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Homesake: Homerun in Home Décor

Deepak Pandit and Shalini Rahul Tiwari wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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On March 31, 2018, Avi Jain, the founder and chief executive officer (CEO) of Homesake, was sitting in his office in Noida, a suburb of Delhi, India. Jain was reading a draft of the e-newsletter prepared by his design team that was intended to be sent to restaurants, bars, and pubs. Jain had recently started exploring these venues as a potential new customer segment. Jain was pleased with early results, having already generated some orders from bars and restaurants, but he wanted to plan a more aggressive marketing campaign for this segment. With the expected business growth, however, meeting the needs of new and different types of customers could pose a challenge for the company. Supply chain issues would have to be resolved effectively to address a rise in demand for the Homesake brand of products.

Despite its relatively recent entry in the market, Homesake had already become profitable. Jain wanted to continue to expand the company’s product portfolio, but he had to plan carefully for an anticipated surge in demand. Homesake, which was becoming a preferred supplier by international clients, was expecting a growth rate of 60 per cent in the next three years. What challenges would accompany such a surge in demand? What business model should Homesake adopt for consistent growth in the future?

The Home Décor Sector in India

India’s home décor sector[[1]](#footnote-1) comprised items that were easily replaced or moved, such as curtains, wrought iron products, decorative craft pieces, paintings, and house plants.[[2]](#footnote-2) Home décor items reflected the owner’s taste and created a sense of personal space wherever they were placed. These items were arranged according to the space and size of the room, as well as the everyday habits, hobbies, and economic well-being of the individuals or family members in the household. The home décor sector included organizations within four main segments—furniture, furnishings, lighting, and décor—with several large organizations and numerous local companies within each segment. Given the large presence of local companies, the home décor sector was highly unorganized, which had resulted in its relatively slow growth.

Homesake had not yet entered the furniture and the furnishings segments of this sector. Although major companies such as Pepperfry, Urban Ladder, Home Town, and several others had already established a presence in these two segments, no one company was seen as strictly operating in a particular segment. Major retailers displayed products under all categories, including furniture, upholstery, textile furnishings, and decorative items. Several companies that had entered these segments also offered a variety of products under the home décor and furnishings categories. Some retailers, such as Chumbak and Happy Unmarried, had positioned themselves in the gap of fun-filled fashion and lifestyle products.[[3]](#footnote-3) Jain explained how he viewed Homesake’s competition:

I don’t think we have competition. In fact, we have identified gaps in the market and tried to fill them by designing products; others have just followed us there. But whichever category we enter, we make a killing. No one can match the offerings or prices that we offer to our customers.

In 2017, India was among the world’s top 3 largest economies in terms of gross domestic product.[[4]](#footnote-4) With an annual growth rate of over 7 per cent and a population of approximately 1.3 billion people, India was one of the fastest-growing consumer nations for almost all products, and home décor was no exception.[[5]](#footnote-5) The Government of India’s initiative Housing for All by 2022 was bound to provide a boost to the home décor sector,[[6]](#footnote-6) which had an estimated value of US$20 billion in 2015. The home furnishings market had experienced a growth of 9.5 per cent per year until 2016, and this trend was expected to continue to 2020.[[7]](#footnote-7) Analysts believed that various trends had led to such growth, including a rising real estate market, wider availability of products and design thanks to online access and globalization, improving lifestyle opportunities, and an increase in disposable income.[[8]](#footnote-8)

The Entrepreneur and His Creations

Jain graduated from the Delhi College of Engineering in 2012. He wanted to pursue an MBA but decided to first gain some experience in the corporate world, so he joined a finance company. In 2014, he partnered with a friend to start his first business venture, called Connect to Career. The concept of Career to Connect was to assess students on the basis of a psychometric analysis of their profiles to help them identify better employment opportunities in the corporate sector. After a few months of operations, Jain realized that there were major challenges to grow the venture, so he decided to shut down the company by the end of the first year. During this time, he become interested in supply chains and began studying them across industries and companies such as Videocon and the Indian railways. He was most fascinated by the supply chain management of the Dabbawalas in Mumbai, a hot lunch delivery system for people at work. Jain explained his interest in supply chains: “[The] supply chain of any business is the most interesting thing. You understand the supply chain, you understand the costs and margins. Understanding supply chains has helped me design the operations of Homesake better.”

