



## Urban Ladder: Establishing a Successful Startup

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### Abstract

*Entrepreneurs building successful brands, equipped with management education and professional experience, is a relatively new phenomenon which has taken up India by storm. This case charts the genesis and growth of Urban Ladder, e Commerce venture in Furniture, started by Ashish Goel & Rajiv Srivasta in 2012. Their venture was well researched, specifically targeted & perfectly timed. Initially they made some bold moves like being present only in 3 cities, and marketing only through digital media for their customer segment; but these were well thought of strategies, which helped them establish a brand 'Urban Ladder'. Today they are among the leaders, recording average ticket sizes of `18,000-20,000 with 150-200 transactions daily and clocking revenue of INR 200 crore in 2014 as per informal guesstimates. This growth is a result of an intelligent mix of brand building, quality product offering, efficient distribution and other marketing strategies along with the obsession for customer delight. This case discusses Urban Ladder's process from customer discovery to product portfolio expansion; with customer segmentation, advertising, quality product offering, and logistics etc as the foundation stones of the company.*

**Keywords:** *E Commerce, 'Verticals', Customer Discovery, Customer Segmentation, Logistics Network, Brand Values, Customer Delight*

### I. Introduction

It all started with two IIM batch mates meeting each other's in almost bare apartments in Bangalore, and got talking about the non availability of aesthetic looking furniture for their respective houses. And as they say the rest is history!!!

Ashish Goel & Rajiv Srivasta, co-founders of Urban Ladder, were neighbours in hostel during their Post Graduate Program (PGP) days at IIM Bangalore. Both had worked on some



projects and college festivals during PGP, and had realised that they make a great team, as they have complementary skill sets. They kept in touch after finishing the course, and the association took the form of professional partnership in Urban Ladder. Ashish Goel started his career with Mckinsey & Co., and after a satisfying association with them he wanted to get into entrepreneur mode. So by 2007 he had made up his mind to start up in lingerie space. But a close friend Samir Patil (who had just acquired Amar Chitra Katha aka ACK along with some investors) requested for Ashish's help in setting up Amar Chitra Katha. And Ashish went on to work for ACK, as COO till early 2012, based in Bangalore. Rajiv Srivasta had earlier work experience with Infosys, Cognizant & Yahoo!. During his association with Yahoo! in Bangalore, Ashish would come often to Rajiv's almost bare apartment, as Rajiv had a tough time finding aesthetic looking furniture for his abode. Rajiv even imported some furniture to Bangalore which appealed to his aesthetic sense. At the same time, Ashish had a very painful experience after buying a Dining Table from a Branded Showroom, which was defective & it took almost 6 months to get a replacement.

These instances led them into thinking about starting up an online Furniture store, where likeminded people would end the search for that perfect coffee table or sofa. Ashish Goel already wanted to venture into e-commerce, but it seemed like an impossible task in online business, where 'No Touch No Feel' is the norm, and furniture strongly demands tangibility. The difficulty of achieving this made them shelve the idea many a times, but they kept coming back to it, because of the following reasons

- Furniture & Home decor is a USD 20 billion industry in India, out of which approximately 90% market is unorganised & fragmented.
- There isn't a single player valued at more than USD100 million. This is a reflection that there is something fundamentally broken in the furniture space.
- Furniture is tipped to become the third largest segment in e-commerce, after electronics and fashion/lifestyle.

As both Ashish & Rajiv had worked with MNCs, they knew what all goes in creating a great brand. Based on the industry knowledge and professional outlook, they started Urban Ladder as brand that makes the need for contemporary classic furniture fulfilled with products that blend beauty and functionality.

## II. Customer Discovery & Segmentation

As in any business you need to know your market, once they decided to take the plunge, they used Survey Monkey for initial survey to understand the market better. After initial survey the picture was clearer, there was no single furniture business online or offline which has the



reputation of being one stop shop for every kind of furniture need. During the initial consumer research with potential buyers the following details were taken up,

- How are they presently buying furniture, and what are the potential hurdles they face
- Their feeling about online buying of furniture
- What kind of furniture they would buy online
- What are their concerns about online buying of furniture
- Identify which category of furniture is most in demand

After this, the second phase of customer discovery started, for which they created a landing page using Launchrock (Exhibit 1). This page helped them in collecting email ids of potential customers, in knowing if customers who had told earlier that they would buy online will actually buy or not and direct the customers to a more comprehensive survey to understand their needs deeply. This survey led them to coffee tables, book shelves, bed side tables etc.

