

Nykaa Beauty Retail

A women-led multichannel beauty retailer that emerged as India's first profitable unicorn start-up

MarketLine Case Study

Report Code: MLCS0003-029

Published: March 2022



1. Overview

1.1. Catalyst

Nykaa, founded in 2012, is an multichannel retailer selling a curated selection of cosmetics, personal care products, and wellness products. The company entered the unicorn club of start-ups with valuation of over one-billion US dollars in 2020 and became one of India's most profitable start-ups in 2021. Nykaa's Initial Public Offering (IPO) was oversubscribed manifold, and its market capitalization crossed INR 1 trillion on its debut day in October 2021.

1.2. Summary

The brand's strong digital network with presence across various social media platforms and effective content and influencer marketing strategies has accelerated its growth. The platform guarantees 100% authenticity of its products, that it claims to only source from brands and authorized distributors. Adopt multichannel strategies, and build presence in social media and digital content portals. Leverage the mass appeal and the mass following of celebrity online influencers to accelerate sales. Weave a brand purpose around pertinent social, ethical, and environmental causes that influence the target consumer cohort.

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2. A start-up revolutionizing the beauty and personal care e-retailing market in India

Nykaa E-Retail Pvt. Ltd. (Nykaa), an online sales platform for beauty and wellness products, was founded in 2012 by Falguni Nayar, a former investment banker turned entrepreneur. To cement its brand image among younger audiences, the company partnered with a young and upcoming actress, Janhvi Kapoor as the new face of Nykaa's private label makeup products. The COVID-19 pandemic accelerated online shopping in India owing to the public mobility restrictions, and consumer desire for safety and convenience.

2.1. A brand founded by former investment banker-turned-entrepreneur

Nykaa E-Retail Pvt. Ltd. (Nykaa), an online sales platform for beauty and wellness products, was founded in 2012 by Falguni Nayar, a former investment banker turned entrepreneur. The beauty and personal care e-retailer sells makeup, skincare, haircare, bath and body, fragrance, grooming appliances, personal care, and health and wellness products. The name of the start-up was derived from the Sanskrit word 'Nayaka' meaning actress or the one in the spotlight in line with the idea of celebrating the "star in each woman" through their personal style and unique identity. The brand claims to offer 100% authentic beauty products that help consumers to boost their confidence.

Nykaa offers a curated selection of domestic, international, prestige, premium, niche and cult brands, with a collection of over 2,400 brands, and 190,000 products as of March 2022. In addition to beauty products, the retailer also provides expert advice, video reviews of beauty products, an online community, and a Beauty Helpline to help consumers find the right products that would appropriately suit their skin and beauty concerns. The company also operates retail stores in India, under the brands Nykaa Luxe, Nykaa Kiosks, and Nykaa On-Trend.

2.2. Advertisements featuring celebrities served as a high-impact marketing strategy

To cement its brand image among younger audiences, the company partnered with a young and upcoming actress, Janhvi Kapoor as the new face of Nykaa's private label makeup products. The millennial icon, with an Instagram following of over 15.8 million as of March 2022, plays an active role in engaging consumers with the brand through ad campaigns and other social media content. Indian film celebrities, Alia Bhatt and Katrina Kaif became investors in the firm in 2018 and the following year, Katrina Kaif released her own Kay Beauty line via the retailer. In 2019, model and Bollywood celebrity, Lara Dutta, also launched her line of affordable beauty products, 'Arias', on the platform. The publicity generated through these celebrity endorsements served as a high-impact marketing strategy for Nykaa, rapidly boosting its brand visibility among the mass-market audience.

2.3. The company listed its shares on the National Stock Exchange (NSE) in 2021

The COVID-19 pandemic accelerated online shopping in India owing to the public mobility restrictions, and consumer desire for safety and convenience. During the health crisis, the company leveraged its multichannel business model to drive sales. As non-essential businesses were shuttered by the government during the pandemic, the company quickly shifted to selling

everyday essentials online. Moreover, the retailer launched a new category of hygiene essentials under its private label. The hygiene product range included hand sanitizers and cleansers, masks, hand washes, personal protective equipment suits, and thermometers.

