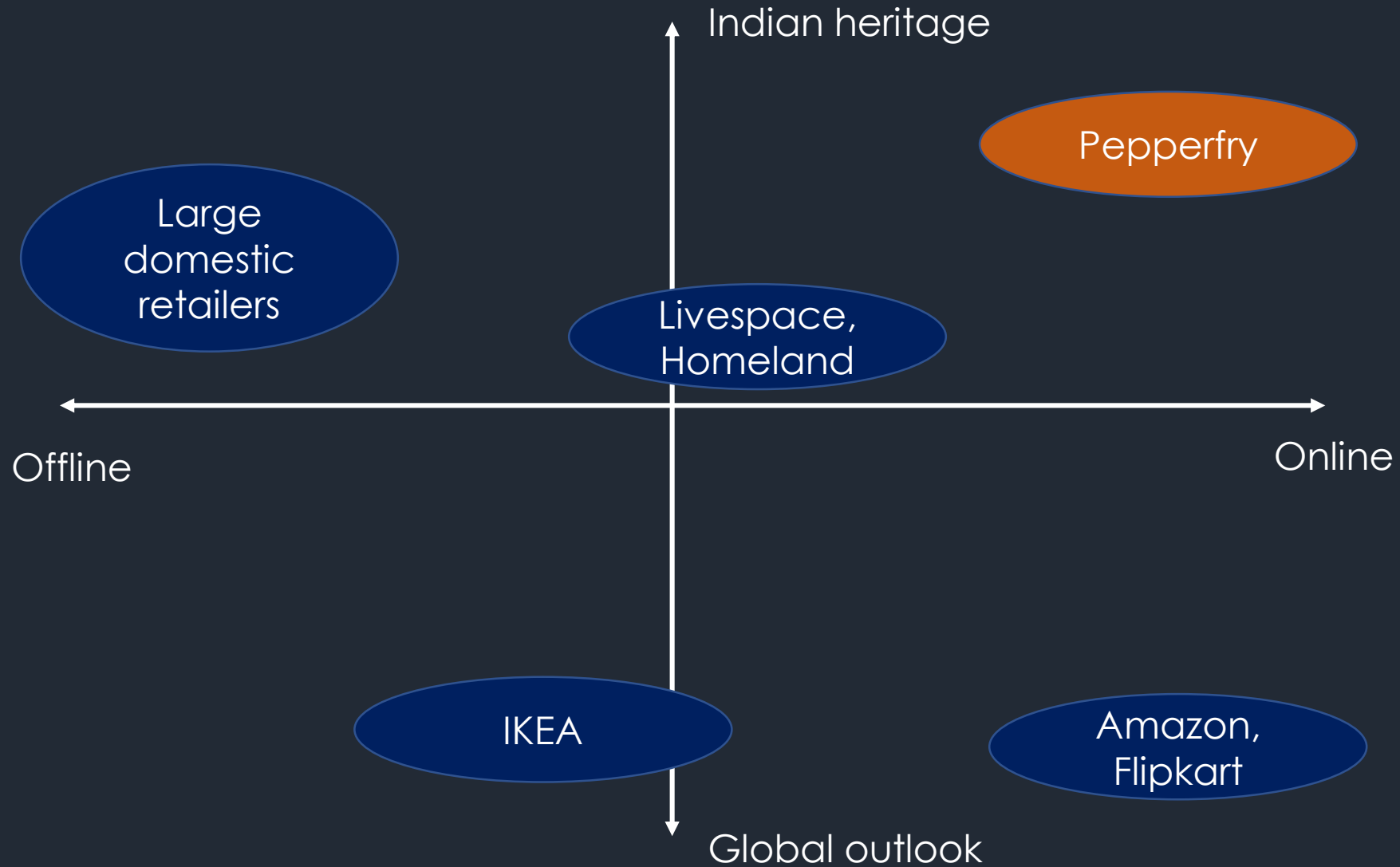
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# Building Indian heritage as competitive advantage



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# The possible routes forward

## Vertical integration

- Driving value chain synergies by acquiring manufacturers and driving bottom line