Everyone who needs furniture – was not Urban Ladder’s customer segment. The target market for them was the SEC A<sup>1</sup> customer: single/married customer, living in urban cities, who earns more than one lakh a month, is digitally savvy, moving into a new house or a rented accommodation. Their ideal customer criterion was all of the above and one who makes online purchase of a lifestyle product at least twice a month.

Once the customer segment was clear, the product offering was tailored as per their needs & the promotions were also synced. As their market is the people looking for quality products, who don’t care about deals & discounts; there is never a major discount or deal on their portal.

*“I want Urban Ladder to be the reason why homes across India look beautiful. We will delay product launch if we have slightest doubt that it isn’t going to be the best piece of furniture that our customers have ever had.” – Ashish Goel, founder & CEO*

### III. The Product Design

Urban ladder has targeted the consumers in 25-45 age group, who are familiar with ‘online shopping’, are ‘home proud’ and appreciate great design. Design philosophy has been taken from of Dieter Rams of Braun, who had a 10 principles for a good design. A good design, Is innovative, Makes product useful, Is aesthetic, Makes product understandable, Is unobtrusive, Is honest, Is long lasting, Is thorough down to the last detail, Is environmentally friendly, Is as little design as possible.

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<sup>1</sup> SEC classification is classification of Indian Consumers based on two parameters; Education of Chief earner & The number of Consumer Durables owned by family. SEC A comprises of households working in Executive positions, Industrialists, businessmen or shop owners.



As Urban Ladder claims that they would not sell anything that they might not like to buy themselves. Their physical products go through a rigorous process to satisfy this philosophy. The various tools to zero in on the product design are used are SurveyMonkey, Facebook polls, A/B testing, paper drawings, auto CAD, Google Images, Pinterest, ,3D Studio Max.

Digital product is finalized after Interaction Design, User Story, User Eye Tracking Studies, Visual Design, Mood Board, Information Architecture, Content Design Performance and thus the products have a storyline to them.

#### IV. The Launch & Rollback

In July 2012 Urban Ladder started with a pan India presence, servicing every city except Bangalore (where Urban Ladder had own logistics team) through third party logistics. A friend's friend in Mumbai, ordered 2 kaleido bedside tables, which apparently arrived his place on 24<sup>th</sup> august, BROKEN. The courier wasn't bothered about the damaged condition of the product & just wanted the customer to sign the delivery receipt. As soon as Urban Ladder got this information, they decided to roll back to just 3 cities- Bangalore, Mumbai & Delhi. They immediately hired their own delivery team at Mumbai & Delhi. On 31<sup>st</sup> August, they put up a notice on the portal saying that they would not be accepting new orders from other cities. This led to Urban Ladder losing up almost 30% of revenue, but was actually a masterstroke in setting up the brand's credibility. The rollback eventually sent out to a positive word of mouth & they ended up getting more than 30% repeat traffic.

*"We've taken risks and made experiments, but if it hasn't worked to our levels of satisfaction, we roll it back" – Rajiv Srivasta, founder & COO*

It took Urban Ladder close to 18 months to stabilise in these 3 cities, then the scaling up started. A significant achievement of the firm in just 2 years of inception is that their customer satisfaction score is higher than Amazon, globally.

Currently the company ships to 10 more cities – Chennai, Pune, Hyderabad, Ahmedabad, Gandhinagar, Kolkata, Chandigarh, Jaipur, Coimbatore, Kochi, Mangalore & Surat. Initially they started with 1000 products across 25 categories, which has been scaled up to 4000 products in 35 categories. The nascent stage had only furniture, but now they have expanded into collectibles, art & other home decor.



After the disastrous experience with third party logistics in the very first month of starting shop, Urban Ladder was not going to fall in the same trap again. But it demanded a highly developed supply chain at their end.

*“Furniture is different from all other categories, players need to build a specialised supply chain and also help in building the manufacturer ecosystem.” Ashish Goel, founder & CEO*

Urban Ladder is a curated marketplace for unbranded products; they don't serve as just a platform for selling furniture by every manufacturer. They work with 10-15 suppliers, from Rajasthan & Bangalore and have an in depth collaboration with them from quality of raw material to final product design. These suppliers & logistics partners work for Urban Ladder only. Urban Ladder primarily sells sheesham & mango wood products, and the raw material & finished products both pass through a 3 step quality check individually.

The routine order to delivery process at Urban Ladder has typically these steps,

1. As soon as order is placed, an e mail confirmation is done. It is followed by a telephonic call asking for suitable time of delivery.
2. At the said time, delivery boy calls up to tell the customer that courier is about to arrive.
3. Nicely packaged furniture piece is opened at the delivery location and assembled. Then the customer is asked to check for any defects etc.
4. Cleaning up is done by the delivery staff, with a smile on their faces; which is a great add on and unheard of in furniture sector.
5. Product delivery is followed by a letter regarding product maintenance, cleaning, care tips etc.
6. After more than a week, a feedback form and thank you mail arrives in customer's mailbox.

