

NYKAA BEAUTY TRENDS REPORT

IN PARTNERSHIP WITH **redseer**
Strategy Consultants

PRESENTED AT

NYKAA





ABOUT NYKAA

At Nykaa, we share one vision- to bring inspiration and joy to people everywhere, every day. Born out of a desire to make beauty a mainstream choice, the Nykaa journey began in 2012 as a digitally native, consumer-tech company. Falguni Nayar's entrepreneurial leap with Nykaa, tapped into an underserved beauty retail market, disrupting the ecosystem and putting India in the global spotlight. Today, Nykaa has expanded its offerings to include lifestyle and B2B by introducing online platforms Nykaa Fashion, Nykaa Man, and Superstore.

Over the years, Nykaa has steadily captured the hearts of Indian consumers, ushering visits to both its online and 200 offline destinations and building loyal communities through engaging and educational content. Nykaa continues to build its house of brands with a sharp focus on innovation and consumer delight.

Nykaa's unwavering commitment to authenticity and customer centricity has made it the retailer of choice for international brands entering India. Nykaa's Global Store, a gateway into the world of coveted international brands, leverages the company's proven supply chain and marketing capabilities to offer a truly seamless shopping experience. For its role in building India's beauty and lifestyle retail markets, Nykaa has been awarded several Indian and International accolades and was proudly featured in the TIME100 Most Influential Companies List.

For more, download the Nykaa App



ABOUT REDSEER STRATEGY CONSULTANTS

Redseer Strategy Consultants is a leading strategy consulting firm that has been at the forefront of shaping the new age business landscape in India for the past 15 years. Redseer's relentless focus on innovation, deep consumer understanding, and strong entrepreneurial mindset has established it as the go-to-advisory firm for new-age consumer-focussed businesses.

Redseer is the #1 advisor to new age firm planning IPO strategy, a leading advisor to PE on making the right investment calls and works closely with the founders and board on long-term sustainable businesses. Redseer and its partner OC&C with over 1000+ consultants, create positive impact for their clients from 22 countries across 5 continents

For more, visit <https://redseer.com>

FOREWORD



FALGUNI NAYAR

FOUNDER & CEO, NYKAA

As the world's fourth largest beauty market, India's beauty industry is at a pivotal moment in its journey- characterized by premiumization, evolving consumer demographics, and technological advancements.

The beauty sector in India is experiencing a dynamic shift towards premiumization, where luxury is no longer confined to price alone. Today, premiumization encompasses an expanded beauty basket, knowledge and regimen, influenced by a highly discerning consumer with evolving desires and an enriched beauty vocabulary. Consumers are more demanding for unique products that suit their personal needs and concerns, and look for

superior ingredients. Concepts like stepification to achieve a certain look have become common parlance and are integral to beauty routines, driving consumers to seek out more steps and diverse formats to achieve their desired results.

The beauty audience has also undergone a remarkable transformation. The emergence of Gen Z and Tier 2+ cities mirrors the engagement patterns previously seen in metropolitan areas. These young, evolved consumers are embracing beauty with the same enthusiasm as their urban counterparts, driving demand for both familiar and novel beauty experiences.

We at Nykaa take pride in being at the forefront of building an expansive beauty ecosystem, having served over 25 million consumers. Our omnichannel 360 degree approach to content and commerce ensures that discovery and distribution happen at scale, bridging the gap between online and offline experiences. This report is not just an exploration of trends but a testament to how Nykaa has harnessed technology, education and awareness to foster growth and innovation within the beauty industry. We hope it serves as a valuable resource for brands aiming to navigate this exciting phase, embracing technology to enhance every touchpoint and ultimately drive the industry forward.

FOREWORD



ANIL KUMAR

FOUNDER & CEO, REDSEER STRATEGY
CONSULTANTS

The Beauty and Personal Care (BPC) industry is booming globally and in India, driven by rising incomes and higher discretionary spending. Social media is not only boosting consumer awareness but also transforming how they engage with beauty categories like makeup, hair care, skincare, and fragrance.

Today's consumers seek hyper-personalized BPC products with targeted solutions, drawing inspiration from social media and beauty experts. This shift has democratized knowledge, expanding brand reach and making beauty products more accessible across different demographics and regions.

The expansion of online and offline channels has boosted brand accessibility, reaching tier 2 and tier 3 markets. E-commerce leads this growth, while many brands adopt omnichannel strategies to maximize reach. Strategic partners like Nykaa have been crucial in driving scalability.

India has seen a surge in global and local brands catering to diverse consumers, but few have reached the INR 100 crore revenue mark. With the beauty market nearing a US\$34 billion value by 2028, there are significant opportunities to tap into emerging consumer segments nationwide.

Indian consumers are eager to explore global trends, driving brands to be more agile and innovative. As consumers evolve in their routines, brands can expand offerings and market share. New technologies are bridging offline and online beauty purchases, broadening brand horizons across products and supply chains.

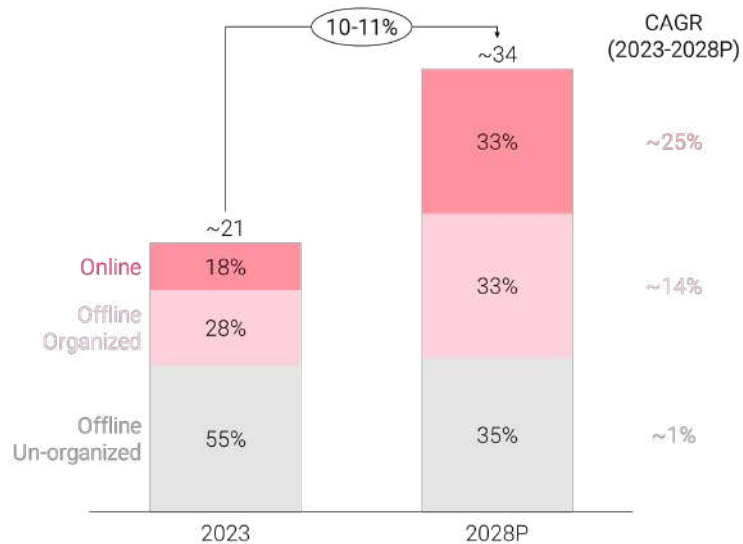
This report, developed by Redseer in collaboration with Nykaa, focuses on the key trends reshaping the Indian beauty industry. We hope it provides actionable insights for brands to identify opportunities and develop strategies for sustainable growth in this dynamic beauty landscape.

EVOLUTION OF BPC IN INDIA

BPC MARKET TO REACH US\$ 34 BN BY 2028, DRIVEN BY ONLINE PENETRATION OF CORE BEAUTY CATEGORIES

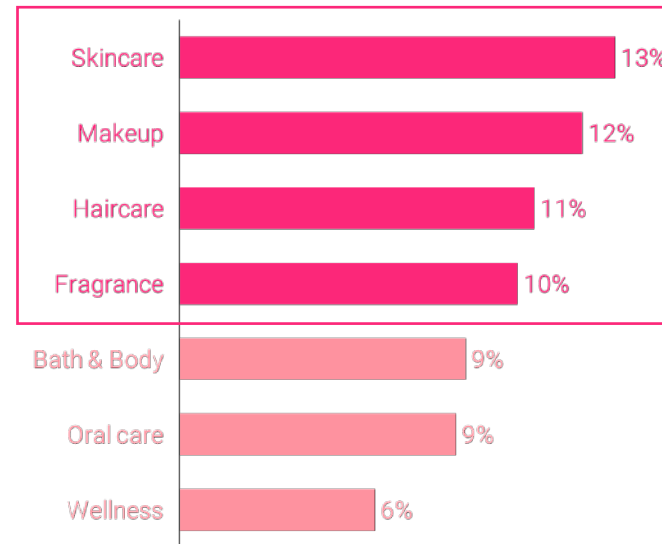
ONLINE CHANNEL EXPECTED TO GROW THE FASTEST AT ~25% CAGR

India BPC market size¹ – by channel
US\$ Bn, 2023, 2028P



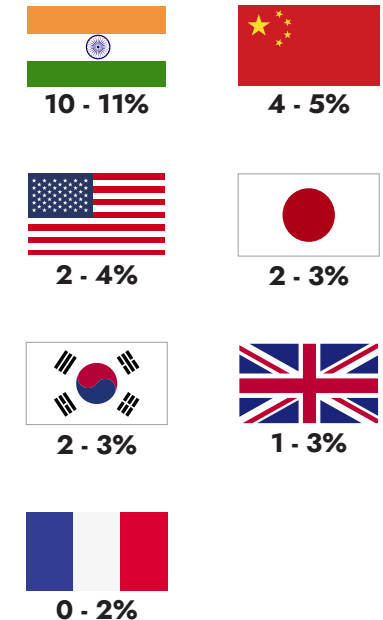
CONSUMER PREFERENCE AND DEMAND SHIFTING FROM PERSONAL CARE² TO BEAUTY³

India BPC expected growth – by category⁴
CAGR, 2023 to 2028P



INDIA IS THE FASTEST GROWING BPC MARKETS GLOBALLY

BPC expected growth – by country
CAGR, 2023 to 2028P



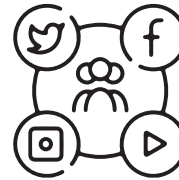
Note(s): 1. Percentages may not add up to 100% due to rounding, 1 US\$ = 80 INR; 2. Personal care encompasses bath & body, oral care and wellness categories; 3. Beauty encompasses skincare, makeup, haircare and fragrance categories; 4. Wellness includes personal hygiene and sexual wellness products; Fragrance includes products like perfumes, colognes, and body sprays; Makeup includes face cosmetics, lip cosmetics, eye cosmetics, and nails; Oral care includes oral hygiene products like toothpaste, toothbrush, mouthwash, etc.; Skincare includes cleansers, moisturizers, serums, sunscreens, masks, etc.; Bath and Body includes products like soaps, shower gels, and lotions; Haircare includes products for hair nourishing (shampoos, conditioners) and styling (hair gel, mousse, spray), but excludes hair appliances.