As a result, 95% of the company's total sales came from the online channel and the retailer attracted 7.1 million transacting customers between April and August 2021, significantly more than 5.6 million in the whole of 2020². In 2020, Nykaa joined the unicorn start-up club as its valuation crossed one billion US dollars after five rounds of funding.

During Q1 2021 (April-June), the company's GMV (gross merchandise value) trebled to \$199m versus \$59m in Q1 2020. Despite the pandemic restrictions, revenue grew annually by 38.1% from INR17.7 billion (\$231.1 million) in 2020 to INR24.4 billion (\$319.2 million) in 2021. With this, Nykaa turned into one of India's most profitable start-ups⁵. In October 2021, the company launched its Initial Public Offering (IPO) with its shares being oversubscribed by 81.78 times. Nykaa's market capitalization reached INR1,000 billion (\$13.1 billion) on the debut day

2.4. The company invested in social media and digital media marketing

Primarily targeting net-savvy Indian youth, Nykaa invested in social media and digital media marketing. In 2020, consumers spent more time online while cocooning at home during the multiple lockdowns and quarantines. Nykaa was able to leverage popular social media platforms to promote its products, with influencer marketing playing a vital role. Unsurprisingly, 33% of Indian consumers are motivated by reviews from peers online (influencers, bloggers) to try new ingredients/flavors in beauty and grooming products, according to a GlobalData's 2021 Q2 consumer survey. Nykaa has garnered high social media presence with 2.2 million followers on Instagram and 1.2 million subscribers across YouTube as of March 2022.

2.5. Availability of a diverse range of international brands attracts Indian consumers

With the growing proclivity of urban Indians towards quality and prestige products, international brands are gaining more traction in the Indian beauty and grooming market. Rising living standards, and willingness to spend more on personal grooming are crucial factors adding to the popularity of international brands among Indians. This is affirmed by GlobalData's 2021 Q2 consumer survey, wherein 53% of Indian respondents typically purchase beauty and grooming products made by foreign/global multinational brands.

To exploit this trend, Nykaa launched the 'Nykaa Global Store' in July 2021. The global store enables Indian consumers to purchase foreign brands in a convenient way from Nykaa's mobile shopping app. The e-commerce platform has allowed access to a large variety of international brands that resonate with consumers seeking authenticity and varied choices. International brands added to Nykaa's portfolio including Dr. Barbara Sturm, SUVA Beauty, butter London, Natasha Moor, and Rodial, among others.

3. Consumer diversity and inclusivity through marketing campaigns

As a start-up led by a female entrepreneur, Nykaa's marketing campaigns focus on communicating a strong message by portraying empowered and care-free women. To address consumers' desire to physically try-out cosmetics products while purchasing online, Nykaa launched physical store formats. The COVID-19 outbreak compelled beauty retailers to alter their business strategies and focus on digital solutions. Social media served as a cost-effective medium that facilitated real-time customer engagement. Beauty brands can engage consumers via platforms such as Instagram, YouTube, TikTok, and WeChat to build and sustain their brand image in consumers' minds.

3.1. Brands that adopt social causes are gaining appeal among youth

As a start-up led by a female entrepreneur, Nykaa's marketing campaigns focus on communicating a strong message by portraying empowered and care-free women. In June 2021, the retailer launched its 'All That You Love' campaign, featuring Indian celebrity Janhvi Kapoor. The campaign highlights that every Nykaa woman can have an unapologetic relationship with her beauty products. The campaign invites customers to "explore, experiment and embrace" themselves, irrespective of what stage of beauty journey they are at. Furthermore, in October 2021, the brand launched another ad campaign, titled "Tum Hi Ho Nykaa" ("You are Nykaa") featuring six powerful women who challenge gender stereotypes. The campaign encourages women to stand against all odds, and encourages them to be the 'Nayaka' of their own story, and cherish their place in the world. Nykaa's ad campaigns resonate well with 40% of Indian consumers who find products that 'support a social cause' an essential/key driver of purchase.

3.2. The use of strategic marketing contributes to brand recognition

One of the key drivers supporting Nykaa's growth is the brand's multichannel retail model, comprising a website and three dedicated physical store formats: Nykaa Luxe, Nykaa Kiosks, and Nykaa On-Trend. This provides consumers seamless access to products across online and offline channels, which allow consumers to shop anywhere and receive order fulfilment at any point of convenience.