Their supply chain is majorly owned by them, and the tie ups are with smaller partners who work exclusively for Urban Ladder. Outsourcing of logistics is only for intercity transport, the last mile is owned by Urban Ladder. All this increases the logistics cost, and limits the maximum deliveries to approximately 10 per day, but this is a price Urban Ladder is ready to pay for upholding their value – EXCELLENCE IN EVERY SMALL THING WE DO.

Urban Ladder has been constantly innovating on the packaging front; they have their own packaging design and logistics solutions for all the products shipped from their store. The company had tied up with Daakiyaa in late 2014, to employ women to lead its delivery and logistics team. Women & Logistics seems like an unlikely combination, but Urban Ladder felt that logistics is more about customer fulfilment and delight, and women are capable of handling that.



## VI. Funding

The e Commerce sector was bleak after the dot com bust in 2000, but revived in 2011 with private funding and went on to become the 'Shining Sector'. Urban Ladder was born at the right time and secured seed capital of USD 1 million from Kalaari Capital in 2012, and then went on to raise USD 5 million in series A funding led by SAIF Partners along with Kalaari Capital. Series B funding of USD 21 million was led by Steadview Capital, SAIF Partners and Kalaari Capital. It also received personal investment from Chairman Emeritus, Tata Sons, Ratan Tata. Series C investments happened in April 2015, to the extent of USD 50 million, led by Sequoia Capital & TR Capital along with existing investors.

Urban Ladder's target is USD 100 million by December 2015 and USD 400 by 2016. This projection is based on the fact that average gestation period of a 'vertical'<sup>2</sup> is about 4-5 years, compared to 5-7 years in case of 'horizontal'<sup>3</sup>. The profitability comes faster in 'verticals', which work on 25-35% margin; whereas 'horizontals' have razor thin margins around 10-15%.

As the funding is majorly through FDI<sup>4</sup> route, Urban Ladder has to align its business model with India's FDI regulations. Since January 2014 Enforcement Directorate (ED) has been looking into the books of e-tailing companies, and approached Urban Ladder in October 2014 in the process to ascertain whether their business model aligns with India's FDI regulations or not. ED's focus was nudged by the massive foreign funding these firms are receiving, surge in their valuation even when they claim to be platform providers for 3<sup>rd</sup> party sellers & not their own inventory. ED wanted to verify that they don't wield control over some of the bigger sellers indirectly, which is against the norms that e-tailers with FDI cannot sell to the consumer. Some tax laws also differ in states and are not clearly specified for e Commerce and can create problems like Karnataka commercial department dispute with Amazon<sup>5</sup>. Such law binds can possess a major road block for Urban Ladder.

## VII. The voice of Urban Ladder: eWOM to traditional mass marketing

Since its inception Urban Ladder built the brand on social media with word of mouth about great product design & exceptional customer service. The initial marketing was done only

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<sup>2</sup> 'Verticals' like Myntra, Jabong, Pepperfry, Urban Ladder type of portals

<sup>3</sup> 'Horizontals' like Flipkart, Snapdeal, Amazon, eBay, where the bulk revenue comes from electronics, books, DVDs etc

<sup>4</sup> Foreign Direct Investment

<sup>5</sup> The laws across different states in India differ & predate the advent of online retail, VAT differs from one state to another. Karnataka authorities want Amazon to pay VAT on 3<sup>rd</sup> party goods stored in state warehouses even before customers order these products. Whereas the company asks the seller to pay VAT for the order processed.



digitally, using Facebook marketing and Google advertisements. Urban Ladder ran targeted advertisements on Facebook business page, and once the initial fan following was there; they targeted similar profiles after analysing the Profiles of existing customers.

For initial 2 years it generated enough traffic to the portal. Now with scaling up operations, the more conventional tools of mass marketing like radio & television commercial are being used. It launched a Radio Campaign in May 2014 in Bangalore using three radio stations – Radio Indigo, Red FM & Fever 104. This campaign was targeted at new home owners across city and highlighted the benefits of shopping with Urban Ladder. It was very successful, given the traffic congestion, insufficient parking space, and limited time for furniture scouting etc for the SEC A customer in a city like Bangalore.