In 2015, Jain founded Homesake and entered the home décor sector. Homesake designed, produced, and sold products for home decorating, including lighting, tableware, and wall hangings. The start-up began as an online business and gradually moved toward the retail model. Jain started Homesake with his own investment of ₹2 million,[[9]](#footnote-9) which consisted of his own savings (65 per cent) plus a loan from his father.

Jain’s father ran an exporting business for brass products in Moradabad, India. His mother worked at home but was an exceptional designer, as Jain explained: “My mother had been an inspiration for me to begin this company. She has an immaculate sense for designing spaces. Even today, when I design something I show it to her. Her nod of appreciation means that it will be a hit.”

The Homesake Business Model

Vision and goals

Jain had a keen interest in supply chains and believed that the success of any business depended on the efficiency of its supply chain. As he emphasized, “What businesses in India lack is a seamless integration of supply chains so that they can control everything, and ultimately this can benefit the customers. My aim always has been to create a seamless supply chain in the home décor segment.”

Home décor came naturally to Jain as a business choice. With his father exporting brass handicrafts from Moradabad to many countries around the world, Jain gained essential knowledge about sourcing raw materials, hiring practices for artisans, logistics, and shipment procedures. However, numerous concepts were new to him, such as the procurement of materials other than brass, creating designs and prototypes, testing, managing finances, identifying customer segments, and marketing products. He was also planning to enter a new business segment, which would require additional unfamiliar knowledge. Jain’s objective was to develop a supply chain for Homesake that could create products cost effectively and sell them at affordable prices. As Jain explained, “India has a huge number of artisans, who are skilled in their crafts. I have seen that in Moradabad. I wanted to create products using artisans’ skills and my understanding of supply chains. I see Homesake as a supply chain company for home décor products.”

Homesake generated sales of approximately ₹2 million in 2015–16, ₹12 million in 2016–17, and ₹65 million in 2017–18. Jain was expecting to double this amount in the subsequent year (2018–19). He also projected growth of 100 per cent per year for the next three years. He aimed to reach a sales target of ₹1.2 billion by 2020–21. Homesake had 22 employees on its payroll (see Exhibit 1) plus 11 permanent supervisors who managed several groups of artisans.

Purchase of raw materials, processing, designing and logistics

Jain wanted to create a business model with few intermediaries, allowing him more control over the procurement, processing, and shipment of goods. Therefore, he decided to work with only five basic materials—wood, iron, brass, ceramic, and glass. All products were manufactured using these basic materials, either alone or in combination. Jain sourced these materials directly from point-of-origin suppliers to avoid processing stages before manufacturing the final product. For example, he would purchase tree logs from merchants, which would then be sent to his trusted vendors for cutting into blocks and boards, drying, and treatment for moisture and termites. The wooden blocks and boards would then be transported to his factory at Moradabad to be shaped by artisans into various semi-finished elements of a particular product. Similarly, he would purchase iron nuggets (instead of iron sheets or rods), brass blocks, raw ceramic, and raw glass. All these materials would then be passed on to vendors for further purification and processing. The materials were then stored at the Moradabad factory and warehouse for further processing by the artisans.

Jain started the manufacturing process by drawing the designs for the products himself, which were then manufactured by the artisans. He drew inspiration for his designs from hotels, movies, friends, and the Internet, among other sources. Jain also hired two qualified designers who were graduates from the National Institute of Design in Ahmedabad (Gujarat) and from the National Institute of Fashion Technology in New Delhi. The job of the designers was to understand how customers used objects, and to draw inspiration for new designs from that research. New ideas were discussed with Jain in regard to utility, elegance, colour, and other aspects. Shortlisted designs were then brought to the Moradabad factory, where Jain would discuss the design ideas with his product and production managers, and with the supervisors who managed the artisans.