FIVE KEY TRENDS ARE FUELLING THE MOMENTUM FOR INDIA'S BPC SECTOR



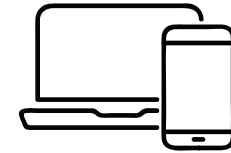
RISING DISCRETIONARY SPENDS ENABLED BY INCREASE IN DISPOSABLE INCOME

Discretionary retail spends to grow at ~1.5x¹ that of non-discretionary



DEMOCRATISATION OF INFORMATION AND EXPERTISE COURTESY SOCIAL MEDIA

India had 520-560 Mn social media users in 2023



UNIVERSAL ACCESS & REACH COURTESY E-COMMERCE

E-commerce to contribute ~33% to BPC sales by 2028



GROWING PREFERENCE FOR HIGH-QUALITY, PREMIUM BEAUTY PRODUCTS

Premium beauty to be a US\$ 3-3.2 Bn market by 2028



NEW FORMATS, INGREDIENTS, AND CONCERNS - ALL FUELLING PRODUCT INNOVATIONS

Products are now available in an increasing number of formats with growing consumer basket

Note(s): 1. Discretionary spend growth from 2023 to 2028

Source(s): Redseer IP, Redseer research and analysis

CONSUMERS' ACCESS TO BRANDS AND RETAIL CHANNELS HAS EVOLVED OVER THE DECADES...

BRAND AND CHANNEL EVOLUTION IN BPC

PAST

OFFLINE RETAIL & LARGE BRANDS



CHANNEL EVOLUTION

Emergence of modern trade formats such as supermarkets, malls, Exclusive Brand Outlets (EBOs) and Multi-Brand Outlets (MBOs)

BRAND EVOLUTION

Dominance of early movers like Estee Lauder, L'Oreal consumer & professional products division, and Hindustan Unilever

PRESENT

E-COMMERCE & GLOBAL BRANDS



E-commerce growth and emergence of specialty beauty retailers, pioneered by Nykaa

Growth of global companies like the Amorepacific Group, Puig Group and Beiersdorf

FUTURE

OMNICHANNEL RETAIL & PRESTIGE BEAUTY



Omnichannel foray by legacy and emerging brands and retail platforms; hyperlocal retail has started gaining prominence

Surge in luxury brands like Chanel, Dior, Jo Malone, etc.

...AND SO HAS THE CONSUMER RELATIONSHIP WITH BEAUTY WITH EVER EXPANDING VOCABULARY

PAST

BEAUTY AS AN OCCASION

Consumers interacted with makeup occasionally (parties, festivals, weddings, etc.), largely influenced by mainstream celebrities and pop events. Limited knowledge and access to content around Beauty



PRESENT

BEAUTY AS A DUTY

➤ Makeup has become a part of everyday life; repertoire is expanding and consumers are seeking efficacy and goodness in products; along with popularisation of routine and must use categories like sun protection. Digital influencers are impacting choices



FUTURE

BEAUTY FOR ME

➤ Era of sophisticated multi-step routines for different times of the day. Specialised concern and ingredient based searches leading to micro-segmentation of consumers and need for personalization in digital journeys. Increased reliance on macro, micro and regional beauty influencers



MULTIPLE FACTORS ARE SHAPING THE CONSUMPTION OF BEAUTY IN INDIA

**RISE OF PREMIUM
BEAUTY CONSUMPTION**

**EXPANDING BEAUTY VOCABULARY
& BEAUTY BASKETS**

**DECODING GEN Z AND
YOUNG MILLENIALS**

BEAUTY BEYOND METROS

**CHANGING DYNAMICS
FOR INDIAN BRANDS**

**EXPANDING MARKETING ECOSYSTEM:
PARTNERS AND PLATFORMS**

**DEMYSTIFYING INGREDIENT
FOCUSSED BEAUTY**

THE MICRO-TREND REVOLUTION

**INTERSECTION OF BEAUTY
AND TECHNOLOGY**



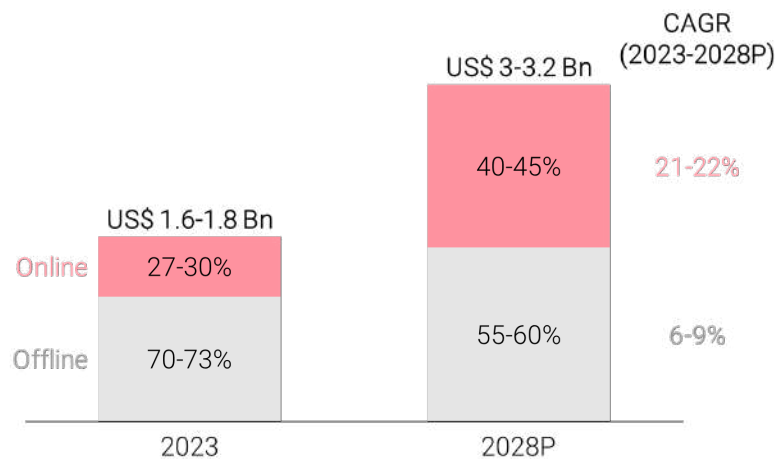
ASPIRATIONS GALORE:

RISE OF PREMIUM BEAUTY CONSUMPTION

THE ASPIRATIONAL INDIAN CONSUMER IS BOLSTERING THE DEMAND FOR PREMIUM BEAUTY

ONLINE PREMIUM BEAUTY GROWING AT 21-22% CAGR TILL 2028

BEAUTY PREMIUM¹ MARKET BY CHANNEL In US\$ Bn, 2023, 2028P



Prestige beauty market² is expected to grow faster than overall premium beauty market

MACRO FACTORS DRIVING PREMIUM CONSUMPTION



India's GDP per capita rose to **US\$ 2,612 in 2023**, thus driving discretionary³ spends to over 50% of retail sales



High Income households⁴

41 MILLION (2023) > 60 MILLION (2028P)

Growing dual-income households adding to this rise



Increasing availability of global premium brands in India on platforms like Nykaa

CONSUMER MOTIVATIONS FOR PREMIUM CONSUMPTION

SUPERIOR PRODUCT QUALITY AND EFFICACY

Belief that premium beauty products deliver superior quality and results, and are technology-backed

LUXURY AS AN EXPERIENCE

Providing unique retail experiences, rich brand narratives, carefully chosen selections, brand image and exclusivity

PREMIUM PRODUCTS ARE VIEWED AS MARKERS OF ACCOMPLISHMENT

Associated with feeling of emotional gratification, pride and reward

Note(s): 1. Premium beauty market includes products priced above INR 1000; 2. Prestige beauty market includes products priced above INR 2300; 3. Discretionary expenditures include spending on categories such as FMCG (excl. staples), apparel, consumer electronics, consumer appliances, general merchandise, and beauty & personal care (BPC), among others. These tend to have cyclical demand, fluctuating with economic conditions. Non-discretionary expenditures encompass spending on essential categories such as pharmaceuticals, staples, and fresh food, among others which are less sensitive to economic changes; 4. Consists of households with >INR 10,00,000 annual income.

BRANDS ARE SEEDING PREMIUMIZATION THROUGH THREE CORE LEVERS

REIMAGINE PRODUCT MARKET FIT



INNOVATION IN ASSORTMENT

through formats, ingredients and sizes unique to India



PRODUCT EFFICACY AND PAY OFFS

as consumers seek assurance, a tangible reason-to-believe and emotional gratification from premium beauty

STRIKE A LOCAL CHORD



ENDORSEMENT AND SOCIAL PROOF

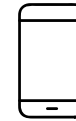
through relevant influencers and KOLs¹ representing Indian skin tone/texture, and authentic reviews & recommendations as premium consumers are educated, informed and invested in decision-making



ALIGNING WITH OCCASIONS THAT HAVE A STRONG EMOTIONAL CONNECT

as Indians tend to splurge during festivities, bridal events etc. and express themselves with custom and relevant looks 'Nykaa Waali Shaadi' bridal campaign delivered a reach of 460 Mn+ from Nov '23 to Apr '24

EXPAND BRAND PRESENCE STRATEGICALLY



PRESENCE ACROSS E-COMMERCE, SPECIALISED BEAUTY RETAILERS AND OWNED STORES

as consumers want to experience assortment, sensorials and aesthetics of the products prior to purchase and seek custom advice from beauty advisors. Omnichannel presence becoming critical for premium brands



MARKETS BEYOND METRO ARE ALSO GAINING PROMINENCE

as ~55% of sales from prestige beauty brands² on Nykaa comes from non-metros³

Note(s): 1. KoL refers to Key Opinion Leaders, 2. For top 9 prestige brands on Nykaa which contribute 50% of overall prestige beauty sales as of 2023, 3. Cities with population less than 4 Mn are considered as non-metros

Source(s): Nykaa trends data, Expert interviews, Redseer research

NYKAA IS AT THE FOREFRONT OF THE EFFORTS TO BRING PREMIUM AND PRESTIGE GLOBAL BRANDS TO INDIA

GLOBAL PREMIUM AND PRESTIGE BRANDS AVAILABLE IN INDIA THROUGH NYKAA

Bath&BodyWorks	benefit SAN FRANCISCO	BIODERMA
CAUDALÍE PARIS	CharlotteTilbury	COSRX
DIOR	ESTÉE LAUDER	GIORGIO ARMANI
GIVENCHY	HUDA BEAUTY	innisfree
JO MALONE LONDON	Kiehl's SINCE 1851	LANCÔME
LANEIGE	L'OCCITANE EN PROVENCE	L'ORÉAL PROFESSIONNEL PARIS
L'ORÉAL PARIS	MAC	Murad
NUDESTIX #GONUDESBUTBETTER	OLAPLEX	The Ordinary.
pixi!	SOL DE JANEIRO	Too Faced
TOM FORD	URBAN DECAY	YVES SAINT LAURENT

NYKAA HAS BUILT A ONE SHOP STOP SOLUTION FOR GLOBAL BRANDS TO EXPAND IN INDIAN MARKET



Market Entry
Strategy



Registration
& Logistics



Localization
& brand building



Warehousing
& Operations



Distribution channels



Post order servicing
& retention

AIDED BY ITS LUXE RETAIL STORE EXPERIENCE

70+ luxe retail stores
across India¹



Note(s): 1. # stores as of August 2024

Source(s): Nykaa Annual Report FY24, Redseer research

GLOBAL BRANDS AND BEAUTY CONGLOMERATES ARE DOUBLING DOWN ON THEIR INDIA EFFORTS

ESTÉE LAUDER

FOCUSES ON PRODUCT FIT & BRAND PARTNERSHIPS

- Collaborated with luxury designer Sabyasachi for limited edition lipstick to establish a prestige local connect with the global brand 40 Mn + impressions in search for brand till April 2024



- Product minis made available in countries like India, Indonesia, etc. to enable brand trials and offer accessible entry price point for consumers
- Became the first luxury brand to appoint an Indian as global ambassador - Manushi Chhillar

L'ORÉAL LUXE

STRATEGIC CHANNEL MIX

LANCÔME

- Re-entered India in 2022
- Leans into **Gen Z led communication, experiential marketing and omnichannel presence**

URBAN DECAY

- Activation at Nykaaland in 2023
- Gen Z and Millennial focused communication through Nykaa content channels

YVES SAINT LAURENT

- Exclusive launch on high impact platforms like Nykaa online and retail through 360 marketing, resulting in **53% fragrance sales growth on Nykaa in 2024 YoY¹**

Charlotte Tilbury

LEVERAGING INDIAN WEDDINGS & BRIDAL BEAUTY

Collaborated with premium Indian influencers and celebrities such as Banita Sandhu, Shanaya Kapoor to create bridal makeup looks to enable wider reach



Note(s): 1. Nykaa sales growth is taken from August 2023 to August 2024

Source(s): Nykaa Trends data, Expert Interviews, Redseer research

EXPANDING BEAUTY
VOCABULARY
AND BEAUTY BASKETS:
'STEPIFICATION' & INNOVATION IN BEAUTY

'STEPIFICATION' OF BEAUTY ROUTINES IS INCREASING CONSUMER SOPHISTICATION AND PENETRATION INTO ERSTWHILE NICHE SEGMENTS



NYKAA'S 'STEPIFICATION' AND ROUTINE BUILDING ACTIVATION HAS EXPANDED BASKET SIZE, FREQUENCY OF PURCHASE AND GROWTH OF NICHE CATEGORIES - 420 MN REACH¹ AMONG CONSUMERS

1.