To address consumers' desire to physically try-out cosmetics products while purchasing online, Nykaa launched physical store formats. This multichannel presence aids the brand in driving e-commerce sales, as customers across India can access international brands such as Charlotte Tilbury, and Huda Beauty, which do not have any retail locations in the country, in Nykaa's physical stores and can later make an online purchase. The company aims to provide consumers with an easy shopping experience at their convenience and comfort, whether they are online or visiting a store.

GlobalData's 2021 Q4 consumer survey found that 38% of Indian consumers typically purchase beauty and grooming products from online retailers (supermarket/retailer website), while 24% purchase beauty and grooming products online directly from brands, thereby creating significant opportunity for Nykaa.

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3.4. Convert social media channels into sales platforms

The COVID-19 outbreak compelled beauty retailers to alter their business strategies, and focus on digital solutions. Social media served as a cost-effective medium that facilitated real-time customer engagement. Beauty brands can engage consumers via platforms such as Instagram, YouTube, TikTok, and WeChat to build and sustain their brand image in consumers' minds. It can be used to deliver personalized and targeted brand communication to niche cohorts. Social media can amplify the impact of traditional marketing campaigns.

Brands can leverage key opinion leaders, bloggers, and micro-influencers to scale up sales of new product launches. Celebrity influencers can push products through their followers, often achieving record sales within a short timeframe. Moreover, 'word of mouth' publicity is generated through likes, shares, tweets, comments, and user-generated content such as product reviews. Furthermore, social media analytics provides cues on the success or failure of events.

Both multinational and independent cosmetics companies are building communities of followers around their brands. Such cultivated communities offer members a sense of belonging. The user-generated content produced by this base of loyal consumers, including peer-to-peer product reviews, beauty advice, and brand information, is perceived to be more authentic and personalized than celebrity beauty influencers.

Furthermore, clickable posts on social media sites such as Instagram can drive traffic. Social media live commerce has evolved into a major sales platform for beauty brands in China, and the model is being developed in other countries.

3.5. Bolster sales through shopping occasions and price promotions

Multichannel strategies have become more relevant for the beauty industry. Beauty brands need to provide a seamless shopping experience for consumers across online and offline retail channels, with multiple touchpoints for brand engagement and product fulfilment. Companies will need to work towards creating and refining the multichannel experience.

One of the popular and established strategies adopted by brick-and-mortar retailers has been to leverage retail occasions such as Black Friday and Cyber Monday to boost sales. E-retailers such as Alibaba have developed new shopping events such as Singles' day to drive traffic to online stores.

Similarly, Nykaa hosts various other popular price promotion events including Black Friday, Pink Friday, and clearance sales, providing consumers with discounts and offers on a wide array of products. The company also offers several coupons to its customers to encourage repeat purchases. Furthermore, during the festive season, the brand uses coupons and discount deals to attract more customers.

3.6. Appropriately addressing consumer concerns is imperative brand success

Beauty brands are increasingly considering environmental, ethical, and social causes including sustainability, gender equality, racial discrimination, diversity of skin tones, LGBTQ inclusiveness and mental health, to connect with the growing mass of conscious consumers. More multinational enterprises are embracing such issues as a part of their corporate social responsibility targets. Brands with social responsibility goals at the core of their brand purpose can establish strong bonds with consumers through positive and relevant messages that empower them.

However, in order to ensure a return on investment or impact from socially-responsible campaigns, companies need to ensure that they are moving in the right direction with the cause, and that there is continuity in the brand communication and stakeholder actions.

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Case Studies

4. Appendix

4.1. Further reading

UK Health and Beauty: Market is set to recover from pandemic in 2023 and driven by beauty products (2021) MarketLine Case Study

Personal Care: How COVID-19 is establishing new routines and preferences in beauty & grooming (2020) MarketLine Case Study

5. Ask the analyst

We hope that the data and analysis in this case study will help you make informed and imaginative business decisions. If you have any questions or further requirements, MarketLine's research team may be able to help you. The MarketLine Research team can be contacted at ReachUs@MarketLine.com.

6. About MarketLine

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