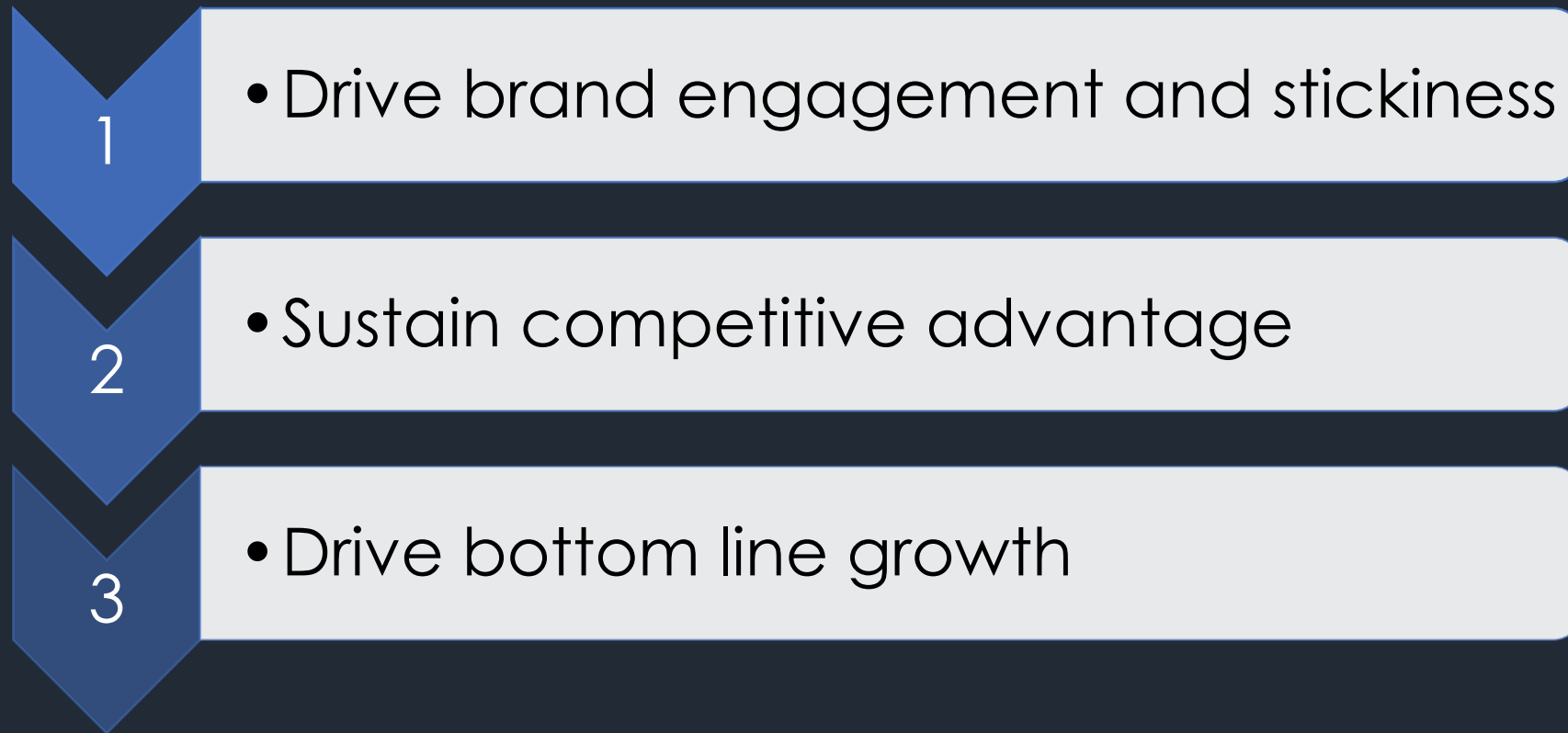
## Private label

- Tracking consumers behavior and developing private label (house brand) accordingly