Involves cleansing, applying serum, moisturizing, and protecting skin with sunscreen for a complete skincare regimen

270 MN REACH¹

2.



Focuses on gentle cleansing, regular scalp care, and locking in hair moisture for strong and healthy hair

165 MN REACH¹

3.



Includes priming, covering with foundation and concealer, and setting makeup for a flawless, long-lasting finish

160 MN REACH¹

ELABORATE ROUTINES RESULTING IN COMPOUNDING NICHE

+74% YTD²
HAIR MASK

+78% YTD²
HAIR SERUM

+26% YTD²
SETTING SPRAY

+26% YTD²
LOOSE POWDER

+388% YTD²
SUNSCREEN SPRAY

Note(s): 1. Reach as a result of initiatives of Nykaa Step by Step campaign, 2. Growth in search on Nykaa from January 2024 to July 2024

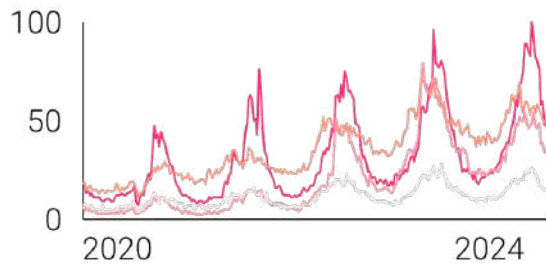
Source(s): Nykaa Trends data, Redseer research

INNOVATION IN PRODUCT FORMATS IS ALSO PIQUING THE CURIOSITY OF CONSUMERS

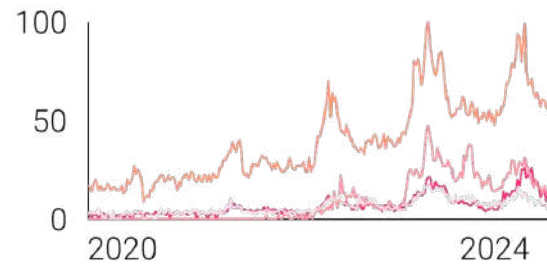
NEWER FORMATS RIDING ON POPULARITY

sunscreen sprays and sticks are searched the most

Google search trends¹ – Sunscreen formats (Global)



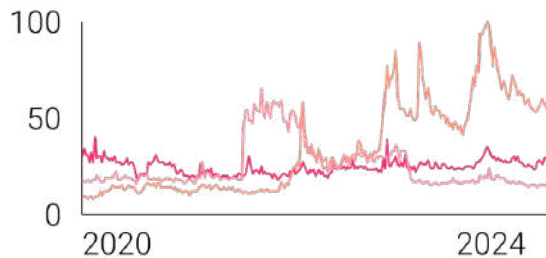
Google search trends² – Sunscreen formats (Indian)



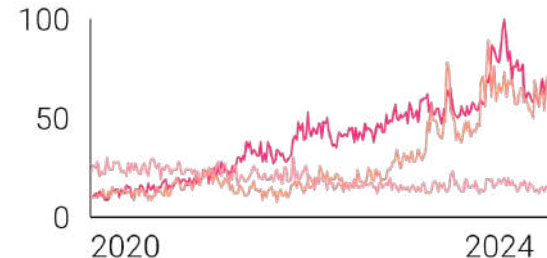
— Sunscreen spray — Sunscreen gel — Sunscreen stick — Sunscreen powder

Lip oil and lip tints are becoming popular

Google search trends³ – Lips formats (Global)



Google search trends⁴ – Lips formats (Indian)



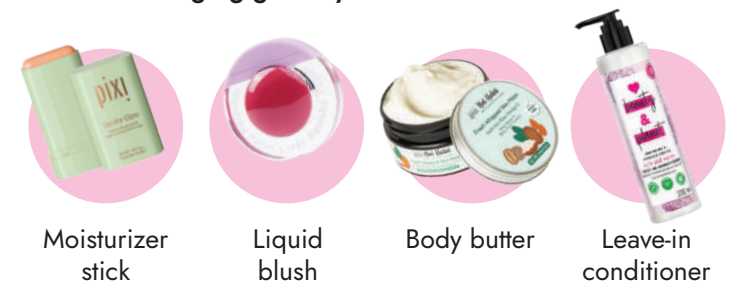
— Lip tint — Lip oil — Plumper

OTHER EMERGING PRODUCT FORMS

Formats emerging in India



Formats emerging globally



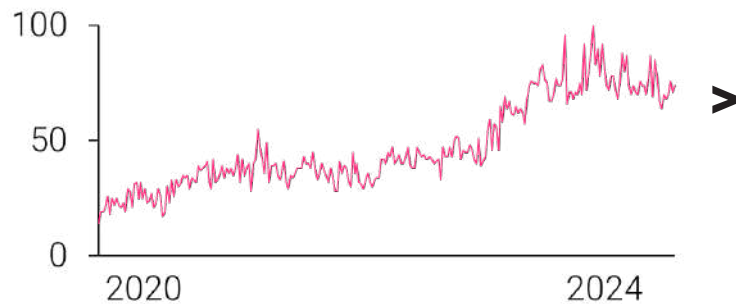
Note(s): 1. Based on global sunscreen format trends search on trends.google.com from 2019 to 2024, 2. Based on Indian sunscreen format trends search on trends.google.com from 2019 to 2024, 3. Based on global lips format trends search on trends.google.com from 2019 to 2024, 4. Based on Indian lips format trends search on trends.google.com from 2019 to 2024; All search interests are indexed to the highest point on the chart for the given region and time period.

'GRAMIFICATION' OF MAKEUP LOOKS IS COMPELLING CONSUMERS TO EXPERIMENT AND EXPAND THEIR BEAUTY BASKETS

GLASS SKIN LOOK

The rising glass skin trend showcases the desire for a radiant, clear and youthful complexion.

Google search trend¹ – "Glass skin"



QUIRKY MAKEUP INSTAGRAM CONTENT



#unicornmakeup



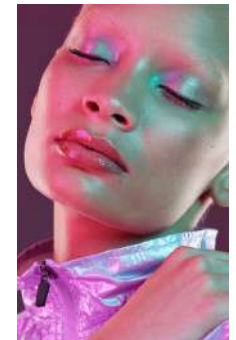
117K posts²



#strawberrymakeup



32K posts²



#holographicmakeup



23K posts²

OTHER EMERGING LOOKS



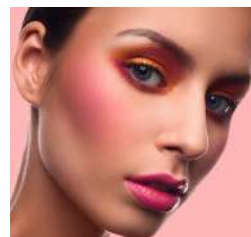
Clean girl look



Cola lips



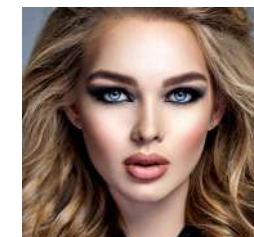
Glazed Lips look



Sunset blush look



Aperol Spritz look



Mob wife look



Glazed donut skin look

Note(s): 1. Based on Indian trends search on trends.google.com from 2019 to 2024, search interest is indexed to the highest point on the chart for the given region and time period; 2. Data as of August 2024 on Instagram platform

The background is a soft, abstract composition of pastel colors. A large, stylized number '3' is formed by overlapping shapes in shades of light blue, pink, and peach. The text is centered in the middle of the frame.

**DIGITAL NATIVES,
BEAUTY INNOVATORS:**
DECODING GEN Z & YOUNG MILLENNIALS

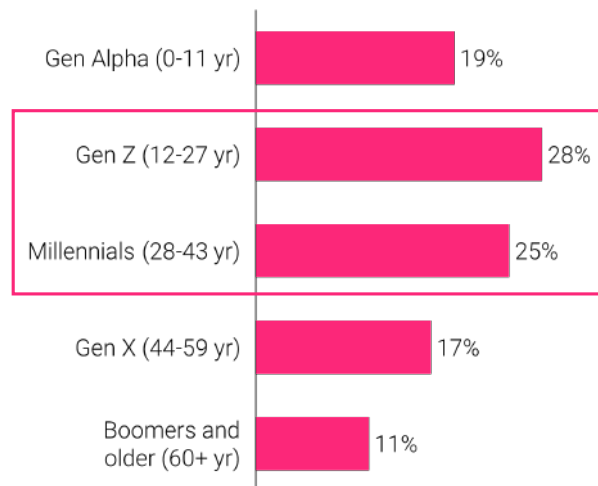
GEN Z & YOUNG MILLENNIALS ARE SPEARHEADING BEAUTY CONSUMPTION AND GROWTH

DRIVING CONSUMPTION GROWTH

Gen Z¹ and Millennials are the largest cohort for beauty consumption, and they are expected to grow in the next few years

POPULATION OF INDIA – BY AGE COHORT

2024E, % of total



Note(s): 1. Gen Z is considered to be those born between 1997 and 2012

Source(s): United Nations World Population Prospects 2024, Expert interviews, Redseer research and analysis

TRIGGERS OF BEAUTY CONSUMPTION



FAST PACED TRENDS

Unique formats and Instagrammable packaging turn beauty products into must-have items



STATUS-SIGNALING

Willing to pay a premium for beauty brands that offer exclusivity and bragging rights

STORY WORTHY BRANDS

From niche solutions to inclusive offerings, compelling brand narratives like wanting to be youthful or seeking longevity of impact, resonate deeply, driving loyalty and purchases



PEER RECOMMENDATIONS

The rise of micro-influencers makes peer-driven endorsements a powerful and trusted source of beauty inspiration



DRIVEN BY A MORE HANDS-ON APPROACH AND EVOLVED PERCEPTION ABOUT BEAUTY



EXPRESSING WITH MAKEUP

Bundles, kits, and minis enable experimentation & creativity, allowing individuals to explore looks & express their styles



PERCEIVING SKINCARE AS AN INVESTMENT

Gen Z are born to social media and well informed, resulting in them being more invested in skin at an early age



PLAYFULNESS WITH HAIR

Niches are creating big waves in the hair category through instant hair drying, hair styling and colors, and curly hair etc.



