

UNIVERSIDAD PANAMERICANA CONSULTING

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AGENDA

1. FACTS & PROBLEMS
2. ANALYSIS
3. ALTERNATIVES & RECOMMENDATIONS
4. IMPLEMENTATION
5. CONCLUSION

FACTS &
PROBLEMS

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ALTERNATIVES &
RECOMMENDATIONS

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CONCLUSION

FACTS

January 2012- Launch of Pepperfry.com Online Vertical furniture sale
+25,000 products

2018

- ✓ Largest e-tailer in India
- ✓ 80,000 products (Furniture & Décor)
- ✓ + 34 stores across India (7 Franchised owned)
- ✓ 5.5 million customers (55-60% repeated customers)
- ✓ 3 Warehouses
- ✓ 17 Distribution Centers
- ✓ 400 vehicles

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PROBLEMS

MAIN:

Retain market leading position.

SECONDARY:

- Build and Better new revenue channels
- Keep Innovating to strengthen position
- Respond to competition from international entrants

FACTS &
PROBLEMS

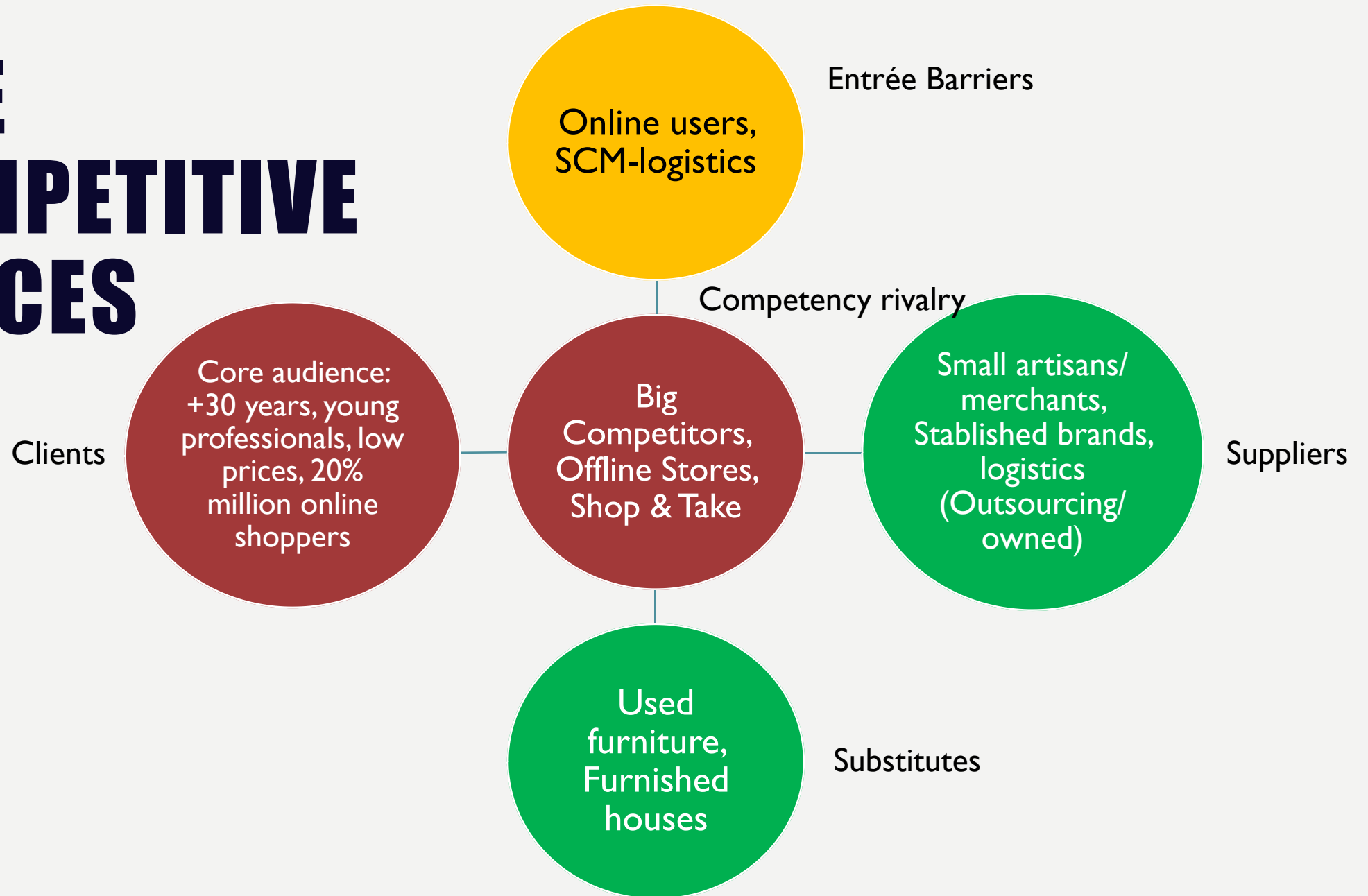
ANALYSIS

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FIVE COMPETITIVE FORCES



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S W O T

STRENGTHS

- National leader
- Experience in the market
- Delivery time (92% Clients available)
- Logistics Excellence (2% vs 6% damage)

WEAKNESS

- Suppliers Negotiation
- Online Marketing Expenses not generating big impact

OPPORTUNITIES

- Emerging Markets
- Franchises
- Furniture Rental
- Join Ventures / partnership
- In-the-moment shopping
- Younger market segment