Jain worked directly with 11 supervisors, who managed the work of approximately 250 artisans. They deliberated on the feasibility of creating prototypes from the designs. Jain held two discussions each day with the supervisors to check on the progress of scheduling, output received, and challenges faced, if any. Jain explained the need for his close supervision:

Designing is the most time-consuming process for us. Our first level of discussion, which happens at the Noida office, sees that most of the times, the designs are rejected since they lack the functional or the aesthetic appeal. Then, the second level of discussion happens with the supervisors, since we have to produce these items within a certain cost range. So sometimes, we have to create as many as 18 pieces till we get what we really think can sell well.

Once the prototypes were finalized, the supervisors instructed the artisans to start making the products based on the specifications. The complete product was never manufactured as a single piece. Separate elements were created, left unfinished, and then shipped to the Noida warehouse, where the semi-processed elements were assembled, polished (or finished), and checked for quality. Jain believed in ensuring quality in his products, so each product was checked multiple times. Packaging was also important for the protection of the products during transit, as Jain explained:

All of our products are decorative items, so they are not sturdy. They have to be shipped with care. We use the best of the packaging material to package the product, such that even if we drop the package from a height of 12 feet, the product will not be damaged. We did all the experimentation with packaging and have identified the best way to ship our products.

The final product was then labelled, packaged, and stored in the warehouse until it was dispatched to fill orders. Jain felt that it was important to have excellent content and images of the products on both the website and the newsletter, so he hired a full-time photographer for all pictures and a writer to update product information regularly. Jain spoke about the uniqueness of Homesake’s products:

The products that we make are DIY [do it yourself]. Customers can assemble the products on their own. Its plug and play, such that, our lighting category products come with an electric bulb as well! Moreover, our products find a space in Indian homes. It just blends in, as if it has been designed for such spaces or corners only. . . We are a pure product company. We want our customers to come to us to buy the product. The rest of the things, such as experience and delight, come later.

Markets and customers

Homesake generated most of its sales online. Its website was clean, informative, and well designed (see Exhibit 2). Homesake provided products under four categories—home décor, lighting, table top, and gifts—with several sub-categories for each main section based on price range, occasion, and product use. Within the sub-categories, consumers could browse and place orders for various products. After the customer placed an order, it was aggregated based on design and volume, before being forwarded to the product and production managers at the Moradabad workshop.

Some Homesake sales were generated offline, by traditional retail channels such as distributors and dealers, including the popular furniture store chain Evok. In 2016, the ratio of online to offline (traditional retail sales) was 85 per cent to 15 per cent. Jain gradually shifted the company’s sales focus to increase traditional sales, reaching a high of 30 per cent of total sales in 2017. He also hired a marketing manager to plan a marketing strategy for targeting traditional consumers in other segments, with the goal of reaching at least 40 per cent of sales from traditional offline retail channels. Geographically, most of Homesake’s sales came from Maharashtra, followed by Andhra Pradesh, Karnataka, Telangana, and Delhi.

Homesake was equipped with an enterprise resource management system that helped Jain analyze purchase patterns among customer groups. He was able to gather information at the time of purchase, such as the amount of time spent on the website, locations from where more purchases were being made, and the demographic profile of customers. Using these analytics, Jain was able to design better marketing campaigns for specific customer groups. Some purchase trends were based on special occasions such as Diwali, Eid, Guru Purab, Christmas, and New Year. These periods often created a surge in demand from certain specific geographic locations. For example, increased demand was seen during the Navaratri[[10]](#footnote-10) season from the Gujarat and West Bengal regions, as Jain explained:

Our system helps us track sales and collect data which we analyze to understand trends. For instance, we know that in Gujarat men normally shop either in morning around 9 a.m. or in late evenings, whereas women normally shop between 11 a.m. and 4 p.m. Depending on the areas, we are also able to determine the size, colour, and designs that could be sold.

Homesake defined and targeted its typical customer demographic as technology or media professionals earning ₹100,000 to ₹150,000 per month, married, with both spouses working, and aged 28–38. Typical Homesake customers had an active and gregarious lifestyle, enjoyed parties with friends and family, and decorated their homes bases on their specific tastes.