## Build portfolio

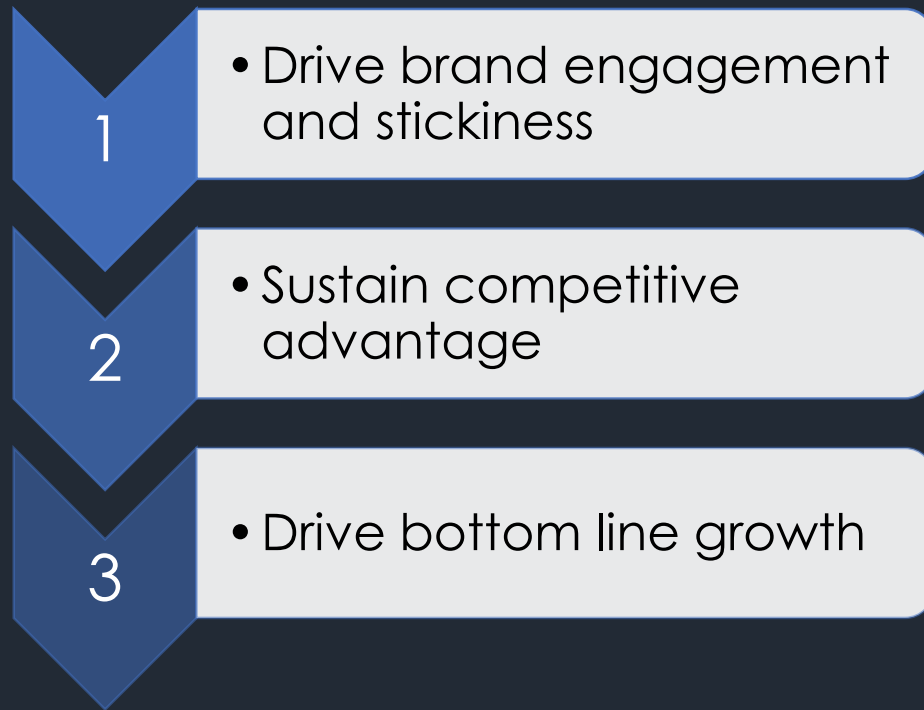
- Refocus Peppery to Indian heritage, drive private label through separate acquired brand and create spinoff with big box delivery

# The evaluation criteria's for alternative routes





# Evaluating the routes forward for Peppery



Vertical integration



Private label



Brand Portfolio



# Building the Peppery portfolio

## Main Challenge

- How can Peppery drive stable bottom line growth to sustain competitive advantage in a changing market

## Recommendation

- Creating the Peppery brand portfolio: Driving curated Indian heritage furniture, private label furniture and delivery as a spin off.

# Explaining the recommendation in three steps

Refocus pepperfry to Indian heritage driving engagement through manufacturing stories

Aquire HomeLane to drive Pepperfry private labels through

Create Spin-off of Pepperfry delivery

## Key objectives

GMV: 7 fold  
Conversion rate: Increase 20%

Synergy: INR 57 Million

Being no 1 in large box distribution

# The three implementation building blocks

GMV: 7 fold  
Conversion rate: Increase  
20%

Synergy: IHR 63 Million

Being no 1 in large box  
distribution

Refocus  
Pepperfry brand

Homeland by  
Pepperfry

Pepperfry  
Delivery

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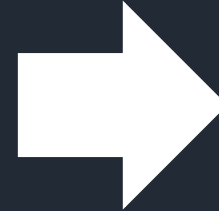
Conclusion

# Seperating Peppery from House Brands



- Peppery “For India, by India”
- Integrate housbrands by aquiring HomeLane
- Marketing
- IT
- Video campaign
- Bloggs
- Website content
- Designer story
- 2 million
- 0.8 million
- 100.000

# Tech-driven Growth with acquisition



INR

- Acquire HomeLand & rename to HomeLane by Pepperfry
- Integrate 10 house brands into HomeLane
- Investment, bank, law firm & investors
- Post acquisition management
- Culture integration
- Synergy
- Showrooms in 10 cities
- 3D virtual platform
- 5% x acquisition
- Reconstructing 33 million
- Synergy 57 million
- Growth of synergy

# Grow B2C big-box logistic arm



- Prepare “big-box” department for spinoff
- Secure department manager
- Workshops
- Hub & Spoke distribution model
- Smaller cities
- 5 million manager salary
- Organic growth

# Timeline

INR	17/18	18/19	19/20	20/21	21/22
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# Timeline

INR	17/18	18/19	19/20	20/21	21/22
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Investments	17/18	18/19	19/20	20/21	21/22
Refocus Pepperfry brand					
Rearrange website	6,670,000.00				
Marketing	2,000,000.00				
<b>Total</b>	<b>8,670,000.00</b>		-	-	-

