

Pepperfry: Building a stronger India

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Our Recommendation

- ▶ Privilege Program: Grow program to 10,000 partners by offering 2-5% commission, host a preferred supplier conference yearly and invite our top 100 selling suppliers with networking opportunities.
- ▶ Lifestyle positioning: from #1 e-tailer of furniture to bricks and clicks for all life stages. Made in India marketing campaign.
- ▶ Suppliers – Pepper fry makes small businesses grow. Important to keep trust, help grow, building connections to our brand.

You asked:

- ▶ How could Pepperfr build and better utilize new revenue channels to pave the way to profitability and, eventually, an initial public offering (IPO)?
- ▶ How could it keep innovating to strengthen its position as an omnichannel powerhouse?
- ▶ How could it respond to competition from international entrants like Ikea and domestic platforms like Flipkart? Could the disrupter be disrupted?

Executive Summary

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Issue	Recommendation
Growth	Franchises: 30 new stores by 2020 in tier ½ cities near existing distribution centers Suppliers: Entrepreneurial, bundle/slotting fee non-house brands Customers: Increase basket size from INR 2500 Bundle/product recommendations, referrals, reviews, suggested items Rentals: Target university students with student line
Revenue Channels	Commission to members of Privledge program
Responding to Competitors	Strong first mover advantage buy growing physical locations
Innovation	Improve warehouse efficiencies through authomation warehouse tracking, Kanban levels with automatic reorder suggested discontinue, data analytics

10,000 foot view

- ▶ Delivery is a challenge in India
- ▶ Standardization and transparency on product, quality and pricing
- ▶ Tight cost control
- ▶ Helps small non-branded suppliers reach consumers

Assumptions

- ▶ Current supply chain software in place with re-order ability
- ▶ Customer data entered everytime they enter a physical store whether or not purchase an item
- ▶ Return policy and warranty in place
- ▶ Assume privilege program's biggest market is 40-50 year old
- ▶ Assume app and website are mobile-friendly and effective for reaching suppliers as well as customers
- ▶ Assume small brands are interested in being house brands
- ▶ Assume 77 rupees to \$1 USD
- ▶ Assume growth-hacking principles AARRR

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A new beginning

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KATHLEEN

Where are we now?

- ▶ Grew the online furniture business
- ▶ Growth stage
 - ▶ Growth rate of 65% CAGR to reach 2.58 billion
 - ▶ Still experiencing overall losses

Bridging the Gap

Suppliers

- Provide the products for customers
- Pepperfry: Sets them up, get them on their feet

Bridging the gap:
Value and Variety



Customers

- Provide new products out of their physical reach
- More value and variety to their lifestyles

Industry







- ▶ Word of mouth and trust are critical to success
- ▶ Have a local customer
- ▶ It is a 90% unorganized, highly fragmented, non-standardized and largely non-branded
- ▶ Only 1% online

Relationships are key

- ▶ People buy from who they trust
- ▶ Who they buy from
- ▶ What they buy

- ▶ Who they do business with
- ▶ How they engage in business

Decision Criteria

	Growth	Future Valuation	Competition
Deep			
Breadth			

Deep – Home Decor and Furniture

- ▶ You have the expertise
- ▶ Need to focus to grow
- ▶ Complementary products and have not exploited it fully
- ▶ Keep developing trust
- ▶ Grow franchises

DO NOT DO – Broad

- ▶ Spread yourself to thin
- ▶ Will have variety but will it add value?



STOP!!!

DO NOT DO – Go international

- ▶ Need to focus on home country and fix issues within first before diversifying



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Filling the empty spaces

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Snapshot

	2013	2014	2015	2016	2017
Revenue	341	439	992	2001	2580
Loss	(541)	(362)	(1255)	(2992)	(2486)
GMV	582	642	2202	5122	6500
CAGR		29%	126%	102%	29%

Gross margins	45 to 55%
Contribution margins	25%
Costs	33%
Marketing costs	800 to 100 million INR