Jain spoke about targeting this demographic of customer:

Homesake products have to be made affordable for the customer segment that we are targeting. I want them to buy my products and discard them after six months and try a different product. Actually, our products are so affordable, yet stylish, that our customers buy them, enjoy them for six to eight months, throw them out, and buy another. They are able to make purchases at least three or four times from Homesake. We want this frequency from a single customer to go up and that’s why we are trying to increase our portfolio of products. We started with 50–60 items and now we have around 2,800 SKUs [stock keeping units].

Homesake also targeted corporate clients, who bought the products for gifts. Demand was seasonal for this target, concentrated mainly during Diwali and New Year celebrations. Jain saw this segment as a special challenge that he was eager to reach and expand to include other corporate clients, such as hotels, bars, pubs, and restaurants. These consumers frequently bought decorative and tableware items from Homesake’s competitors. Homesake’s current conversion rate for these clients was around 20 per cent. Jain’s strategy was to be in constant communication with this segment, providing updated information urging them to consider Homesake for their next purchase. He sent newsletters to all prospective business clients every two weeks and often visited their places of business to better understand their needs.

Homesake had recently entered the Middle East and U.S. markets through its online retail portal. Jain estimated that it would take Homesake at least three years to create a substantial presence in these markets. However, he was not planning to create a traditional retail presence in these markets. He expected the business model for international markets in general to evolve in the future, which would mean high logistics costs. However, he was eager to create a presence in the United States, which he saw as an advanced market from which he could learn a great deal. Currently, Homesake products in the United States were only available through eBay.

Financing of the Business Model

Homesake was financed entirely by Jain’s own funds and a loan from his father. In the three years since the company’s inception, Homesake had grown using only self-generated funding. Jain was determined to continue this approach to finance the growth of Homesake, although he anticipated that he might be forced to borrow to finance future operations. Jain created a guideline for Homesake’s cost structure to help him control costs and create affordable products for his customers. The guideline was based on five components of 20 per cent each (see Exhibit 3). He followed this guideline closely, but rising input costs, increasing transportation charges, and rising labour wages strongly affected the company’s cost structure. Homesake currently employed 12 full-time workers across all departments. The artisans were paid daily wages, which were borne by Jain personally and issued by the supervisors in charge of acquiring the labour.

Jain had been advised to reconsider his business model to allow for scaling up more effectively:

I have often been advised by my friends and well-wishers that I should convert my model to an aggregator platform, rather than worrying about everything right from procurement to delivery. They want me to become an aggregator for home décor products. In that manner I can get funding from investors and scale it up quickly. After all, there are so many artisans who are selling their artwork online. I can collaborate with them and bring them on a portal.

Looking Ahead

Homesake had experienced significant growth in its first three years of operation, but expanding the business would be a challenge. The contractual nature of the labour force had created certain inefficiencies in the supply chain. Most workers were illiterate and ranged from semi-skilled to skilled. They were mainly migrants who travelled back to their native places during the sowing and reaping season and for festive occasions, which caused disruption in production schedules.

Recently, Jain had received a large order to supply lighting to a real estate developer for 400 apartments. Sales to hotels, bars, pubs, and restaurants were also expected to rise, which required a reliable supply chain to function smoothly. There was also a constant need to design and develop new products, especially for corporate clients. Jain closely monitored the revenue from each product to keep improving margins. Current revenue sources seemed to follow an inverse 10-20-70 model, where 10 per cent of products contributed 70 per cent of revenues, 20 per cent of products contributed 20 per cent of revenues, and 70 per cent of products contributed 10 per cent of revenues. Ideally, the percentage of products in the first category should rise above the low rate of 10 per cent.

Jain was planning to add a Homesake fashion jewellery product line using materials such as leather, porcelain, glass, or other alloys. Although still at a very early stage, this product line was in high demand and could be sold through Amazon. Jain understood that jewellery item revenues could be low, although volumes could be high.