# Timeline

INR	17/18	18/19	19/20	20/21	21/22
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Acquisition of Homelane	17/18	18/19	19/20	20/21	21/22
<i>Acquisition price</i>	3,825,000,000.00				
<i>Reorganisation</i>	33,350,000.00				
<i>Integration of Housebrands</i>	33,350,000.00				
<b>Total costs</b>	3,891,700,000.00				-
<i>Synergies</i>	57,602,800.00	69,995,416.00	85,058,407.52	103,368,057.17	125,625,189.75
<b>Net costs</b>	<b>3,834,097,200.00</b>	<b>(69,995,416.00)</b>	<b>(85,058,407.52)</b>	<b>(103,368,057.17)</b>	<b>(125,625,189.75)</b>

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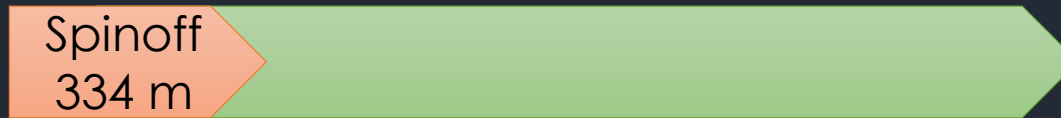
Financials

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# Timeline

INR	17/18	18/19	19/20	20/21	21/22
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Pepperfry delivery	17/18	18/19	19/20	20/21	21/22
<i>Spin-off costs</i>		333,500,000.00			
<i>Organisational matters</i>		5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00
