Pepperfry – the omnipotent furnishment company with the largest multi-industry delivery service

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Driving Question

How can Pepperfry grow further and retain its leading position?

Challenges

- Reach profitability
- Stay ahead of competitors
- Appeal to a broader customer base
Use your logistics network as largest B2C deliverer to increase profitability

Recommendations

- Offer tailor-made products
- Expand franchise network
- Launch marketing campaign to appeal to younger people
Agenda

Analysis → Evaluation → Recommendation → Implementation → Outlook
Pepperfry.com

- Vertically integrated furniture online retailer
- largest B2C delivery system
- Marketplace for unorganized SMEs
  → great variety of products and production possibilities
- First mover

Build strategy on these existing strengths
Products and goals

- **Decor and Utilities**
  - 35-50% share of revenues expected
  - As initial purchase, customers are 50% more likely to buy furniture in next 12 months

- **House brands**

- **Offline stores**
  - 35-40% share of revenues expected
  - Target customers who repeatedly visit website but don’t buy
    - Double sales

- **Furniture rental**
  - Target young professionals

**Great goals – we encourage and show you how to reach them**
Different customer base

**Trend for decorative visuals**
- 450-480mn internet users → 90-100mn shop online → 25-30mn target group of young professionals

**Young urban professionals**
- Self expression
- Moving to cities
  - Require quick furnishing
- Move often → great for rental system
- Open for content & influencer marketing

**Traditional Families**
- Don’t want to drive far
- Wait for tailored products
- Skepticism about quality

Serve both groups with their different requirements
Supply Chain and Logistics

You are the largest B2C retailer – make use of it!

- Don’t keep inventory
- Produce items for requests
- Online sales as primary business → gained broader customer base

Costs are 8-10% of total product
Complete control

1. Long-haul transportation width → contracts with transporters

2. Last mile delivery
   - High frequency network of 400 vehicles and more contracted partners
   - Damage rate <2%
   - Route planning algorithm
   - First time delivery rates of 92%
## Entering of competition

<table>
<thead>
<tr>
<th>Competitor</th>
<th>Strengths</th>
<th>Weaknesses</th>
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</table>
| Pepperfry    | • Low prices<br>• Quality products<br>• Huge variety of products<br>• Small suppliers<br>  
  • Able to tailor products<br>• Loyal due to your great services |                                                                          |
| IKEA         | • Low prices<br>• Low quality products<br>• Limited products<br>• Standardized own products |                                                                          |
| Amazon       | • Range of prices<br>• Limited variety                                      |                                                                          |
| Others       | • Rather standardized products<br>• No rental systems                    |                                                                          |

Build on your strong existing structures and differentiate from the competitors
Revenues and Costs increased heavily
Business in unprofitable however the loss is relatively decreasing
Costs are very high, also because of investments – however fixed costs stable short term wise
Change in Sales decreased from 100% (2016) to 30% (2017)
Target: Positive EBITDA in 12\18 months

Revenues need to be increased in order to cover the costs
GMV increased steadily

- GMV increased on a high scale
- Target for 2020: INR 50,000 Mn (600% growth)
- Monetarized GMV decreased over the past years (Rev\GMV)
- But: However 40% is a high value
- An increase of the price is always dangerous

Growth options need to be evaluated in order to increase GMV and revenues
Decisions to face by Pepperfry

#1
How to reach new revenue streams with existing capabilities
- Extend Packaging
- Extend Logistics

#2
How to differentiate from competitors + appeal to a broader customer base with your product portfolio
- Stay vertical + deepen
- Go horizontal + broaden
Decision Criteria

Sustainable growth
→ increase GMV seven-fold

Expected benefits
→ increase in revenue
→ target broader customer base

Financial feasibility
→ reach a positive EBITDA

Cultural fit
→ in accordance to value proposition
Alternatives #1 - new revenue streams

- Corrugated box manufacturing
- Innovative packaging solutions
- Fast delivery rates all over India
- Fast upscaling
- Delivery via logistics network especially large item distribution

Consult 360

Analysis Evaluation Recommendation Implementation Outlook
Decision Matrix #1

- **Extend Packaging**
  - Sustainable growth: 🟢
  - Expected benefits: 🟢
  - Financial feasibility: 🟢
  - Cultural fit: 🟢

- **Extend Logistics**
  - Sustainable growth: 🟢
  - Expected benefits: 🟢
  - Financial feasibility: 🟢
  - Cultural fit: 🟢

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**Analysis** | **Evaluation** | **Recommendation** | **Implementation** | **Outlook**
Decision Matrix #1

Extend Packaging
- Sustainable growth: Yellow
- Expected benefits: Yellow
- Financial feasibility: Green
- Cultural fit: Green

Extend Logistics
- Sustainable growth: Green
- Expected benefits: Green
- Financial feasibility: Green
- Cultural fit: Green
Alternatives #2 - product portfolio

