

**Ambareesh Murty, Co-founder and CEO of Pepperfry**  
on  
**Critical business decisions: Moving from online to omni-channel**  
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**Ankur Warikoo (Host):** [00:05](#)

Hey everyone and welcome to season 2 of Building It Up with Bertelsmann. I am your host, Ankur Warikoo (Host) Warikoo and with me today is someone who has helped define what furniture has meant for all of India. Ambareesh Murty Murty is the founder and CEO of Pepperfry and he has indistinguishably built what I would call the most trusted and valuable furniture brand in this country.

He started off as the eBay country manager and in fact way before in Cadbury, where he in his admission learned the most from. He also served as the vice chairman of the IMAI (Internet & mobile association of India) and then he and Ashish started Pepperfry because they felt that the market was really big, unorganized and there was still a lot to do.

Thank you so much Ambareesh Murty for being part of this episode on Building It Up with Bertelsmann. It's a privilege to have you. You have built a terrific vertical e-commerce company and you've done it for several years now, but it's a really hard category to pick. Like furniture does not intuitively come to mind. It's a complex logistical nightmare. Custom furniture becomes this another problem. What got you into furniture into the first place?

**Ambareesh Murty:** [1:07](#)

So taking a leaf out of the stem, I wish I could say that, you know, there was a massive reason to do this, but I guess all businesses take from an entrepreneur's personality. And I am a homebody. I don't really, I'm the kind of guy who on a weekend doesn't go out party. You know, I sit, nice quietly read a book. So I love my sofa, I love my lamps. And I always figured that we didn't have enough of choice when it came to, you know, really doing up your home. The other of course are the, the good reasons, the large market and so on. So I think a combination of all of this and the fact that I loved the category that I operated suggested that I should, you know, be in the space and therefore I picked furniture.

**Ankur Warikoo (Host):** [1:48](#)

Awesome. And, what I love about how you've navigated through this journey is, you're genuinely taking the stand of a market leader, defining the standards that this industry needs to operate by. What I'd love to focus on today is the entire way you've gone about building your omni-channel experience for the customer. Go back to the days when you were purely online, people are clicking and buying and getting

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delivered and so on. What made you realize that possibly was not the only thing that the customer needed?

**Ambareesh Murty:** [2:17](#)

I guess there were two fundamental principles that we built our business on. The first principle was the fact that you know, when Ashish and I, my co-founder, we were starting up, there were three words we put on the wall so to speak.

The first word was Indian, the second word was honest and the third word was fun. And we said that we wanted to build a truly Indian business. We wanted to be honest with everybody in all our interactions and we want to have fun along the way. So what that kind of did was, that you know, actually decided our name. So pepper is something that we have been famous for ages. It's the reason why all of the trade routes from the West got discovered into India. It's also a very honest spice and the fry comes when you do the "tadka" and therefore Pepperfry. So what Indian, honest and fun decided for us was that we would think about approaching market fairly laterally, right? So we wouldn't potentially do the straight narrow, we would figure out as to what are the other ways we can actually access customers.

The second principle that we, you know, build the business on was the fact that I truly believe that it's the same customer. So, she could be on a mobile phone at some point in time, she could be on a laptop at another point in time, or she could be walking down the high street or going to a mall. And therefore, it's my duty as a business, to engage with her, in whichever way she wants to engage with me. And so therefore, in my mind, omni-channel isn't really a choice, omni-channel is inevitable.

**Ankur Warikoo (Host):** [3:42](#)

If there's one message already that someone can take away, it's the fact that the customer segmentation is looked upon as this necessary thing to do. But in my opinion, what's necessary is not customer segmentation, but used case segmentation. Because it's the same customer that navigates, in our case, it could be someone, who is deal hungry at some point of time, but looking for really high quality at the other end.

**Ambareesh Murty:** [4:02](#)

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Absolutely, otherwise if you make these fairly tight choices and you say, I'm only going to serve this person and not serve this one, it's almost like an entrepreneur's playing God. And in my mind, that's not, that's not the duty of a business. The duty of a businesses is to grow? You know, to take a leaf out of Gordon Gekko's book, or movie or line is "greed is good". And I think it's important for businesses to grow.

**Ankur Warikoo (Host):** [4:29](#)

So let's go back to the first store. I'm sure it was not an easy decision, as, as easy as you make it out to be and kudos for you to that. But the fact that you are an online brand, you set out to be an online platform and now you're going almost crazy by saying, we'll open up a physical store before anyone in this country has done that. How was that even imagined? What were the pitfalls that you watched out for? How did you go about doing it? And more importantly, how did you figure that was the right thing for the business over a period of time?