<b>Total</b>		<b>338,500,000.00</b>	<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>5,000,000.00</b>

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# Implementation costs

Total investments	17/18	18/19	19/20	20/21	21/22	Column2
Refocus Pepperfry brand	8,670,000.00	-	-	-	-	
Acquisition of Homelane	3,834,097,200.00	(69,995,416.00)	(85,058,407.52)	(103,368,057.17)	(125,625,189.75)	-
Pepperfry delivery	-	338,500,000.00	5,000,000.00	5,000,000.00	5,000,000.00	
<b>Total investments</b>	<b>3,842,767,200.00</b>	<b>268,504,584.00</b>	<b>(80,058,407.52)</b>	<b>(98,368,057.17)</b>	<b>(120,625,189.75)</b>	<b>3,812,220,129.55</b>
<b>Total investments without synergy</b>	<b>3,900,370,000.00</b>	<b>338,500,000.00</b>	<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>5,000,000.00</b>	<b>4,253,870,000.00</b>

Total investments needed:  
IRN 4.3 bn

Funding: use 2.5 bn new  
funds plus old funds

Situation

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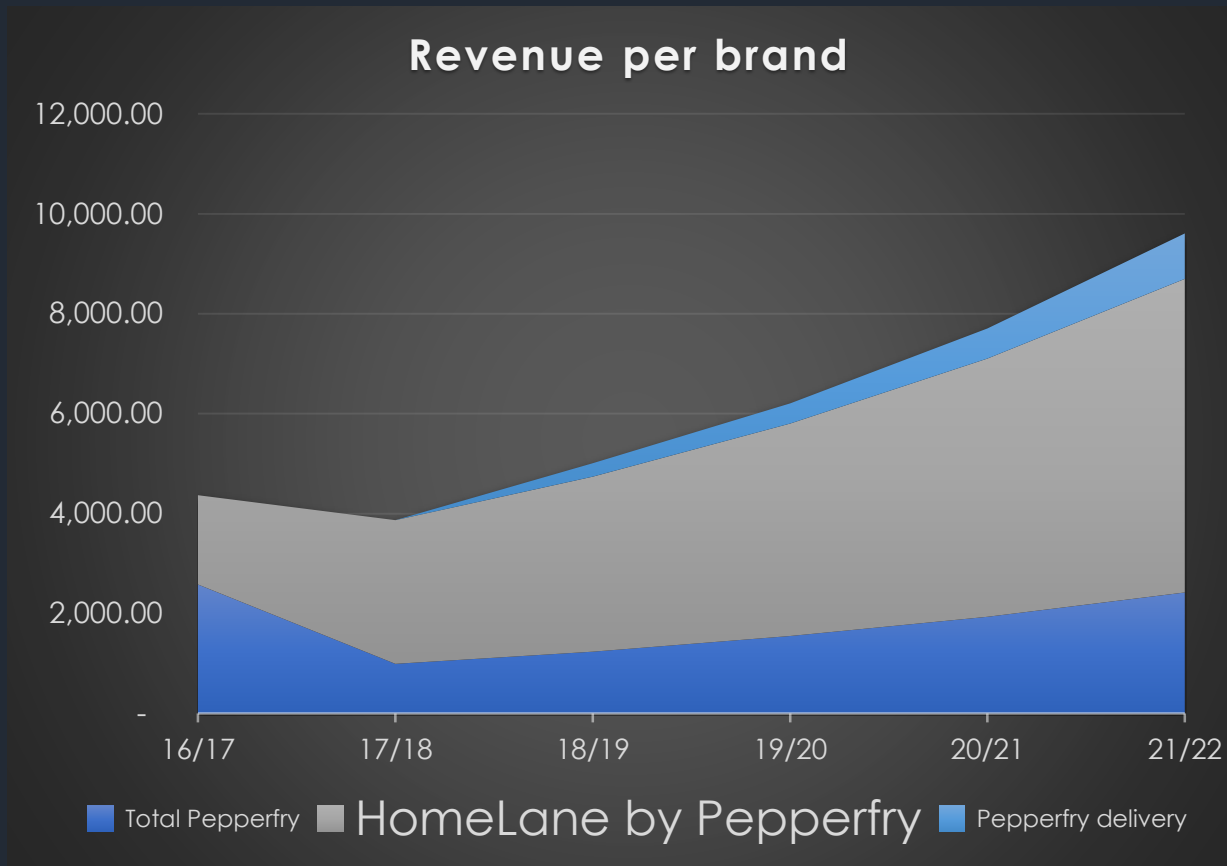
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# Revenue growth