THREATS

- Customers trust in online shopping
- New Competitors

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BUSINESS CANVAS

<p>KEY PARTNERS</p> <p>Furniture suppliers</p> <p>Specialist merchants</p> <p>Stablished brands</p> <p>Architects & Interior designers</p>	<p>KEY ACTIVITIES</p> <p>High control on supply chain</p> <p>Service innovation</p> <p>Focus on customer experience</p> <hr/> <p>KEY RESOURCES</p> <p>Algorithm (SC)</p> <p>Customer database</p> <p>Assets: warehouses and vehicles</p>	<p>VALUE PROPOSITION</p> <p>Furniture, home décor and utilities</p> <p>Curated marketplace</p> <p>Variety</p> <p>Value (great prices for high quality)</p>	<p>RELATIONSHIP</p> <p>Trust: packaging & delivery</p> <p>Inspiration: physical stores</p> <hr/> <p>CHANNELS</p> <p>Suppliers</p> <p>Pickup</p> <p>3 source warehouses</p> <p>7 distribution centers</p> <p>400 delivery vehicles</p>	<p>CUSTOMER SEGMENT</p> <p>100 million online shoppers</p> <p>30% young prof.</p> <ul style="list-style-type: none"> - Modern - Tech-savvy - Upwardly mobile - Metros - Self expression - Home conscious
<p>COST STRUCTURE</p> <p>10% in supply chain</p> <p>Franchises: 10% commission</p> <p>800 – 1,000 million MKTG</p> <p>50% TV</p> <p>50% digital (15-20% content)</p>		<p>REVENUE STREAM</p> <p>Sales commissions (order value)</p> <p>45-55% Furniture/HD shipped by Pepperfry</p> <p>15-20% Furniture/HD no shipping</p> <p>lower Utilities</p>		

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ALTERNATIVES

Tailor-made
furniture

Pick Up in
Store

Workshops
(Customer
Experience)

Shop & Take

Subscription

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IMPLEMENTATION

- Double Showrooms
- Subscription plan (Rental dpt)
- Pick Up in Store (Inventory, Personnel)

- Subscription Update (1 month trial, Quality control dept)
- Furniture Replacement program (\$, Funding's)

- New Market: selling used furniture (\$, R&D, Mkt)

1

2

3

4

5

- Tailor Made (Agreement Supplier, Web Update)
- Workshops (Agreements suppliers, Mkt)

- Partnerships with House Brands (Agreements)
- Opening of showrooms (Investors)

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CONTINGENCY PLAN

In case entering competition re shapes market....

Implement physical store sales:

- Best-Sellers
- Only central stores

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KPIS

Financial:

- Sales Volume
- # Transactions
- Operations Registry

Marketing:

- NPS (65-70)
- Page views
- Conversion
- Loyalty (Re-purchase)

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FINANCIAL ANALYSIS

	2013	2014	2015	2016	2017
Revenue (INR)	341	439	992	2,001	2,580
Growth	-	28.7%	126.0%	101.7%	28.9%
Profit/(Loss)	(542)	(362)	(1,255)	(2,992)	(2,486)

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FINANCIAL ANALYSIS

Category	Expected Rev. %
Furniture (Inc. offline studios)	70%
Décor and utilities	35%
Rentals	5%

Assumptions		
	Décor	Furniture
No. of listings	70,000	10,000
Avg. Selling Price (INR)	2,500	18,000
Daily GMV	175,000,000	180,000,000
Yearly GMV	63,875,000,000	65,700,000,000
Conversion rate	1-2 weeks	2-6 weeks
% Gross Margin	30%-50%	45%-55%
Contribution Margin	Aprox. Half	Aprox. Half

Target market	25-30 million	
Registered customers	5.5 million (22%)	
Transactions	60% Repeat customers	70% Décor
	40% New customers	30% Furniture
Active merchants	1,000	

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FINANCIAL ANALYSIS

		Scenario		
		Worst	Base	Ideal
Revenue	Décor	19,162,500,000	25,550,000,000	31,937,500,000
	Furniture	29,565,000,000	32,850,000,000	36,135,000,000
		48,727,500,000	58,400,000,000	68,072,500,000
Yearly conv.	Décor	26	35	52
	Furniture	9	13	26
% Conv.	Furniture	50.00%	66.67%	100.00%
	Décor	16.67%	25.00%	50.00%
Gross Income	Décor	9,581,250,000	17,033,333,333	31,937,500,000
	Furniture	4,927,500,000	8,212,500,000	18,067,500,000
		14,508,750,000	25,245,833,333	50,005,000,000
Contribution	Décor	4,790,625,000.0	8,516,666,666.7	15,968,750,000.0
	Furniture	2,463,750,000.0	4,106,250,000.0	9,033,750,000.0
		7,254,375,000	12,622,916,667	25,002,500,000

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FINANCIAL ANALYSIS

Additional investments required

Furniture rental department	3,000,000,000	3,000,000,000	3,000,000,000
Marketing	2,000,000,000	2,000,000,000	2,000,000,000
	5,000,000,000	5,000,000,000	5,000,000,000

Current costs

Marketing (Restructured)	1,000,000,000	1,000,000,000	1,000,000,000
Commissions (Franchise)	216,000,000	216,000,000	216,000,000

Expected EBITDA	1,038,375,000	6,406,916,667	18,786,500,000
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