The television commercial (TVC) was focussed on the theme ‘Brings You Closer’. TVC helped the brand Urban Ladder in a three pronged way,

- Scale-during nascent stage of UL consumers were already purchasing online, which ensured growth. Now only that segment ceases to be sufficient, and via traditional media UL can reach out to different customer segment also.
- Efficiency-digital media cost is low initially due to bidding wars on digital marketing platforms, but with time it increases when compared to cost of marketing for mass audience. Though the absolute value of digital marketing is still economic.
- Value-traditional media like print, radio & TVC add credibility to the brand

Meanwhile the company did a successful a campaign at the Kempegowda International Airport (KIA), Bangalore. They placed some of their best selling chairs for display in the lounge, for the people to experience the actual product. With an aim to create awareness the brand handpicked a Network of hanging banner and Mini totem at the Domestic Departure Lounge. By placing the creative on the attention grabbing hanging banner, the brand is reaching 100% Domestic Departure traffic while the showcase on the Mini totem further augments the message reach by covering both International & Domestic traffic.

*“Airports are high visibility area especially when passengers have enough time to sit after security check in and before boarding which makes it a perfect location to capture attention. Placing the actual product for people to experience it rightly serves the purpose of our campaign” said Manu Prasad, Director – Brand Marketing*

#### VIII. Human Resource: Working with the right team

Initial team at Urban Ladder was very small, with references from friends and family. With series B & C funding, they have started hiring & technology improvements. Urban Ladder has been going to IITs & IIMs for recruitments, and students are no more scared of joining a



start up, as they are backed up by Venture Capitalists. Earlier there was a stigma attached to joining start ups with worries about job security.

As per their own admission, they have a “cumbersome” interview process to fluster prospective employees. First step is a 45 min telephonic interview, to ascertain basic communication, past experience, basic fit with firm, career plans etc. The next round is ‘Exercise Test’, which is a 3-6 hr problem solving exercise; where engineers find them in middle of a ‘Hacking Test’. After almost a week, the final interview is conducted, known as ‘Airport Test’. The idea behind the interview is that if you are stranded on an airport for 2 hrs, how well you can hold the conversation. It is unstructured & basis for hiring is potential more than performance.

*“Since we are trying to do something that has not been done before, we need a rigorous process to spot talent” – Rajiv Srivasta, founder & COO*

The company has been offering ESOPs along with 11-15 lakh package, to compete with the 17-18 lakh package of consultancies & other established firms. Plus the lure of working in a firm founded by IIM graduates, where the attrition is 0%, as employees work in a happy, productive work environment, is add on. In August 2014 their male : female employee ratio was 7:6, they aim to reach an equal gender ratio by mid 2015.

## IX. Company Culture

The founders believe that culture and values are the foundation for longevity of a startup. Everyone in the organization should understand the values of the organization. Urban Ladder has a meritocratic and open culture, and straightforward values – honesty, transparency, customer obsession and excellence in everything we do. A simple example of that is an incident where one of their e mail Newsletters had a message of flash sale had a typographical error (Exhibit 2), which was a mistake. The company was quick in responding with a sorry communication (Exhibit 3), which tends to humanise the brand. It also reflects a lot about the company like,

- Corporate communication is more of company culture that a marketing tool
- Company is open & transparent about making a mistake. Users realise that mistakes happen & are happy to see them acknowledged and acted upon.
- Urban Ladder has value fibre ingrained, so that writers, designers and even the accountants know how to respond to a particular situation.





When Urban Ladder opened shop, they had budgeted sales of approximately 1 lakh/month with 4-5 furniture pieces being sold initially. But they went out of stock in first 18 days, after making sales worth 4.5 lakh; and sales had grown 5 times more by the fourth month. Urban Ladder opened up temporary offline shops at exhibitions, apartments & offices, which generated good revenue. But as the return on investment was low and the bandwidth it took to do such events is very high, Urban Ladder decided against them.

At present there are almost 180 million mobile data users and by 2019 there will be 125 million online buyers in India. 8% of e-commerce's addressable market lives in top 8 cities, mobile networks are required to reach the rest, that's where mobile apps come in play. Urban Ladder understood the market need and their new initiative Urban Ladder Labs has been launched to create new technical tools for buyers. Urban Ladder Labs work with start-ups, and presently is busy building fleet of mobile apps & other technology based solutions. They expect by December 2015, 70-75% of their business will be m-commerce based.

In November 2014 Urban Ladder labs launched the app 'Living Spaces' for iOS and android phones, through which the customers can virtually place sofas anywhere using their Smartphone cameras. It provides the customers an augmented reality experience. Future plans are to make additions like putting silhouette & ambient lighting. Presently the user does not get any idea about how big the sofa is actually going to be, which means absence of size perspective. This app gives the user the dimensions but does not tell roughly how 'near' or 'far' the user is with respect to the projected object. The company needs to fix such things to make the app more effective & closer to reality.