Total CAGR of  
30%

IRN 10 billion in  
2022

Situation

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# Improving margins



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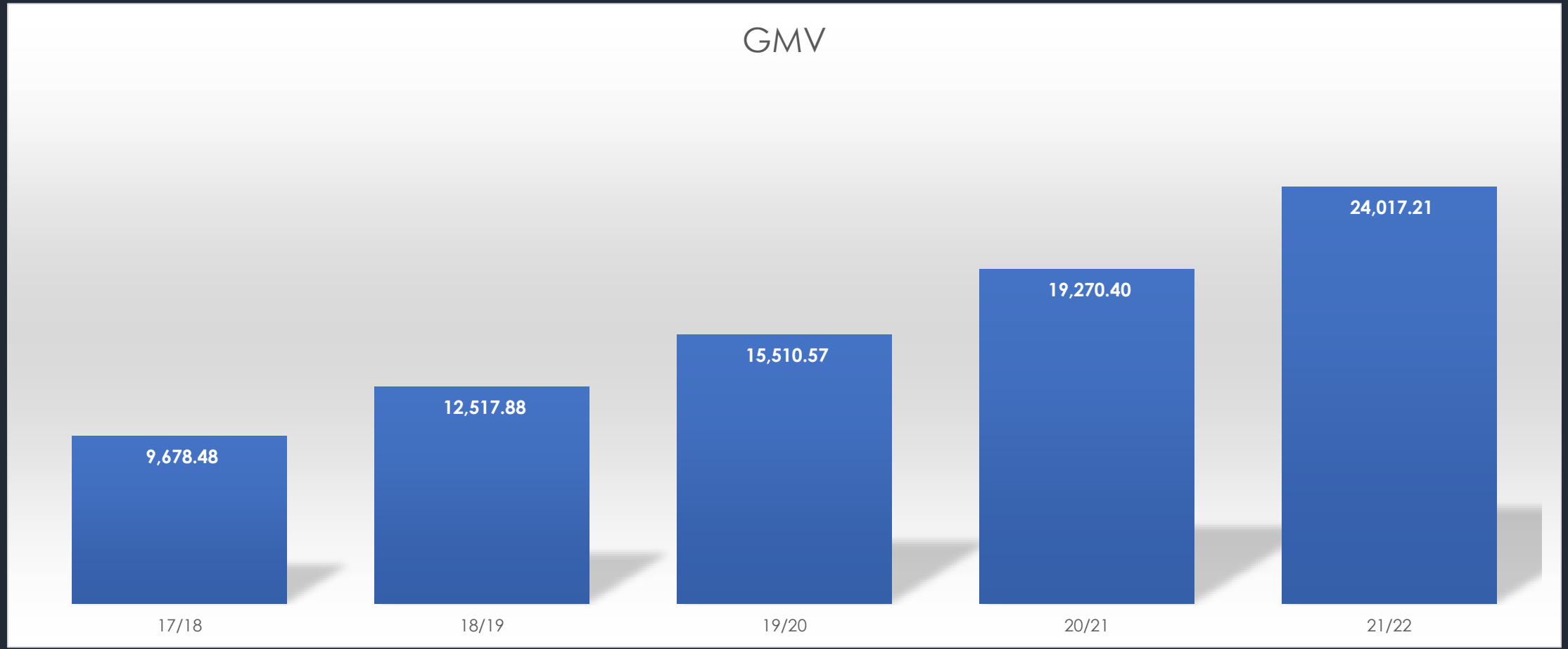
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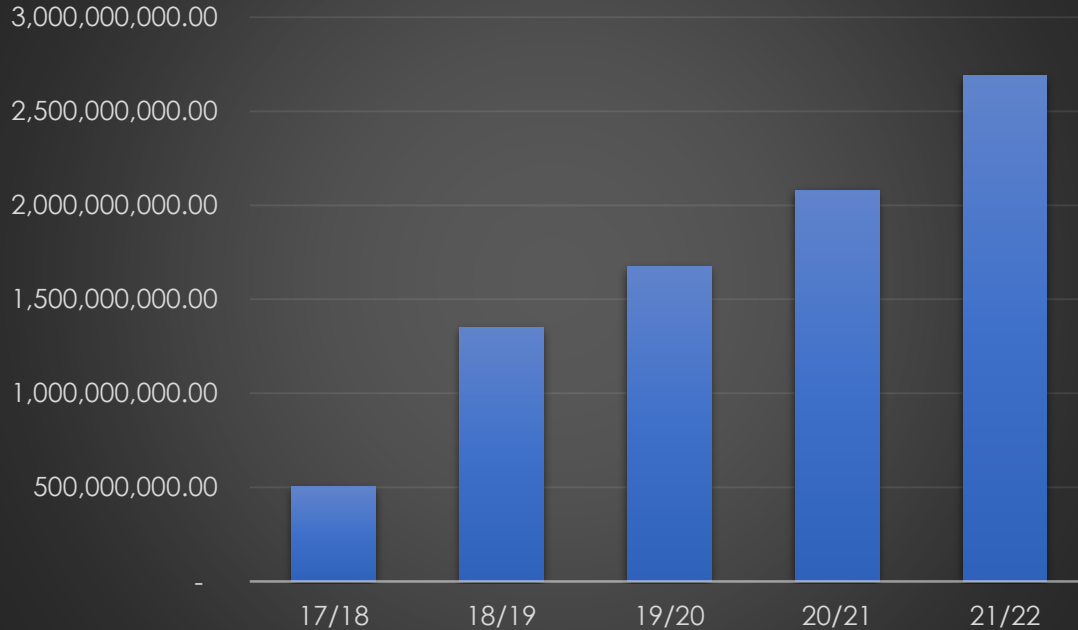
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# Increased GMV