TRENDING ON FRAGRANCES

Fragrance mists have emerged as a breakout category, and are especially popular with Gen Z and young Millennials

BRANDS ARE ADOPTING GEN Z CENTRIC STRATEGIES TO ENHANCE THEIR SUPPLY CHAIN, MARKETING, AND PACKAGING

SOL DE JANEIRO

DIFFERENTIATING ON UNIQUE PRODUCT OFFERINGS LIKE MISTS



- **Fresh fragrances:** Hydrating, protective, and versatile **body mists for unique sensory experiences** and refreshed glow

- **Pop shops:** Focused on **temporary activations like pop-up shops** during carnivals and spring breaks to better reach Gen Z



1.5x growth in FY 2024 in India

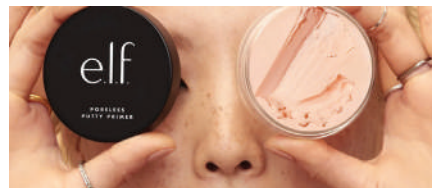
elf

DIFFERENTIATED ON QUICK TRENDY LAUNCHES



- **Quick, trendy launches:** Differentiates with novel and trendy product launches in just 13 weeks

- **Viral Marketing:** Campaigns like #elfvanishingact and collaboration with other brands to launch limited edition products



0.5x growth in FY 2024 in India

DOT & KEY

DIFFERENTIATING ON AESTHETIC AND PLAYFUL SKINCARE



- **Unique Packaging:** Stands out with whimsical packaging that enhances brand's appeal among consumers

- **Collaboration with influencers:** Partners with celebrities like Shanaya Kapoor and other Gen Z influencers



1.7x growth in FY 2024 in India

LEGACY BRANDS ARE ALSO BUILDING SALIENCE BY FOCUSING MORE ON PRODUCT AND TRENDS, THAN ON BRAND

AS CONSUMER BEHAVIOURS AND PREFERENCES EVOLVE, LEGACY BRANDS ARE CHANGING THEIR MESSAGING TO RESONATE WITH NEWER GENERATIONS



EMBRACING GEN Z VALUES

Like inclusivity, sustainability, and authenticity



LEVERAGING SOCIAL MEDIA

Using Gen Z favoured creators, communication and channels



TRANSPARENCY

About product ingredients and ethical practices

INTERNATIONAL LEGACY BRANDS ALSO UPDATING APPROACH AWAY FROM TRADITIONAL METHODS



Shifted from traditional apothecary roots to modern sustainability and innovation



Evolved from a no-frills, science-focused approach to engaging with digital trends



Transitioned from classic luxury to inclusivity and youthful vibrancy, resulting in **165% sales growth** on Nykaa in 2024 YoY¹

Note(s): 1. Nykaa sales growth is taken from August 2023 to August 2024

Source(s): Nykaa Trends data, Expert interviews, Redseer research

LAKMÉ EMBRACING TRENDS & INCLUSIVITY

TRENDY LAUNCHES:

Xtraordin-Airy One-And-Done Lip, Eye & Cheek Tint and Lumi Strobe Cream - Highlighter + Moisturizer + Primer



INCLUSIVITY AND DIVERSITY:

Broadened its shade ranges and emphasized diversity in its campaigns



INGREDIENT FOCUS:

Pioneered integration of actives into makeup at affordable prices (below INR 500) with Vit C Superglow range





BEAUTY BEYOND METROS:

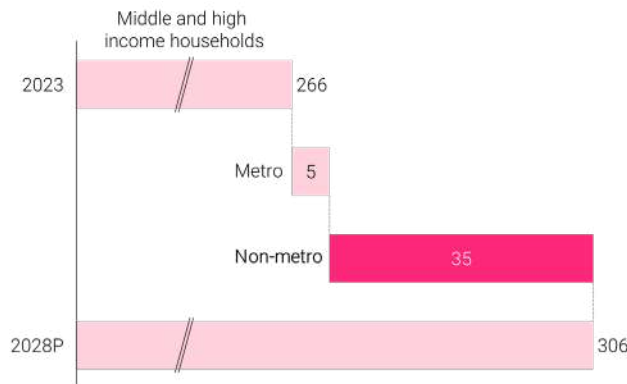
BOOM TOWNS, EASY ACCESS,
GROWING ASPIRATIONS

NON-METRO CONSUMERS ARE KEEPING PACE WITH THEIR METRO COUNTERPARTS IN THEIR BEAUTY PREFERENCES AND INTERACTIONS

CITIES BEYOND METROS¹ PRESENT A HUGE OPPORTUNITY FOR BRANDS

Non-metros are expected to drive the growth in middle and high income² households

middle and high income households (In Mn) for 2023 and 2028



There's ~5x headroom for growth of per capita BPC spend in non-metros, compared to metros

BPC spend per capita (US\$) in 2023



NON-METROS ARE CLOSING GAP WITH METROS IN BEAUTY PREFERENCES



OMNICHANNEL DISTRIBUTION

- **Universal availability of E-commerce**
~60% of Nykaa's e-commerce revenue³ is from non-metros
- **With rising market size, distribution reach is widening**
- **Rising access via physical stores**
General stores, supermarkets and specialised beauty retailers



GROWING ASPIRATIONS

- **Awareness through social media influencers**
Informing beauty trends and impacting purchase decisions
- **YouTube democratizing information**
Educates with long-form and scaling adoption of YT shorts



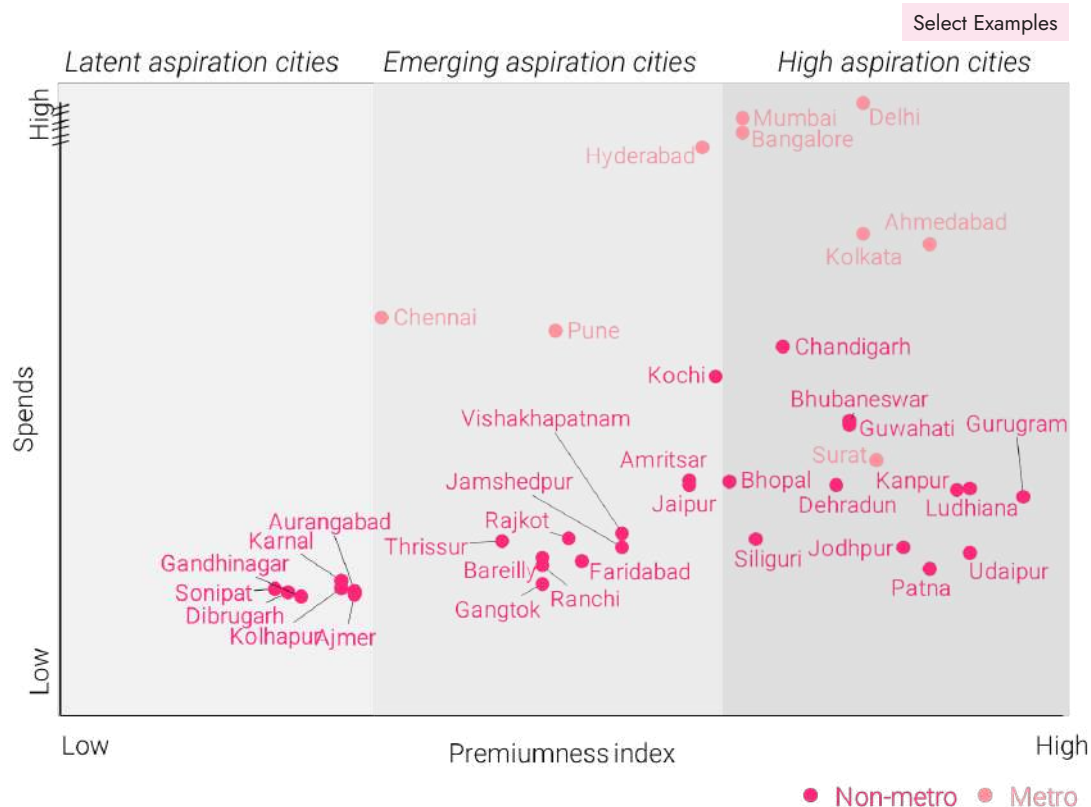
ARRAY OF ASSORTMENT

- **Rising prominence of premium brands**
~55% of prestige beauty brands' sales⁴ is from non-metros

Note(s): 1. Metro cities are the ones with population > 4 Mn; 2. Low income is annual income < INR 1,50,000, middle income is INR 1,50,000 to INR 10,00,000, and high income is > INR 10,00,000; 3. Nykaa e-commerce revenue for FY 24; 4. For top 9 prestige brands on Nykaa which contribute 50% of overall prestige beauty sales.