Wardrobe configuration app has also been launched by Urban Ladder, called 'Urban Storage'. With the help of this app customer can 'open up' the wardrobe and chose among various models, configurations, designs, finish etc and even change the layout of shelves & drawers. Based on the chosen configuration, customers can know the approximate price of the product.

## XI. Facing the Competition

A rising tide lifts all boats. This is true for furniture & home decor sector, with everyone generating good revenues and scaling up & consolidation operations in progress.

Some of the major competitors of Urban Ladder are,

- Pepperfry, based in Mumbai, was the first company in India to venture into e-tailing of furniture & home decor. They majorly cater to home decor, their own branded



products & products from other brands, and have a pan India presence. Pepperfry is working with manufacturers to build furniture that can be assembled on delivery; and augmented virtual reality apps.


- Fabfurnish is furniture & interior decoration retailer founded in 2012, which started as an online store but has now offline store presence in Bangalore & Delhi.
- Furlenco, is a Bangalore based startup, that rents out furniture on a monthly subscription model.
- Nestopia is a Iso astartup in interior design marketplace, that brings together home owners, design professionals, product sellers and construction community.
- Liv Space, founded in 2012, is a personalised home design & decor marketplace, homeowners for India & South East Asia.
- Home Lane, is a technology based solution for semi-furnishing market in India. The customer is free to choose design, fixtures, customize fittings online and the delivery is done by HomeLane's operations team.

In November 2014 Urban Ladder acquired BuynBrag, a curated marketplace for modern furniture, dining sets, home & office storage, gifts & collectibles, lighting & art. This way company is expanding both organically & inorganically.

Urban ladder has partnered with Bajaj FinServ for providing instant loan for buying Urban Ladder product. Bajaj FinServ is the online partner & whenever a customer needs the loan, he/she has to upload certain documents online based on which the loan is approved. Once the loan is approved, order is processed by company. At present the minimum threshold for applying for loan is product price greater than INR 15000.



Exhibit 1



**Quality Home Decor**

Elvis sang, Home is Where the Heart is. And we believe in Elvis  
:)

Ladies and Gentlemen, presenting to you "Urban Ladder", your  
destination to make a beautiful home.  
Furniture, home accessories, decoratives and more!

Our 2nd survey is up and running now  
Survey 2 - Your study room

Here's our earlier survey  
Survey 1 - Your furniture and you

For a sneak peek at our early launch, leave us your email address

powered by **launchrock**



Exhibit 2



**WILLIAMS**  
**XL BEDSIDE TABLE**

~~₹5,999~~      **₹22,499**



Exhibit 3

The advertisement features a navigation bar at the top with icons and labels for 'Beds & Bedside Tables', 'Sofas & Seating', 'Table & Bar Units', 'Wardrobes & Storage', and 'Collections'. The main content is a red banner with white text: 'THERE'S GOOD NEWS AND BAD NEWS. THE BAD NEWS-WE SLIPPED UP IN OUR NEWSLETTER THIS MORNING. OOPS. THE GOOD NEWS-THE WILLIAMS BEDSIDE TABLE IS ONLY ₹4,499. \*cue happy jig\*'. Below the banner is a photograph of a dark wood bedside table with a drawer, topped with a clock, glasses, and a vase with a flower. At the bottom, the product name 'WILLIAMS XL BEDSIDE TABLE' is shown with a price reduction from ₹5,999 to ₹4,499, and a red 'SHOP NOW >' button.



**TEACHING NOTES**

**a. IMMEDIATE ISSUES, BASIC ISSUES AND KEY POINTS OR HIGHLIGHTS**

1. *Market Segmentation & Targeting*
2. *Innovative & Contemporary Product Design*
3. *Focus on only that market which can be serviced as per company standards*
4. *Logistics Network*
5. *Developing the Company Culture*
6. *Transition & balance between e-Commerce and m-Commerce*

**b. POSSIBLE DISCUSSION QUESTIONS**

1. *Discuss what are the attributes specific to a e commerce venture as compared to a Brick & Mortar venture*
2. *Discuss what can be the other market segments which you feel as untapped by Urban Ladder, but have a great potential & are excellent fit for the company*
3. *If you have to come out with a venture in Furniture segment in e Commerce or m Commerce, what will be your strategy to enter the market and create a brand*

**c. POTENTIAL USES OF THE CASE**

*This case can be used as implementation of basic marketing fundamentals in an entrepreneurial venture as well as a case study for understanding e commerce model of an Indian vertical*