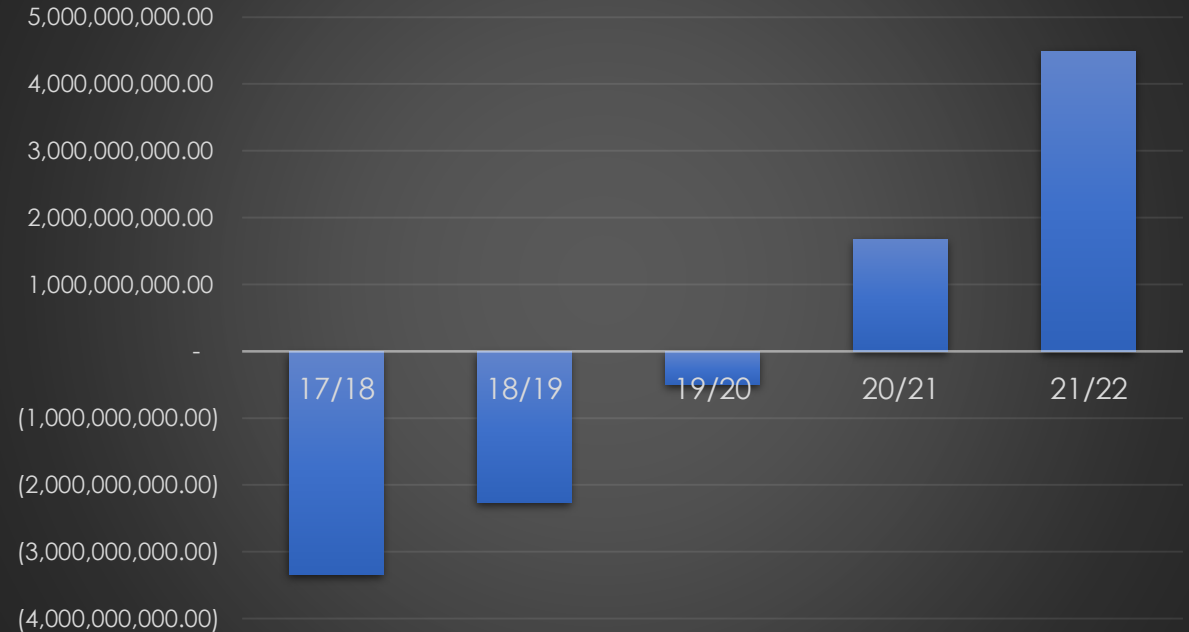


# Investments paid back in 3 years

## Profit



## Payback



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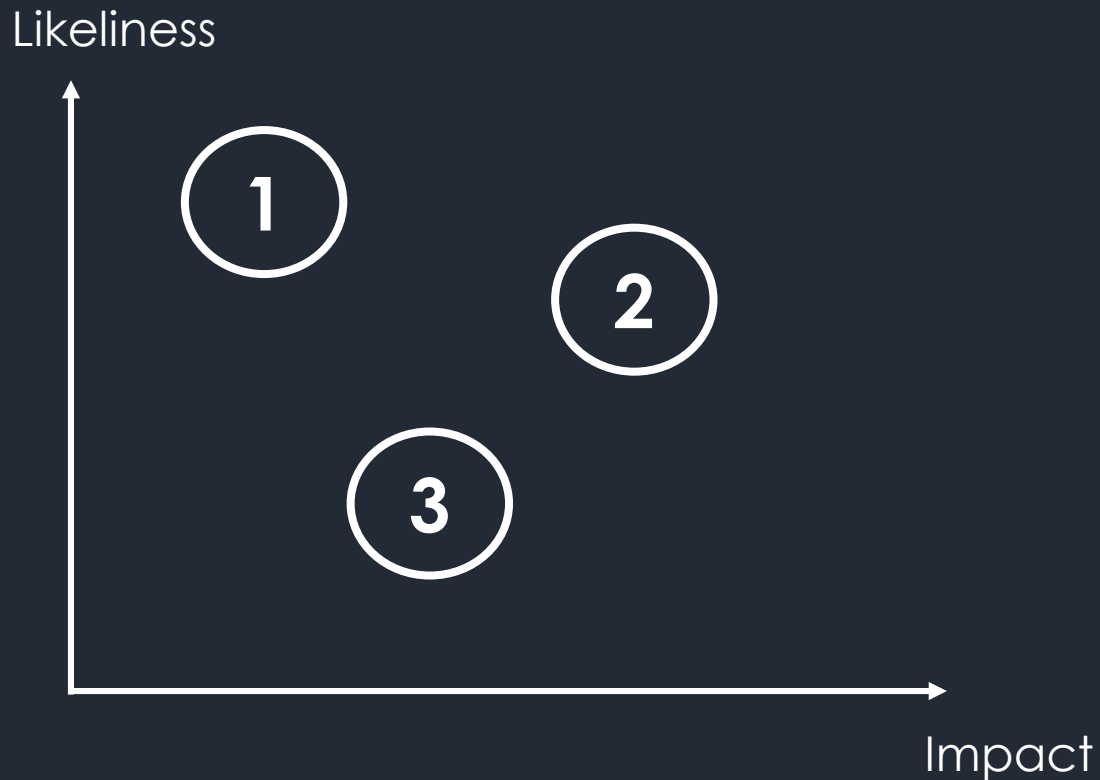
Financials

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# Building the Pepperfry portfolio



Risks	Mitigation
1. Employee resistance post acquisition	Invest in culture work
2. Investor impatience pre IPO	Driving stable growth through 3 separate entities
3. Malfunctioning brand cross synergies (Pepperfry and HomeLane)	Brandbuild as separate entities, benefit from internal consumer insight synergies

## Main Challenge

- How can Pepperfry drive stable bottom line growth to sustain competitive advantage in a changing market

## Recommendation

- Creating the Peppery brand portfolio: Driving curated Indian heritage furniture, private label furniture and delivery as a spin off.