**FIVE-YEAR
CAGR 65%**

FUNDING

Proposed revenue channels

Home decor

Average sales price	% of revenue	% of transactions
INR 2,500	40%	%

Slotting fees

For not house brands

Furniture

Average sales price	% of revenue	% of transactions
INR 18,000	40%	0%

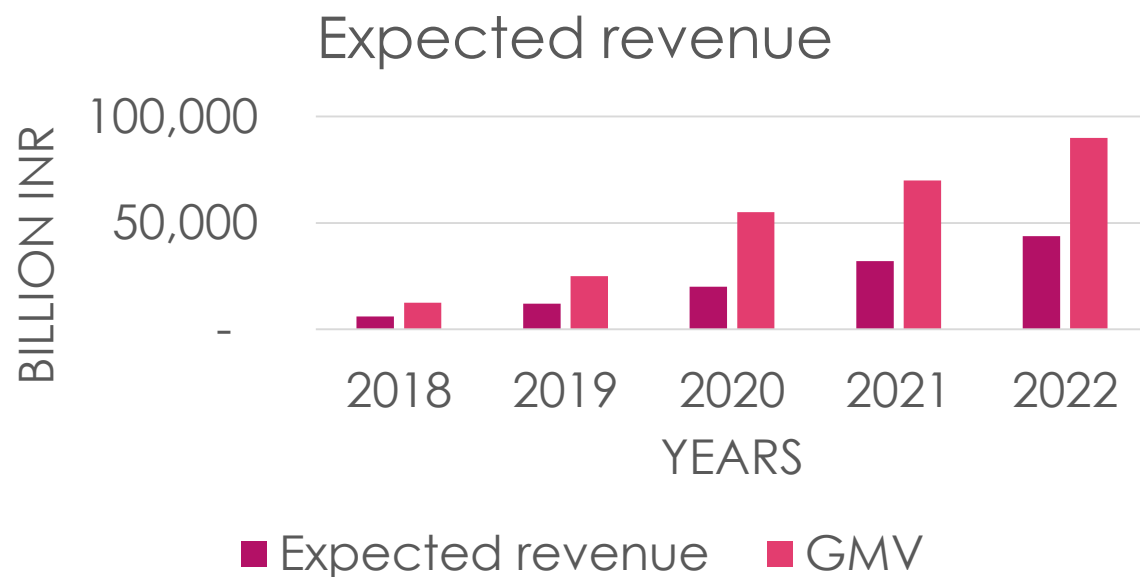
Furniture rental

Average rental price/ monthly	% of revenue	% of transactions
INR	20%	40%

Cost of implementation

- ▶ Marketing costs: 150 million
- ▶ Supplier conference
- ▶ Distribution automatization:

Expected performance



**EBITDA
MARGIN
17%**

Out of the box

- ▶ Create a financial arm to help franchisees- spin off
- ▶ 5 years IPO
- ▶ 3RD party logistic operations
- ▶ Robotic process automation

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Adding Charm

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MORGAN

Pepperfry.com a solution for life

Rental Market

Existing
Pepperfry.com
website

Privilege Program

Pepperfry.com website recommendations

- ▶ Word of Mouth is Key in Industry
 - ▶ Testimonials of customers and suppliers
- ▶ Increasing basket sizes
 - ▶ Product recommendations and reviews
 - ▶ Discounts for when you buy multiple products
- ▶ Adding pages for Rental and Privilege programs

Implementation: Building a Stronger India

- ▶ Adding page to website “Building a Stronger India”
 - ▶ Obtain bank loans
 - ▶ Educate on raw material procurement
 - ▶ Forecasting
 - ▶ Hiring the right people

Implementation: Made in India

- ▶ Using existing digital marketing channels and communicating the message of “Made in India”
- ▶ Increasing overall sales, of non house brand and house brand products
- ▶ House Brands
 - ▶ Provides great cost savings
 - ▶ Ties into government plan of Made in India campaign which provides manufactures with subsidies for making products in India

Implementation: Suppliers/Merchants

- ▶ Great model for building suppliers / merchants already
- ▶ Communicating this via your website will allow Pepperfry.com to attract new suppliers
- ▶ How to retain existing suppliers?
 - ▶ Annual Supplier conference
 - ▶ Top 100 sellers on the website
 - ▶ Continues education opportunities
 - ▶ Builds on the model of helping suppliers grow

Implementation: Growing Franchises

- ▶ Experience and feeling product is key in Industry
- ▶ Franchises provide a great model to allow customers to experience the product and build trust
- ▶ 30 new stores by 2020 in Tier 1 and 2 cities
- ▶ Achievable for existing team to source as franchise success will attract new potential franchise applicants

Risks and Mitigation

Risk	Impact	Probability	Mitigation
Cybersecurity	M	H	<ul style="list-style-type: none"> • 2 factor authentication • Internal processes • Digital twins
Franchise Standards	M	M	<ul style="list-style-type: none"> • Policies and Procedures • Cancellation clauses
Pepperfry.com brand reputation	M	M	<ul style="list-style-type: none"> • Vetting new supplier products prior to launch
Logo on 3 rd party trucks	M	M	<ul style="list-style-type: none"> • Brand standards contracts • Ensuring

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Making it feel like home

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MORGAN

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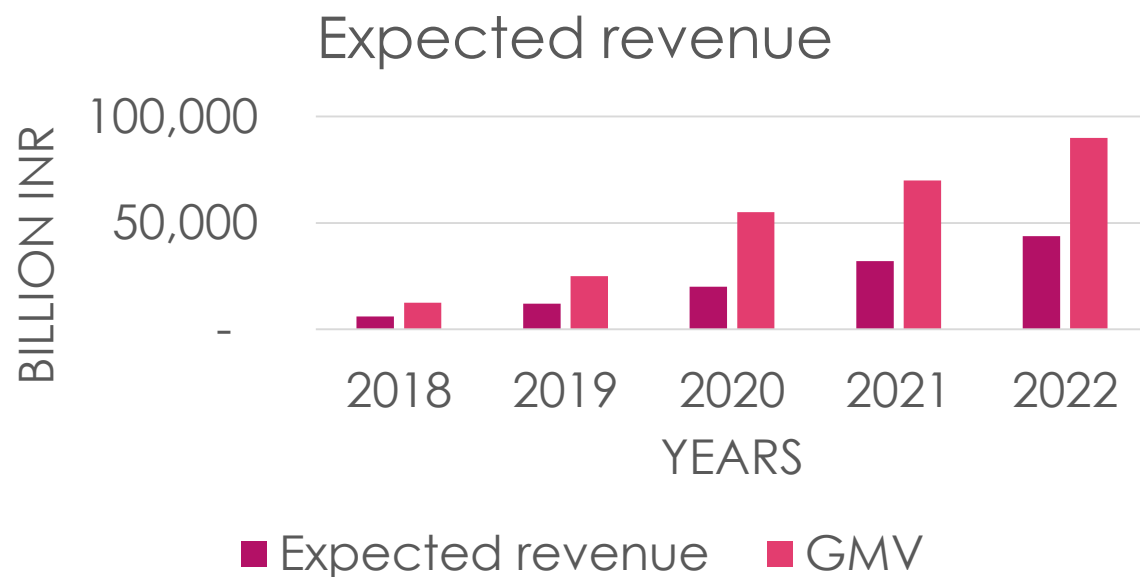
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Pepperfry.com a solution for life

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