HOWEVER, WITHIN NON-METROS, THERE IS A SIGNIFICANT VARIATION IN BEAUTY DEMAND & ASPIRATION, CREATING OPPORTUNITIES FOR BRANDS TO THINK DIFFERENTLY

Classification of non-metro cities¹ by beauty spend and average selling price



High aspiration cities

- **Established hubs of business** such as trading, textiles, manufacturing with high discretionary income consumers
- BPC retail spend comparable to some metro cities; **spending propensity similar to top metros**

Emerging aspiration cities

- **Emerging as business hubs**, ushering in a consuming class
- **Spending propensity similar to some metros**, though with smaller retail spend

Latent aspiration cities

- **Moderate economic activity** compared to other cities
- Currently have less propensity to spend on beauty, but have **growth potential in the near future**

Note(s): 1. High aspiration cities have the Nykaa premium share in the upper tertile, emerging aspiration cities have it in the middle tertile, while latent aspiration cities have it in the lower tertile; cities mentioned are representative and non-exhaustive; Analysis based on Nykaa retail sales for FY 24

NYKAA HAS BEEN INSTRUMENTAL IN ACCELERATING PAN-INDIA ACCESS AND UNLOCKING SCALE

NYKAA KEY TO SUPERLATIVE E-COMMERCE EXPERIENCE



4 Bn impressions per month on Nykaa app



1.1 Bn visits on the app annually



25 Mn customers shopped on Nykaa till date



50 visits per visitor annually on average



3600+ brands across mass and prestige segments

NYKAA HAS THE LARGEST NETWORK OF BEAUTY SPECIALIST STORES SERVING ORGANIZED RETAIL



200 stores across 72 cities, of which 106 are in non-metros



30-50% of prestige brand sales mix from retail stores



Nykaa Luxe



Nykaa On Trend

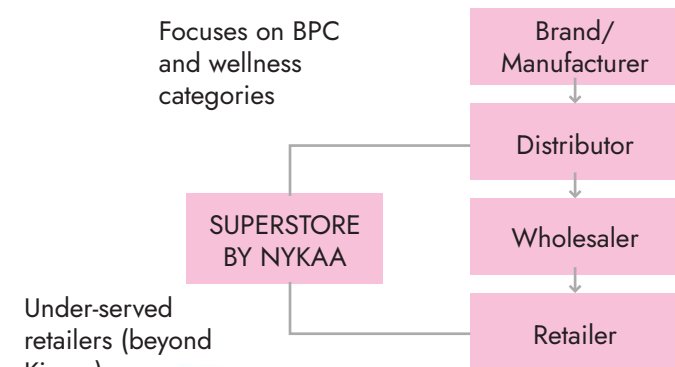


Nykaa Kiosk

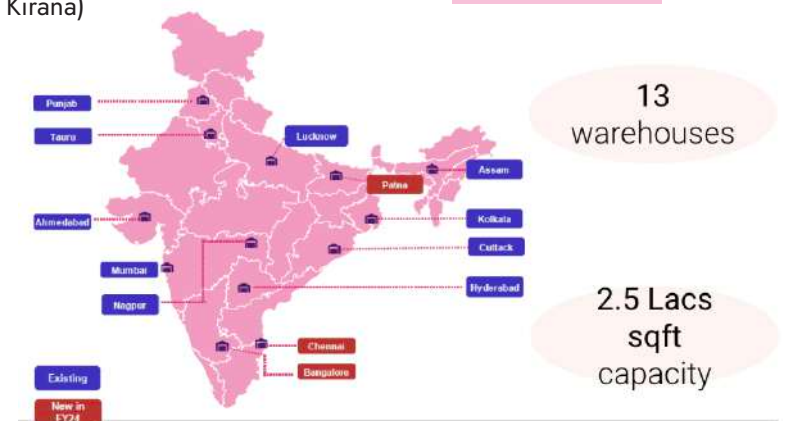
NYKAA SUPERSTORE SERVING THE UNDERSERVED FOR UNORGANIZED RETAIL SPACE

Nykaa Super Store is its e-B2B distribution that connects brands with **~2 lakh retailers across 1000+** cities to scale efficiently in non-metros

Focuses on BPC and wellness categories



Under-served retailers (beyond Kirana)



BRANDS HAVE BUILT ROBUST INNOVATION AND OMNICHANNEL CAPABILITIES TO SEAMLESSLY SERVE NON-METROS



PRODUCT INNOVATION LEVERAGING 'SKINIFICATION'



- Regularly launches products with **trendy ingredients** like **Hyaluronic acid** for its **Hydrating Foundation**

- Utilizes Nykaa's distribution through 150+ Nykaa stores and select premium beauty stores pan India, **offering luxe experience at accessible prices**. Also retailed through **~500 beauty advisor assisted** stores across the country.



Notes: 1. Stock Keeping Unit



ENTRY-LEVEL ACQUISITION STRATEGY



- Its iconic **Colossal Kajal** is an **India-specific innovation** and a leading SKU¹, serving as an **entry-level product** for customer acquisition in non-metro cities

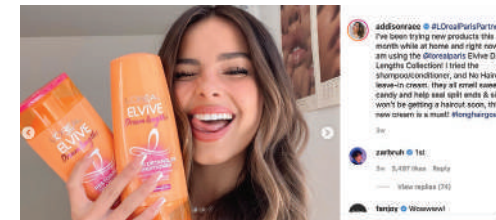


- Sky High Mascara** and **FitMe foundation** are among its leading recruitment SKUs
- Curates hero packs as per audience in each channel and **focuses on 'valorization'** and upgrading customers



CATEGORY DEVELOPMENT AND SUPPLY CHAIN STRENGTHENING

- Invests in **category development** through **education, advocacy** and utilizing **expert, infotainment influencers**



- Its brand **Matrix** is the **largest distributed haircare brand** in India.





HOME GROWN BRANDS:

CHANGING DYNAMICS AND PATH TO GROWTH

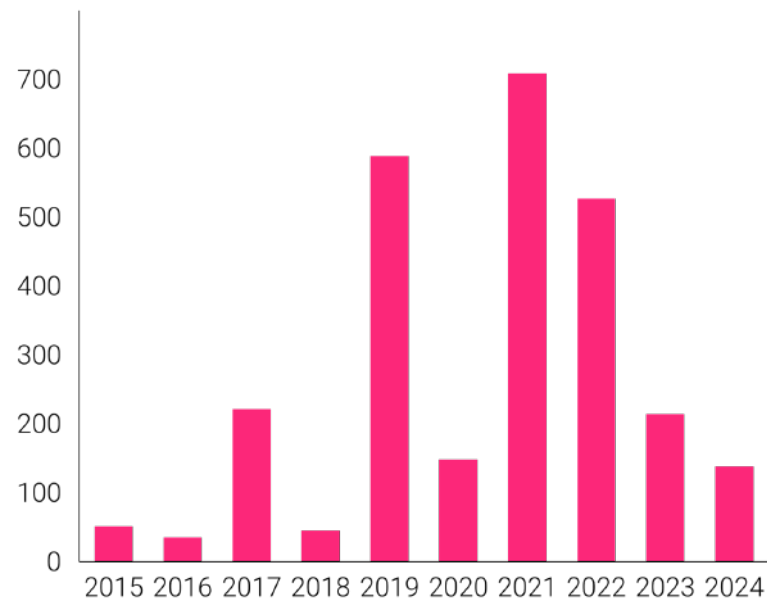
THE LAST DECADE WITNESSED THE PROLIFERATION OF HOMEGROWN BRANDS AND A RESULTING EXPANSION OF THE MARKET

<3% CROSSING THE 100 INR CR MILESTONE

**HOMEGROWN BRANDS SECURED
US\$ 2.6+ BN FUNDING IN 10 YEARS**

VC funding is experiencing slow down over past 12-18 months

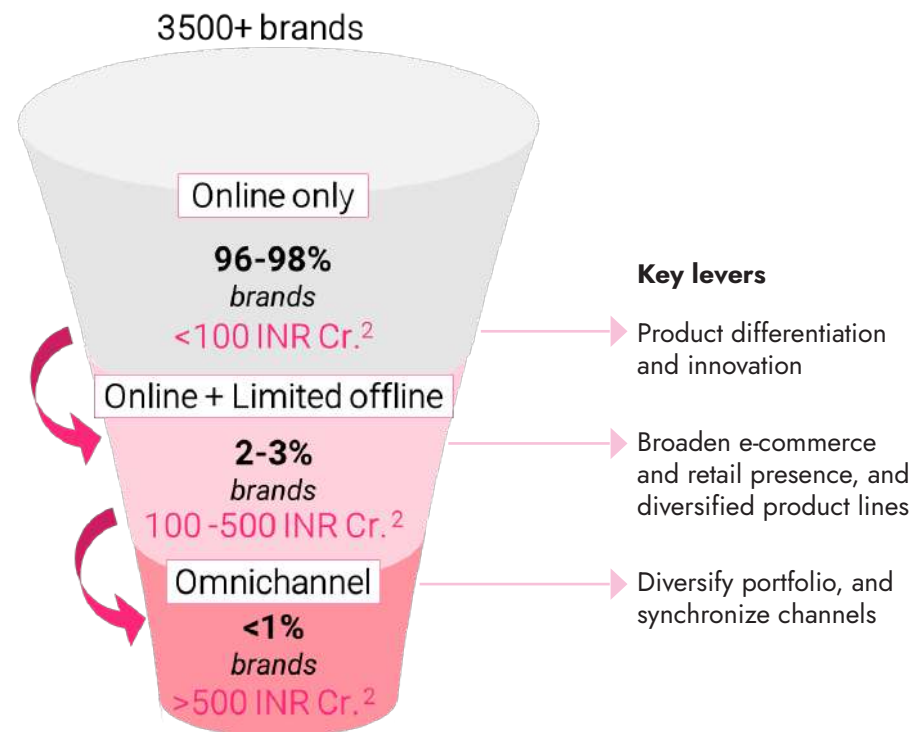
Total funding in beauty and personal care industry
2015-2024 YTD¹, US\$ Mn



Note(s): 1. 2024 YTD is funding from January 2024 to June 2024; 2. Revenue for FY23

Source(s): Redseer research and analysis

**MOST PLAY IN MASSTIGE AND HAVE HELPED
GROW ITS CONTRIBUTION TO OVERALL BPC**



INDIAN HOMEGROWN BRANDS HAVE CHAMPIONED PRODUCT INNOVATIONS DRIVEN BY FORMAT & INGREDIENT



CHAMPIONS 'SKINIFICATION' OF MAKEUP AND INCLUSIVITY

- Offers makeup products **with skincare benefits** such as Hydra Creme lipstick
- Advocates **inclusivity** with products like as many as **16 shades in its lipsticks for different skin tones**

FOREST ESSENTIALS™ LUXURIOUS AYURVEDA

LUXURIOUS AYURVEDA BASED ON SENSORIALS AND FRESH INGREDIENTS

- Focus on **sensorial experiences through high-quality fresh, pure and natural ingredients** - roses shipped from Kannauj, Lemongrass from Ooty, etc.
- **Luxury innovative product formulations rooted in Ayurveda**
- Radiance cream made with 24K Gold and SPF 25



OFFERS SCIENCE-BACKED SKINCARE PRODUCTS

- Focuses on product R&D in consultation with global experts
- **Rigorous testing:** 16 months of R&D formulating its first product 'Hustle'
- **Efficacy:** Its 'In My Defence' Barrier-Building Moisturizer uses 20x the industry average ceramide content
- **Each product has a 'Why' behind it** – Educates consumers on chemistry, biology, and skin physiology of its products