Reach broader customer base by offering tailored products

Stay vertical + deepen

Go horizontal + broaden

Differentiate from competitors

Diversify

Unexplored growth potential

Enter new market

Analysis Evaluation Recommendation Implementation Outlook
Decision Matrix

- **Stay vertical + deepen**
  - Sustainable growth: Green
  - Expected benefits: Green
  - Financial feasibility: Green
  - Cultural fit: Green

- **Go horizontal + broaden**
  - Sustainable growth: Green
  - Expected benefits: Green
  - Financial feasibility: Green
  - Cultural fit: Green
Decision Matrix

- Stay vertical + deepen
  - Sustainable growth: Green
  - Expected benefits: Green
  - Financial feasibility: Green
  - Cultural fit: Green

- Go horizontal + broaden
  - Sustainable growth: Orange
  - Expected benefits: Orange
  - Financial feasibility: Green
  - Cultural fit: Orange
Recommendations

Use your logistics network as largest B2C deliverer to increase profitability

- Offer tailor-made products
- Expand franchise network
- Launch marketing campaign to appeal to younger people
Implementation

What to do?

1. Logistic operations
2. Franchise
3. Expanding customer base
4. IPO
Use your strong logistic network for business expanding

supplier — Warehouses + logistics — distribution — consumer

**B2C und B2B delivery**
- Delivering goods with excellent network
- 98% on time shipping rate

**How?**
- Expand your long haul movement business by 20%
- Leasing of 300 new trucks

**Additional**
- Packaging for shipped goods

Revenue boost by 20-25% in 2019
Implementation

What to do?

1. Logistic operations
2. Franchise
3. Expanding customer base
4. IPO
Expand your franchise – 70 new studios

Where to go?
- 20 new studios around Jaipur, Nagpur and Chennai
- 14 studios in metros Kolkata Chandigarh Gurugram

Why?
- Many middle class income people in this areas
- Many young millennials

But demographic change has to be noticed

Franchisee-Recruitment
- HR experts starting recruiting events to find furniture experienced people
- Vision events
  - 4 events in every located city (e.g. Kolkata Mall)
- Recruited people will feel the variety and the potential of your brand

Benefit:
- GMV increase to 35 Million in 2019
- Revenue increase by 25-30% in 2019
Implementation

What to do?

1. Logistic operations
2. Franchise
3. Expanding customer base
4. IPO
Build a broader customer base

Catching younger people
- Marketing campaign with Priankra Chopra (Bollywood Star)
- 10 Meet and greet events in metro studios
- Online advertisement on Facebook
- Instagram Blog with Sunjay Gubta

Tailored products
- Own brands: Woodsworth tailored, Mintwud tailored
- Other suppliers can offer tailored products

Decor & Utility focus
- Increase decor & utility offers in studios up to 50%

Benefit:
- Adding younger people to customer base
- Focus on home decor 40-45%
- Further Selling potentials

Offer your variety to customers and suppliers to gain a high connectivity to both sides
Implementation

What to do?

1. Logistic operations
2. Franchise
3. Expanding customer base
4. IPO
Funding 2018

1.3 bn INR
Norwest Venture, Goldman and Zodius

IPO

2021-2023
Depends on corporate development

Next step:
Risk and Mitigation

1. Risk: Investors not willing to spend more money
   - Mitigation: Convince them with the profitability and potential of the new investments

2. Risk: Competitors grow faster as planned so that you get disrupted
   - Mitigation: new Business model enables enough potential to defend market position

3. Risk: demographic change
   - Mitigation: franchise system and addressing younger people
Roadmap

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Costs

- New funding round: 1.3 bn INR
- Expanding of the franchisee network: 35 mn INR
- Lease more trucks: 800 mn INR (3 years)
- Hiring of Influencers: 15 mn INR
- Start logistik offering:  
- IPO Preparations:  

Analysis Evaluation Recommendation Implementation Outlook
Future Outlook

Revenue vs. Net income

Revenue
-5000  0  5000  10000  15000  20000  25000  30000  35000  40000
2016\2017  2580  5289  10049  17586  24269  33491
2017\2018  -2477  -1587  100  528  1941  6698
2018\2019  
2019\2020  
2020\2021  
2021\2022  

Net Income

Return on Sales

ROS
-120%  -100%  -80%  -60%  -40%  -20%  0%  20%  40%
2016\2017  -96%  -30%  1%  3%  8%  20%
2017\2018  
2018\2019  
2019\2020  
2020\2021  
2021\2022  

Revenue  Net Income

Analysis  Evaluation  Recommendation  Implementation  Outlook
Challenges

How can Pepperfry grow further and retain it’s leading position?

- Reach profitability ✓
- Stay ahead of competitors ✓
- Appeal to a broader customer base ✓