To grow the business, Jain had to improve the quality control and logistics of the company. The damage rate was 1.2 per cent and the return rate was 11 per cent, both of which Jain hoped to lower (to 0.6 per cent and 8 per cent) by using rigorous quality control measures.

Jain felt there was an immediate need to increase warehouse facilities to ensure timely deliveries and meet growing demand. Currently, Homesake rented four warehouses, located in Noida, Gurgaon, Faridabad, and Mohan Nagar, of which three had been added in the previous six months. Jain was exploring options for adding at least one more warehouse in each of the southern, eastern, central, and western regions of India. Having decided to target international markets, Jain needed to analyze the trends and behaviours of customers from those regions. He also realized that competition in these regions would differ considerably from India.

Jain shared his plans for the future of Homesake:

I do want it to grow to a big company, but I am not willing to dilute my equity or have a huge debt. Growth has been good, so there is potential in market. But I aim to innovate as well. At Homesake, we believe in designing new products and bringing them to the market quickly. We want to keep surprising our customers and keep costs under control.

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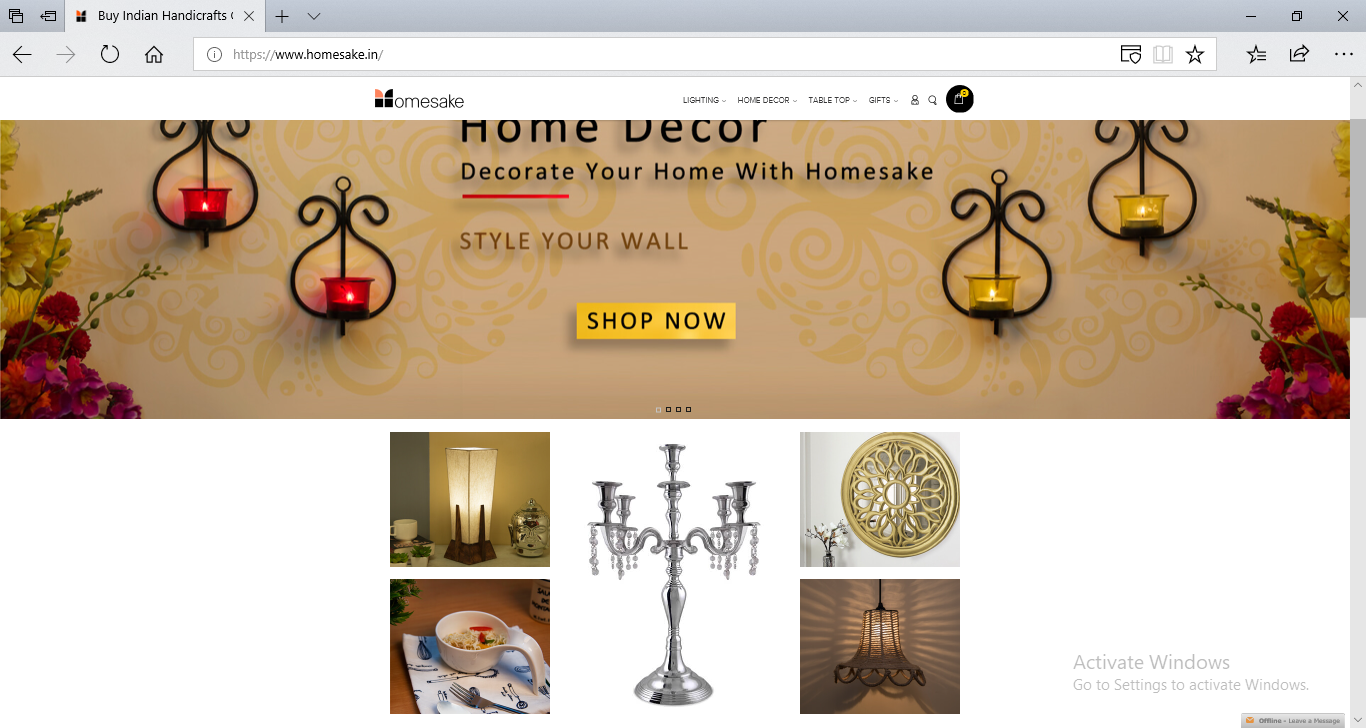
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Exhibit 1: Homesake Organizational Chart

Note: Numbers in brackets represent employees in that designation; CEO = chief executive officer.