STANDS OUT WITH BIOMIMETIC INGREDIENTS

- **Follows science-forward approach using biomimetic ingredients**
It uses biomimetic ingredients like Amino peptides and Redensyl in its formulations, which mimic the body's ability to repair and regrow hair
- **Focuses on multifunctionality and efficacy**
It designs products with multiple benefits that deliver results quickly, demonstrated by customer survey results

HOMEGROWN BRANDS ARE INCREASINGLY CONSOLIDATING WITH LARGER INCUMBENTS FOR FASTER SCALE UP

BOTH NEW AGE AND INCUMBENT BRANDS ARE ADOPTING THE SCALING PLAYBOOK

1 INNOVATION AT THE HELM

- **Launch on e-commerce** for profitability
- Brand launch and updates based on **differentiation** and a **compelling reason-to-believe**

2 SEAMLESS DISTRIBUTION

- **Omnichannel presence** enabling wider reach and access
- **Integrated shopping experience** (Online + Offline), investing in retail

3 INTEGRATED MARKETING

- **Unified brand communication** and content
- **Marketing channels** ranging from influencers to own websites to performance marketing to non-digital
- **Deep consumer understanding**, identifying emerging trends

SMALLER BRANDS LOOK TO BENEFIT FROM THE ACQUIRER'S BUSINESS SCALE



Access to a more extensive consumer base



Distribution channel capabilities for deeper penetration



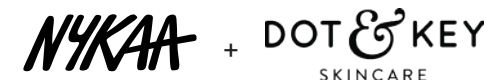
Global expansion capability



Leverage house of brand synergies

Acquiring companies look to expand product offerings & gain niche consumers

ACQUISITION SUCCESS STORIES



Acquisition of majority stake in Dot & Key by Nykaa in 2021

Dot & Key has grown ~10X post-acquisition in 3 years; it achieved profitability since Jan'23



Acquisition of Dr. Sheth's by Honasa Consumer in 2022

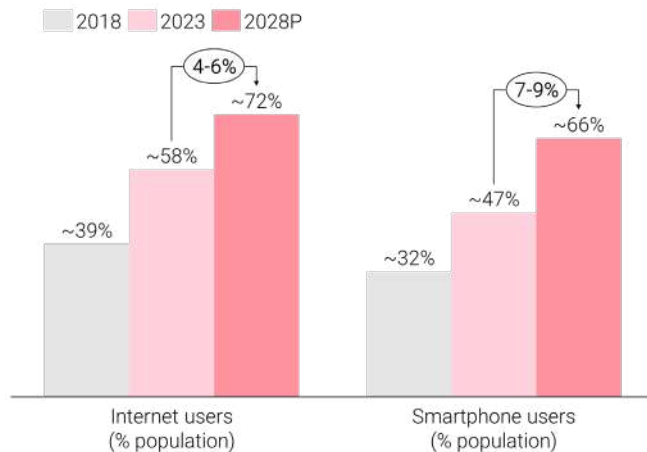
Dr. Sheth's witnessed over 30X growth post-acquisition in ~2 years

The background features a soft, multi-colored gradient transitioning from pink on the left to light blue on the right. Overlaid on this are several geometric shapes: a large, semi-transparent orange circle on the right side, a smaller semi-transparent pink circle nested within it, and a white diagonal line running from the top right towards the center.

EXPANDING MARKETING ECOSYSTEM: PARTNERS AND PLATFORMS

BRANDS ACROSS THE SPECTRUM ARE SHIFTING THEIR SPENDS HEAVILY TOWARDS INFLUENCER MARKETING

INDIA'S INTERNET AND SMARTPHONE USER PENETRATION IS RISING

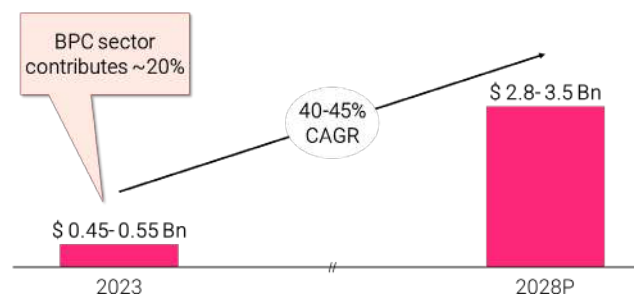


SURGE OF SOCIAL MEDIA AND OTT PLATFORMS



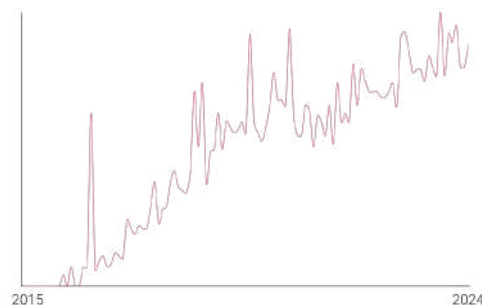
INFLUENCER MARKETING RELEVANCE WILL CONTINUE TO RISE IN THE FUTURE

India's influencer marketing spend across sectors¹



Even Legacy Brands Like Lakme Are Spending ~40% Out Of Their Digital Spends On Influencer Marketing

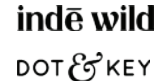
Google Trends² – “Beauty influencer”



Note(s): 1. Includes sectors such as BPC, Fashion and Jewellery, Food and Beverage, Gaming, Media and Entertainment, Mobile and Electronics and Other sectors; 2. Based on global trends search on trends.google.com from 2015 to 2024, search interest is indexed to the highest point on the chart for the given region and time period

WITH PRODUCTS AND AUDIENCES BECOMING NICHE, MICRO-INFLUENCERS AND EXPERTS ARE GAINING RELEVANCE

CLASSIFICATION OF BPC INFLUENCERS

	COSMOPOLITAN / CELEBRITY	INFOTAINMENT INFLUENCERS	MICRO-INFLUENCERS	EXPERTS
TRAITS	Introduce global beauty trends and brands to the audience; Content more likely to be indexed towards large domestic and global brands	Focus on educating the consumers on beauty and skincare	Typically, content on lifestyle and updates with occasional sponsorship from brands	Experts like dermatologists, trichologists, makeup artists, beauty advisors etc. building credibility with expertise
SOCIALS	FOLLOWERS¹: >500K PLATFORMS:  	FOLLOWERS¹: <500K PLATFORMS:  	FOLLOWERS¹: <50K PLATFORMS:  	FOLLOWERS¹: <50K PLATFORMS: Offline,  
BRANDS	  	 	  	  

Note(s): 1. Number of followers on social media is indicative

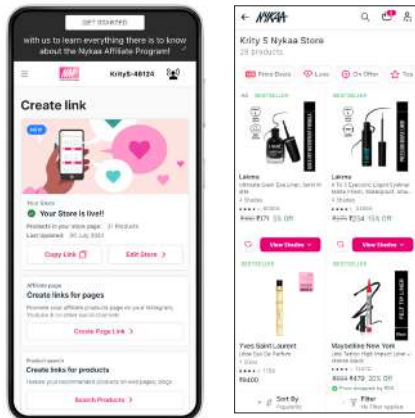
Source(s): Expert interviews, Redseer research and analysis

NYKAA'S AFFILIATE PROGRAM (NAP) IS ALSO AN INNOVATIVE WAY FOR INFLUENCERS TO REACH CONSUMERS AND MONETIZE THEIR CONTENT

ENGAGING USERS THROUGH CREATOR COMMUNITIES



- Creators are inching towards **monetising their organic content** and finding value in a **revenue share model**



- Empower active and existing affiliates with **data-based insights to improve their ad planning and performance**
- Enable affiliates to **create their Nykaa Stores** and promote on social

NAP GAINING TRACTION AMONG INFLUENCERS



Over **25,000** creators have signed up to be a part of NAP



10X growth in registered affiliates from 2022 to 2024



6X growth in Monthly Active Affiliates from 2022 to 2024



40% YoY growth in revenue through affiliates from 2022 to 2024

TOP BRANDS USING NAP

NYKAA
cosmetics

MAYBELLINE
NEW YORK

MAC

LAKMÉ

SWISS BEAUTY

Minimalist

Kay
Beauty

plôm
be good

DOT & KEY
SKINCARE

The
Ordinary.

HUDA BEAUTY

L'ORÉAL
PARIS

NEW PLATFORMS & CHANNELS ARE EMERGING FOR ENGAGING WITH DIFFERENT AUDIENCES

PINTEREST AND SNAPCHAT DRIVING CREATIVITY AMONG YOUNSTERS



A VIRTUAL HUB TO CURATE AND REFLECT IDEAS

Pinterest being an **inclusive, safe platform** inspiring users, with beauty thriving due to its camera-first focus

518 Mn
MAUs¹ globally

42%
Global users
are Gen Z



A REAL-TIME INTERACTIVE PLATFORM WITH CAMERA-DRIVEN CONTENT

AR² filters boost beauty awareness, while **Snap Star** connects brands with creators for campaigns.

~200 Mn
MAUs¹ in India

2X
Time spent by female vs
male users

75% of users below 25 years in India

GEN Z IS INFLUENCED BY PEERS AND CREATIVE SOCIAL MEDIA



SHARED LIVING FUELS PEER-DRIVEN BRAND CHOICES FOR GEN Z

Gen Zers are **exposed to trending brands and products** through shared experiences in hostels, fests, concerts, parties, etc



GEN ZERS ARE INCREASINGLY USING PINTEREST FOR EXPRESSION

Pinterest **mood boards** provide Gen Z a **creative visual** playground, enabling **discovery** and **experimentation** with beauty trends & products

NON-METRO CONSUMERS ARE INFLUENCED BY INFOTAINMENT CREATORS

INFOTAINMENT CREATORS ENHANCE AWARENESS



@thebrowndaughter



913K subscribers



268K followers

REGIONAL INFLUENCERS BOOST BRAND TRUST



@mitaalinag



309K followers

Mitali Nag, a popular TV actress from Nagpur, promotes beauty brands and products to her followers, largely in non-metros



YOUTUBE IS A LEADING PLATFORM FOR AWARENESS IN NON-METRO MARKETS

Through long form tutorials and YouTube shorts for bite sized content
YT Shorts crossed over a trillion views in India (August 2024)

Note(s): 1. Monthly Active Users, 2. Augmented Reality

Source(s): Expert interviews, Redseer research

NYKAA

redseer
Strategy Consultants



BEYOND THE LABEL:

DEMYSTIFYING INGREDIENT-FOCUSED BEAUTY

INGREDIENTS FROM A WIDE SPECTRUM HAVE RAISED TO PROMINENCE AS CONSUMERS DEMAND SOLUTIONS FOR SPECIFIC PROBLEMS

OPPORTUNITY FOR BRAND PLAY ACROSS THE SPECTRUM OF INGREDIENTS

	NATURAL	CHEMISTRY	HYBRID
POSITIONING	Gradual healing and slow beauty focused on long-term skin, hair, face, and body	Quick and effective solutions for beautification or addressing specific concerns	Efficacy of advanced chemicals and nourishment from natural ingredients
TARGET CONSUMERS	In non-metros, seeking health products rooted in traditional wisdom	Skew younger and metropolitan, Seeking quick event-ready fixes	Desiring the efficacy of advanced chemicals with the trust of naturals
TRENDING INGREDIENTS	Bakuchiol oil, Hibiscus, Oat milk, Rice water, Ayurvedic ingredients	Niacinamide, Salicylic acid, Vitamins, Peptides, Retinol	Onion oil + Redensyl, Rice + Niacinamide, Caffeine + AHA ¹
EXAMPLES OF BRANDS	 	 	 

DRIVERS OF INGREDIENT FOCUS

CONCERN & PAYOFF LED MOTIVATIONS:

Consumers are focusing on ingredients used and their impact based on specific concerns

'SKINIFICATION' OF HAIR, MAKEUP, BODY:

Ingredients addressing concerns like acne, pigments, oil control are entering hair, makeup, and bodycare categories

DEMOCRATISATION OF EXPERTISE:

Dermatologists, makeup artists, trichologists are gaining popularity on social media

Note(s): 1. Alpha Hydroxy Acids

Source(s): Expert interviews, Redseer research

AS SEARCHES HAVE BECOME MORE SPECIALIZED, CONSUMERS ARE SEEKING PRODUCTS BASED ON MULTIFUNCTIONAL 'SUPER' INGREDIENTS

'SKINIMALISM' & SOCIAL MEDIA BOOSTED SALICYLIC ACID

Before 2018, salicylic acid (SA) was primarily used to treat severe acne, often associated with harshness and irritation

However, in 2018-19, it became popular due to:



'Skinimalism' driving low-dose SA serums and cleansers



Influencers touting SA benefits

ROSEMARY OIL SOARED DUE TO SOCIAL MEDIA

Rosemary oil wasn't a household name before 2022, when it surged in popularity, driven by the following factors:



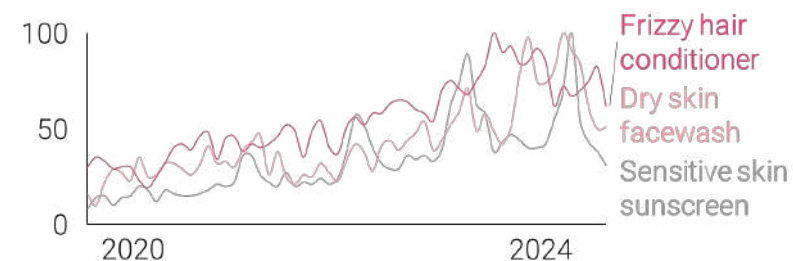
Consumers seeking natural hair care solutions



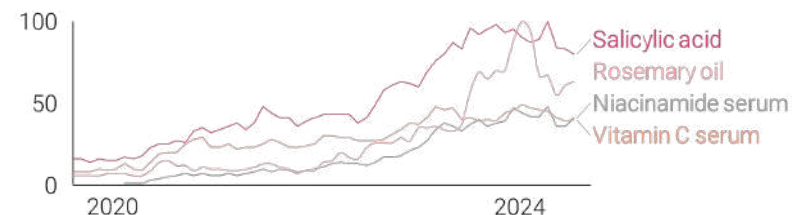
Social media buzz for its scalp and hair growth benefits

SPECIALISED CONCERN AND INGREDIENT BASED SEARCHES ARE GROWING

Google search trends¹ – Issue based product searches (India)



Google search trends² – Viral Ingredients in beauty (India)



Note(s): 1. Based on Indian product searches on trends.google.com from 2019 to 2024, search interest is indexed to the highest point on the chart for the given region and time period 2. Based on Indian ingredient searches on trends.google.com from 2019 to 2024, search interest is indexed to the highest point on the chart for the given region and time period

'SKINIFICATION' BECOMING A KEY LEVER OF INNOVATION FOR BRANDS ACROSS CATEGORIES



**TREND-DRIVEN
INNOVATION**

Derma Co is an ingredient-focused skincare & haircare brand, and one of the pioneers in actives space



**QUALITY THROUGH
EFFECTIVE
INGREDIENTS**

Nykaa Naturals offers paraben and toxin-free products, delivering most products in 4 months from idea to shelf

BE Bodywise **INGREDIENT
INNOVATION AND
TRANSPARENCY**

Be Bodywise is a women-centric wellness brand offering science-backed solutions for skin, hair, and body health concerns



Niacinamide face serum
launched in late 2020



Hyaluronic acid sunscreen
launched in early 2021



Kojic acid lip balm
launched in late 2023



Advanced Hair Growth Shampoo
with Rosemary and Niacinamide
launched in 2023



Sunkissed Glow Invisible
Sunscreen Gel with Niacinamide
and Vitamin C launched in 2024



Brightening Niacinamide &
Waterlily Serum Jelly with
Squalane launched in 2024



1% Salicylic Acid Exfoliating
Body Wash Shower Gel
launched in early 2023



4% AHA BHA Underarm
Roll-On 50 ml launched
in early 2023



2.5% Lactic Acid, 2% Urea
and Retinol Pigmentation
Cream launched in mid 2023

Note(s): 1. Daily Run Rate

Source(s): Nykaa Trends data, Expert interviews, Redseer research

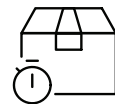
SMALL SHIFTS, SEISMIC IMPACT
— THE MICROTREND REVOLUTION

SHORTER DURATION MICRO-TRENDS ARE MAKING THE BEAUTY LANDSCAPE EVEN MORE DYNAMIC

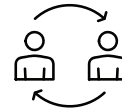
WHAT ARE MICROTRENDS?

Short-lived fads, often old trends, that gain popularity for 3-6 months through social media, pop culture, and influencer marketing, especially among Gen Z, only to fade away just as quickly

OPPORTUNITIES FOR AGILE BRANDS



LOW
INVENTORY



LESSER
COMPETITION

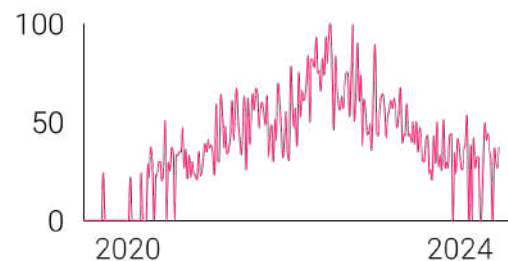


SURGING
DEMAND

Some examples of viral products resulting from microtrends

GRAPHIC EYELINERS

Google search trends¹ - "Graphic eyeliner"

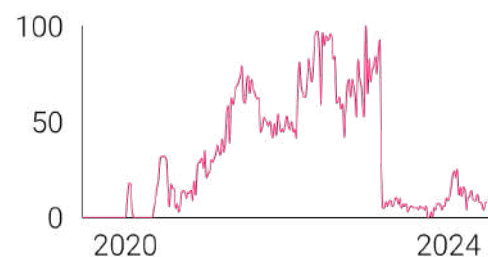


Brief: Bold method of wearing eyeliner, such as creating geometric shapes, adding pops of colour, or opting for daring placements

Source: Aftermath of hit HBO TV show Euphoria and via fashion influencers

TINTED MOISTURIZERS

Google search trends¹ - "Tinted moisturizer"

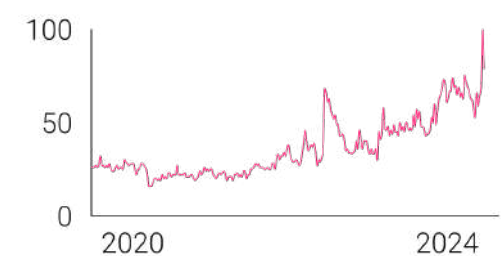


Brief: Moisturizers with a hint of colour to hydrate the skin while giving light coverage

Source: Popularized by 'Get Ready with Me' videos sporting subtle tinted look on TikTok and Instagram

LIP STAIN AND COLOUR SHIFT LIPSTICKS

Google search trends¹ - "Lip Stain"



Brief: Cosmetic product that absorbs into the skin and temporarily stains the lips after peeling off

Source: Took off on TikTok and Instagram due to low-maintenance appeal and colour changing properties

Note(s): 1. Based on global trends search on trends.google.com from 2019 to 2024, search interest is indexed to the highest point on the chart for the given region and time period

BOTH GLOBAL AND DOMESTIC BRANDS ARE LAUNCHING A WIDE RANGE OF TREND-FIRST PRODUCTS

GLOBAL BRANDS KNOWN FOR TRENDY LAUNCHES

elf



elf. x Chipotle Collection, avocado-shaped sponge and ingredient-themed eyeshadow palette



Cheeky collaborations with popular personalities like Jennifer Coolidge, Mikayla and Suits cast, picking on trending moments



Launched Jelly Pop Collection which included **Jelly Pop Dew Primer**, **Water Gel Moisturizer**

MAC



MAC squirt lip gloss taking advantage of the **glossy lips trend** - a stick that nourishes and conditions lips with translucent colour and non-sticky shine, taking advantage of the glossy lips trends



Concealer pen, a new format - multi-use concealer with medium-to-full buildable coverage and a natural matte finish that is transfer-proof, waterproof and wears for 36 hours

TRENDY PRODUCT LAUNCHES IN INDIA

NYKAA
cosmetics



Lip Glaze High Pigment Lip Oil, which capitalises the lip oil trend but with a pigmented finish



Get Cheeky Blush, a highly pigmented blushes, capturing increasing interest in blushes



Glamoreyes Eye, an eye liner that gives a 90s matte finish

BRANDS ARE CAPITALISING ON THESE TRENDS USING AGILE MANUFACTURING CAPABILITIES

3P¹ MANUFACTURERS BEING LEVERAGED TO CAPITALIZE ON VIRAL TRENDS



Shorter lead times: 3-4 weeks vs >1 month in-house



Ease of scaling production based on market response



No upfront capex and freed up working capital



Regulatory Requirements taken care of

BPC CONTRACT MANUFACTURERS BOOMING IN INDIA

While Korea, Italy and China remain global BPC manufacturing hubs, **contract manufacturing is booming in India**