**Ambareesh Murty:** [5:02](#)

So, so we opened it as a pilot and that's actually a great way to approach a new thing.

**Ankur Warikoo (Host):** [5:07](#)

And which was the city?

**Ambareesh Murty:** [5:08](#)

Mumbai. And we opened it right below our office and we said, if nothing else works out, at least it'll be a great place for us to go interact with customers, get some research done and so on. So, the way we started was, we opened the first store, we had, we had a fairly clear idea of how we wanted it to look. We had a fairly clear idea that, you know, we never wanted to sell anything from these stores. They had to be showrooms/ experience centres.

We had a fairly clear idea as to what the look would be, and you know, the way we built it, we said, okay, what happens if, you know, people don't walk in and they don't want to come to an experience centre set up by Pepperfry. It's fine. At least, we will have category managers go there and work out of the store. We can have marketing folks going in and then work out of the store. So, I guess the way we sold it to

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ourselves, was that it's low risk. Right. And we open it as a pilot and, and the moment we opened it, I think, this was December of 2014, we saw great response.

We saw folks wanting to engage with the product. We saw customers walking in, we saw customers coming and telling us great stories of houses they've done up with Pepperfry products in the past. And we were just a three year old brand or two year old brand at that time. And then we opened a second one, which was, which is actually I guess our biggest store now, which is the Indira Nagar a hundred feet road store (in Bangalore) and which we opened in April the next year. So about three, four months from then. And we never looked back because, you know, these just took off.

**Ankur Warikoo (Host):** [6:40](#)

So this not only served as a great way for you to extend the distribution medium, it also in some way became a customer acquisition channel.

**Ambareesh Murty:** [6:48](#)

Yes, but not in numbers. So we, we've always thought about it as these help us build trust? So, our experience stores, because we don't sell from them, they effectively clear the trust threshold in a fairly high involvement category. And I think that's the pure reason for our stores to exist, it's not as acquisition, it's not for fly traps. I mean they're not fly traps, etc.

They are fundamentally to build trust. One of the interesting things you know is that, you know, that even though we have so many stores, about 30% of our business actually comes from people who have gone into a store in the last 60 days. So that means that 70% of our business actually continues to be entirely online. The other aspect is even those who go to stores, 85% of them, even, they eventually buy something on Pepperfry, don't have a product from the store in their carts. So it's not as if they are buying, you know, you have a lot of these things about touch and feel, and so on. That's not the reason behind the stores. That's not how the customers experience. It's trust.

**Ankur Warikoo (Host):** [7:48](#)

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I love that. I love that. And particularly in a, in a low trust economy such as ours. This is, this is the equivalent of a TV ad (advertisement) of sorts. When you, when you see a TV ad on the company, you suddenly feel “yeh company bahut badi”, I would trust it. It’s the equivalent of. Awesome. And the, the other big thing that you did, before it was any way cooler than what it is today is to start the marketplace model, which is just truly to say, I will not have inventory, I will not stock, I will not store and I will have this very nice superfluous platform of vendors from one side and customers. What got you to consider that?

**Ambareesh Murty:** [8:26](#)

I figured that I was building a business for scale. And as you look to build a business for scale, it's very important that you always keep your business inventory light. Like, let me give you an example. You know, the first couple of years I think we were, we got a lot of brick pats, for the fact that we were, we didn't carry inventory, our delivery timelines were longer than, you know, of competitors in our space, etc. Because we never kept the inventory with us. Right. And it would have been easier if we had done a new inventory based business. I would have been shipping stuff faster.

For the first couple of years they would have been, you know, I would have made greater margins. My processes didn't need to be as complicated in the sense that I didn't need to worry about getting products from a merchant and then shipping it out to a customer. I would've just done it out of my warehouse. I could have done things like offered Cod (Cash on Delivery) which, you know, incidentally we don't offer and you know, all of that would have been easier. The issue would have been three years from then and which is what we realized, right? So, which is what we were banking on. As you look to scale your business, if you are truly looking to build a mammoth business, you need variety. Right? One of the things that's curious about the furniture and the home interior space is that there is a, there is always no pareto. So it's like a, you know, typically businesses have a bell-curve, right? So 80% of your business comes from 20% of the SKUs that you have.