Source: Created by the case writers with company information.

Exhibit 2: Homesake Website



Source: Company files.

Exhibit 3: Cost Structure Guideline for Homesake business model

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Component 1: 20% of Cost** | **Component 2: 20% of Cost** | **Component 3: 20% of Cost** | **Component 4: 20% of Cost** | **Component 5: 20% of Cost** |
| * Raw materials * Raw material processing * Transportation of materials to workshop * Wages * Warehousing | * Design * Transportation to the warehouse in Noida * Assembly * Quality check and rejection * Storage | * Shipment to the clients * Packaging | * Marketing and sales | * Gross margin |

Source: Created by the case authors.

1. Although the term “home décor” can also include various decorative items such as lamps, pots, candles, and other artifacts, this case uses a more limited definition of the term. [↑](#footnote-ref-1)
2. “Online Home Décor Market in India 2015–2019,” Technavio, May 2015, accessed June 15, 2017, www.technavio.com/report/online-home-decor-market-in-india-2015-2019. [↑](#footnote-ref-2)
3. Indiaretailing Bureau, “14 Brands that Are Energising the Indian Home Décor Segment,” Indiaretailing January 7, 2018, accessed June 22, 2017, www.indiaretailing.com/2018/01/07/retail/14-brands-that-are-energising-the-indian-home-decor-segment. [↑](#footnote-ref-3)
4. “Top 10 Largest Economies in the World by GDP Nominal (2015),” Reinis Fischer, March 6, 2017, accessed June 12, 2019, [www.reinisfischer.com/top-10-largest-economies-world-gdp-nominal-2015](http://www.reinisfischer.com/top-10-largest-economies-world-gdp-nominal-2015); “World Economic Outlook Database,” accessed July 25, 2019, www.imf.org/external/pubs/ft/weo/2017/02/weodata/index.aspx. [↑](#footnote-ref-4)
5. Asit Ranjan, “India’s GDP Growth Rate for 2015–16 Revised to 7.9% from 7.6%,” Livemint, February 1, 2017, accessed June 12, 2019, www.livemint.com/Industry/fOtMe4T3PN8CtLaeoO3E8M/Indias-GDP-growth-rate-for-201516-revised-to-79-from-76.html; [↑](#footnote-ref-5)
6. “Market Overview,” HGH India, accessed on June 16, 2017, www.hghindia.com/eng/market-overview. [↑](#footnote-ref-6)
7. TechSci Research, “India Home Furnishing Market to Surpass INR 40,000 Crore by 2020 Says TechSci Research,” Cision PR Newswire, Jan 21, 2016, accessed on June 16, 2017, www.prnewswire.com/news-releases/india-home-furnishing-market-to-surpass-inr-40000-crore-by-2020-says-techsci-research-566055571.html. [↑](#footnote-ref-7)
8. Shrikant Chaudhari, “Home Decor Market by Product (Furniture, Textiles (Rugs, Bath Textiles, Bed Textiles, Kitchen and Dining Textiles, Living room Textiles), Floor coverings (Tiles, Wood & Laminate, Vinyl & Rubber, Carpet & Rugs) - Global Opportunity Analysis and Industry Forecast, 2014–2020,”Allied Market Research, December 2015, accessed June 16, 2017, www.alliedmarketresearch.com/home-decor-furnishing-market. [↑](#footnote-ref-8)
9. ₹ = INR = Indian rupee; ₹1 = US$0.0153 on March 31, 2018; all currency amounts are in ₹ unless otherwise specified. [↑](#footnote-ref-9)
10. Navaratri is a Hindu festival celebrated in the Tamil month of Purattasi (September 17 to October 17) each year. The nine-day event is also a major seasonal and cultural time for public celebrations of classical and folk dances of Hindu culture. [↑](#footnote-ref-10)