# Current challenges catered with recommendation



## Profitability

- Positive EBITA in 12



## Market position

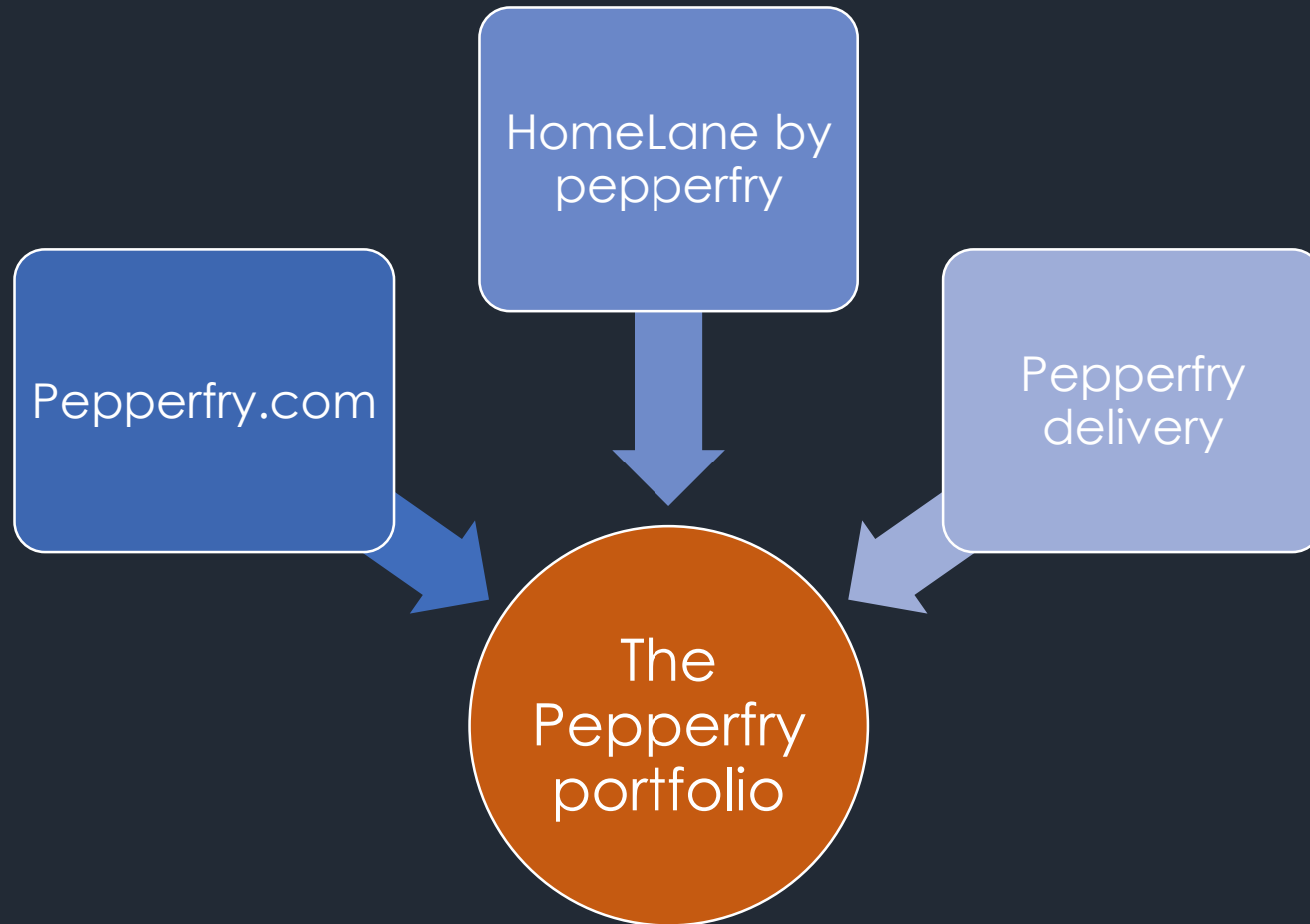
- Strong market portfolio position



## Brand focus

- Leveraging brand differentiation

# Creating a powerful portfolio to hedge market position



- Leveraging core competences
- Focusing brand identity
- Creating strong position to resist global competition

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“To stay the same you need to change”

# Appendix 1: Bail-out plan

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Divest in Homelane with existing private label portfolio

-> Reinvest:  
60% Delivery  
40% Peppery