But in furniture and home interiors, there is no bell curve. So which means that in order to truly serve a large market segment, you need to have a large width of variety. Now you can't do variety when you are in inventory business, I mean that becomes really tricky. So what we wanted to set ourselves up for, was we able to provide customers from the variety, we obviously knew that we would not be able to do that out of inventory. So therefore, we created systems and processes around the marketplace, where we could provide the same degree of experience to customers, but without having inventory behind it. Right.

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And that's what resulted in scale because now I, what I realized then was I could serve multiple segments of customers without having, having to worry about, okay, am I losing myself in? Is the business not going to scale? And I think that's, that was the core reason behind going after the marketplace model.

**Ankur Warikoo (Host):** [10:34](#)

The other piece, which is always, at least as a customer, is when I think of furniture, I almost think of custom. I want my furniture my way. And you are particularly different in the fact that you don't do a lot of custom. That's my understanding. Did that mean saying no to some customer choices or did it mean that customers actually had so much of variety that they're custom fit into some standard products?

**Ambareesh Murty:** [11:00](#)

So that was the principle. I mean, I said, okay, a person would look for a custom couch if they didn't get enough choices and couches by themselves or sofas. So if I were to provide you, two thousands sofas to select from, odds are, whatever you want, is going to be already available. So the principle was, you provide so much variety that the customer would not need to go custom. Right.

The other thing, one customer, and we dabbled in it from time to time, right? The entire principal or the, entire thing about customers, you know, customers are sweethearts. They are, you know, great. And they are always Kings and Queens. However, very often they wouldn't know what they truly want. Right? So you might have this vision of what you expect a cabinet to be like and you could describe it quite clearly, but eventually when it comes out exactly the specs that you laid out, it might be a lot different than what you had thought it would be. So it's that "mera vala cream problem". Right. And I do not know when you're building a business to scale, whether that's a part of the experience that you can actually cater. I mean, you can actually do something about. So better not to be in that segment. And that's, that's the decision we made.

**Ankur Warikoo (Host):** [12:08](#)

The other pieces around the vertical e-Commerce. We've had some really well established horizontal players, the Amazons and Flipkarts of the world. And then they also have a furniture category, they also have a XYZ category. How do you look at that and how do you think that the customer looks at it?

**Ambareesh Murty:** [12:27](#)

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So I think the customer has a lot of value for specialists. Especially when it comes to high involvement category. It's a parallel that always comes to mind is when you have a cold, you go to the general practitioner who's right next to your house. But if you, you know, unfortunately might have broken a leg, you'd go to an orthopedic, right? Because there is a value to the specialization. It's a far higher involvement. And I think the customer in, in a high involvement category looks for specialists and looks for differentiation, right? So we are a specialist.

Now what does the specialist really bring to the table? The specialist brings to the table the fact that they need to have a wider variety, they need to provide a better experience, they need to do that at better places, and they need to do that with immense product knowledge. And I think those four other things that we have built around ourselves, which we could sort of speak called moats, which help us keep our business in an advantage position, irrespective of who else is there. And I think that's the way we've always approached it. So if you think about it, I mean, we work with organized merchants, right? Most of the products that sell on typical horizontals tend to be branded products. Now furniture India is not branded. So therefore, let's take a basic thing like quality assurance, quality assurance is actually Pepperfry's responsibility. It's our responsibility that we need to put the processes in place such that quality is standard. Even though we are a marketplace, right? It's not a problem that you faced selling mobile phones or digital cameras.

Think about a simple task like merchandising. Getting a product live on site, getting an electronics product live on site, images are available, attributes are there, all of that. The chances of getting a furniture product live on site in India, the odds of us being the first ones to get that image ever into the virtual world are very high. And so therefore, the degree of merchandising and the kind of, let's say integration of merchandising you need to do is vastly superior to everybody. And then of course, you are the supply chain. I mean it's, you know, horizontals have great supply chains. They have extensive reach, but it's typically a guy on a bike carrying a bag. Now a guy on a bike carrying a bag can do many things and carry many things, but a bed or a dining table or a sofa becomes tough for the person to do. So you're talking about a specialized infrastructure required for deliveries. So I think all of these things are our hallmarks of a specialist and that's what we bring to the table.

**Ankur Warikoo (Host):** [14:54](#)

Yeah, I like how you put it. So it's essentially the intersection of a high involvement category and a specialist. One question that I always think of, this was something I'd asked Deep Kalra and Sanjeev

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Bikhchandani as well. Like when you're, when you're building a vertical business, it's actually very hard to stay focused because there always will be this distraction, they'll always be this noise, they'll always with this market, this competition. You've done that commendably well all these years. What will be your advice to entrepreneurs who are thinking about taking their vertical business to the next level? About one, being focused and two, signing up for a really long time because that's when true value gets built.

**Ambareesh Murty:** [15:38](#)

So firstly, stay focused. I mean, actually my advice would be, it is super important for that to happen. There are many things in life, there'll be many conversations, they'll be many points of view, which might divert you from what you want to do, but as long as you are clear as to what your vision for your business is, stay focused on that vision. So it's almost like, you know, one of the things that I always thought as, I mean, especially over the last, as Pepperfry was evolving and I wanted to make my choices, I said, if something's got electricity going through it or it's got a plug, I don't want to do it. So it's, it's one way of defining it. But you have to be clear as to what your, what that focus means in fairly simple terms. That focus cannot be, everybody should have a really grand vision. But that grand vision should be able to translate into fairly simple steps which you're able to communicate across the organization such that the entire org (organization) stays focused. Right.

And I think so therefore focus is super important. I also think that as an entrepreneur you should take everybody's advice, you should listen to everybody, but you eventually are responsible for your own business and therefore, you have to make the choices that you would want to make as your own business. Yeah, I mean, so that would be my fundamental advice.

**Ankur Warikoo (Host):** [16:58](#)

And then what's your view on profitability versus growth? At what point which one?

**Ambareesh Murty:** [17:04](#)

Both, always both.



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**Ankur Warikoo (Host):** [17:06](#)

And both is such a hard respond? Like it's really hard to do that.

**Ambareesh Murty:** [17:09](#)

There are two parts to the financial architectural part, right? The first part is do you make money on everything you sell? So let's call that unit economics. And then the second piece is, you know, all the overheads, let's say people payroll, etc. You, as a business, the fundamental piece of getting unit economics, where you make sizable amounts of money, you should be doing from the get go. You could be in your first month of operation or your tenth year of operation, doesn't matter. You should be making tons of money on a unit economics basis. After that, if you've got that right, it's only a matter of time, before all the overheads gets us subsumed and you know, the amount of money that you make selling products, actually covers up all the costs that you incur afterwards. So I don't think it's a choice. I think growth with good unit economics is what results in profitability. So to me, it's actually a logical extension.

**Ankur Warikoo (Host):** [18:03](#)

So it's not a goal. It's a natural outcome.

**Ambareesh Murty:** [18:06](#)

It's an outcome because if you're making a lot of money selling products and then you sell a lot more, you make a lot more money. And therefore, that money gets settled off against all the overhead costs that you have. So if you have growth, you will, on a well financially architected business, growth will lead to profitability. I think therefore, it's not a contrary goal.

**Ankur Warikoo (Host):** [18:29](#)

One more thing Ambareesh Murty that you've done and done extremely well, is adopted the entire franchisee model. Because it's like when you're setting up this, why would you do it always on your own?

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But it's not easy to get a franchisee partner. And it takes a lot to just set that process up. Walk us through that and how?

**Ambareesh Murty:** [18:45](#)

So, the way we figured was that there are parts of India which we don't know as well as a local entrepreneur would. And so therefore, for our business to do well, we need to get local entrepreneurs on our side. So our requirements, and I think that's what one should take care of. A franchisee setup is not a financial decision, it's how do you run the business decision?

So what we look for typically is, franchisees who are willing to invest their own personal time, who would spend time in a particular store. If it's only doing the cap ex (capital expenditure) or putting in the money, hey, we can do that, right? A person who is in let's say in Hooghly (in West Bengal), where we have a franchisee, knows Hooghly way better than anybody sitting out of Bombay or Delhi or Bangalore. And if that person is on your side and propagating your brand, your chances of success in a smaller town, are much higher. And that's what we are banking upon.

**Ankur Warikoo (Host):** [19:48](#)

Thank you so much Ambareesh Murty for being part of this episode. With this, we come to an end of yet another episode Building It Up with Bertelsmann. This season we've also created the video output of all our podcasts, which you can now check and access on Facebook. But we are also live on iTunes, on Spotify, on Saavn, on SoundCloud. So please subscribe, join in and stay tuned for the next episode of Building It Up with Bertelsmann. This is Ankur Warikoo (Host) Warikoo, your host signing off. See you all.