650-700 **contract manufacturers** currently in India, mostly based in North and West India, growing rapidly

They have evolved through **co-innovation, quality control enhancement and adoption of advanced processes**

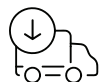
LOCALIZED CONTRACT MANUFACTURING IS PREFERRED DUE TO:



FASTER FULFILLMENT



ENHANCED QUALITY CONTROL



LOWER SHIPPING COSTS



FLEXIBILITY AND RESPONSIVENESS

Localized manufacturing is faster and cost-effective, and closer proximity enabling quality checks

Note(s): 1. Third-party manufacturers

GLOBAL PLAYERS MARKING PRESENCE IN INDIA

intercos
GROUP

Intercos, a top global manufacturer, provides services across the value chain from concept to reality

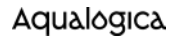
- 2021** Entered India, by acquiring an advanced manufacturing facility in Dehradun
- 2023** Clocked INR 19 Cr revenue in FY 2023
- 2024** Opened office with an experience centre and R&D lab

DOMESTIC CONTRACT MANUFACTURERS ARE ALSO GROWING



AurumineNaturals

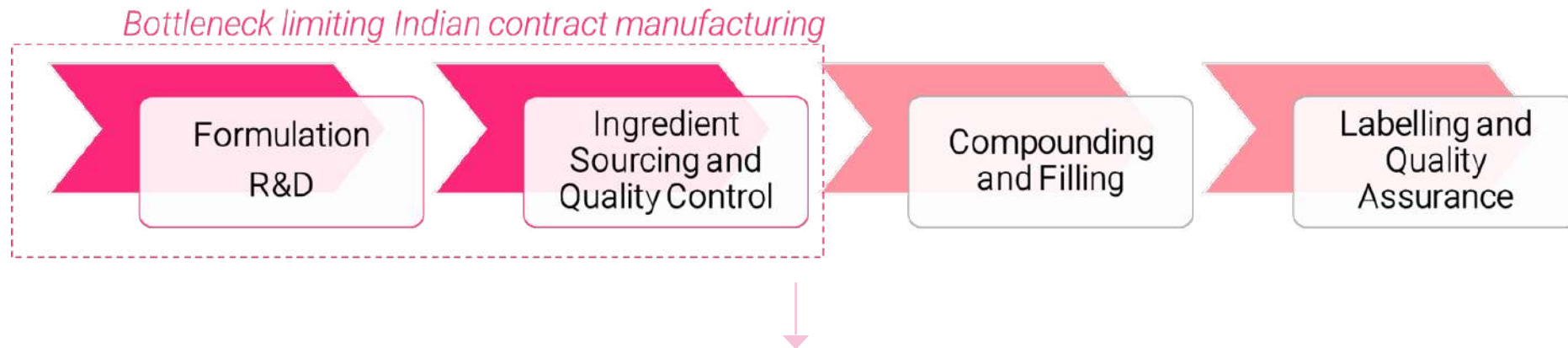
Aurumine Naturals is a domestic contract manufacturer offering private label, customized packaging, and custom formulations

	2019	VS	2024
ONLINE-FIRST BRANDS' ANNUAL CONTRACT VALUE	NR 10 CR	>	INR 60-70 CR
PRODUCTION CAPACITY	X	>	3X
BRANDS ENGAGED SO FAR	 		

INDIAN MANUFACTURERS ARE ELEVATING TO GLOBAL STANDARDS WITH EXTENSIVE FOCUS ON PRODUCT INNOVATION

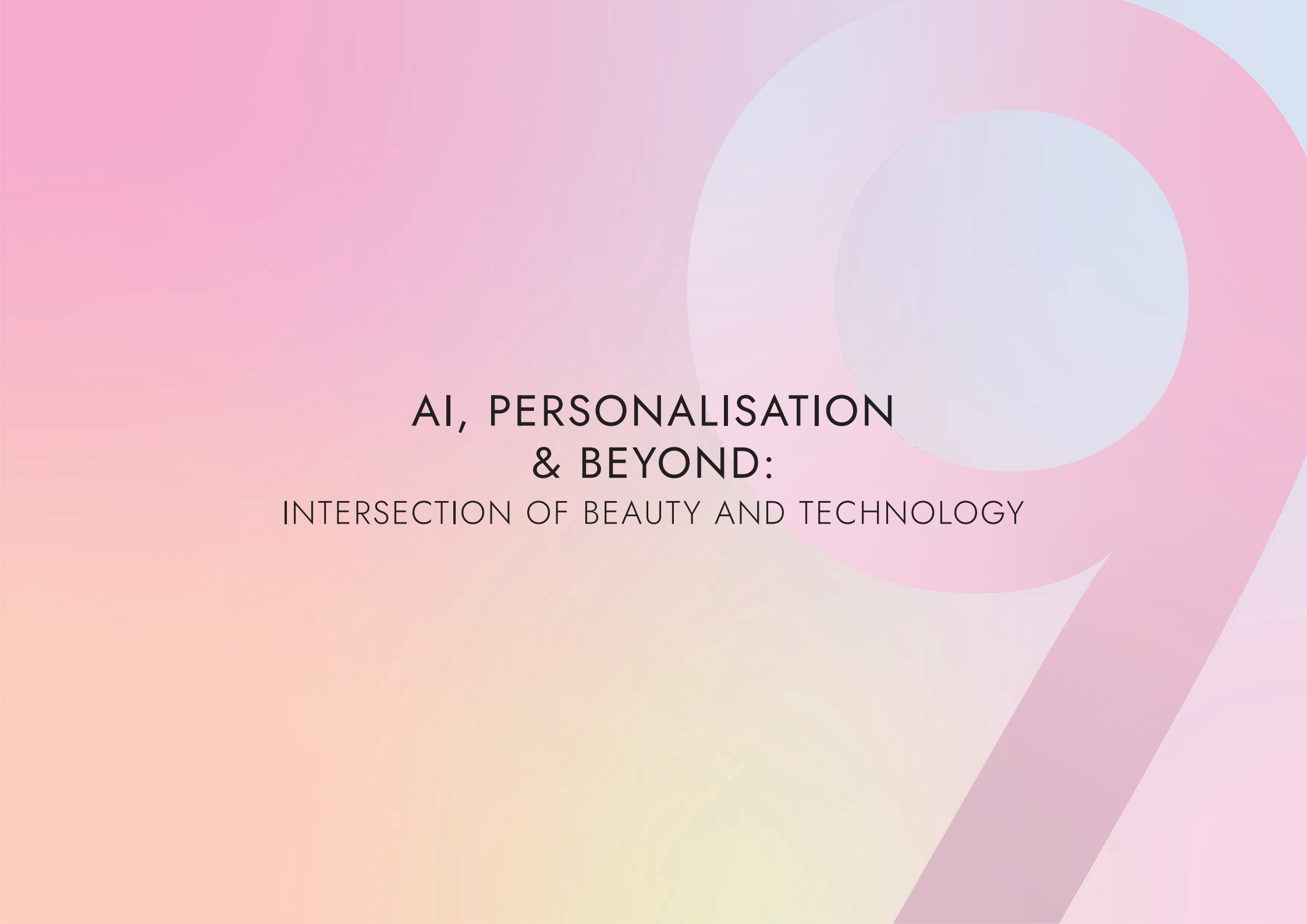
WITH THE INFLUX OF ONLINE-FIRST BRANDS, R&D IS LIKELY TO BECOME CRUCIAL FOR PRODUCT INNOVATION AND HIGH QUALITY ACTIVE INGREDIENTS, TO GAIN EDGE OVER COMPETITORS

BPC SUPPLY CHAIN



HOWEVER, IT IS EXPECTED TO ATTAIN PARITY IN COSMETICS BY 2030

- INDIAN CONTRACT MANUFACTURERS ARE GRADUALLY ADOPTING THE MANUFACTURING PROCESSES FROM ADVANCED ECOSYSTEMS
- SKINCARE MANUFACTURING IS **EXPECTED TO BE REACTIVE**, ADOPTING GLOBAL TRENDS AFTER A LAG OF ~6 MONTHS
- HOWEVER, **THE PACE OF ADOPTION IS DIFFERENT ACROSS COSMETICS AND SKINCARE MANUFACTURING**
- HOWEVER, **MAKEUP MANUFACTURING ECOSYSTEM IN INDIA IS EXPECTED TO BE AT PAR WITH CHINA, USA, AND EU BY 2030**

The background features a soft gradient transitioning from light pink at the top to a pale yellow at the bottom. Overlaid on this are several large, semi-transparent geometric shapes: a large light blue circle on the right side, and a large pink circle that overlaps with the blue one and extends towards the bottom right corner. A thick, dark pink diagonal line also crosses the bottom right portion of the image.

AI, PERSONALISATION & BEYOND:

INTERSECTION OF BEAUTY AND TECHNOLOGY

AI DRIVEN PERSONALIZATION AND SEARCH CAPABILITIES ARE DRIVING IMMENSE VALUE FOR THE BEAUTY CONSUMERS

MAJOR USE CASES OF TECHNOLOGY UNLOCKING VALUE IN BPC

	PERSONALIZATION	SPECIALISED LONG-TAIL SEARCHES	OTHER TECHNOLOGY INTERVENTIONS
DESCRIPTION	Tailored ads, recommendations, offers, promotions, etc. based on vast consumer data	Understanding complex user queries and suggesting the best suited products, using AI for search query expansion	Harmonizing purchase experience across channels, product development and supply chain management for brands
EXAMPLES	 Big data analytics for personalized experience on Nykaa app    Generative AI ¹ for creating personalized ads at scale	  Use of Generative AI to address users' queries for products, brands, usage and personal quandaries  AI and computer vision for search query expansion by analyzing skin, recommending products, and simulating outcomes	  Use of AI and AR ² for providing store-like trial experience on users' mobile phones   Application of analytics for brands' operations like product ideation and supply chain optimization

Note(s): 1. Artificial Intelligence, 2. Augmented Reality

Source(s): Redseer research, Expert Interviews

GEN AI AND BIG DATA ANALYTICS ARE EMPOWERING PLATFORMS & BRANDS TO DELIVER PERSONALIZED EXPERIENCES

LEADING PLATFORMS PERSONALIZE USER JOURNEYS USING BIG DATA

NYKAA

User demographics & interaction

~4 Bn

IMPRESSIONS
PER MONTH



**Personalized homepage
for product discovery**
(Leads to 1.6x CTR¹)

~25 Mn

CUSTOMER BASE



**Personalized offers
and promotions**

70+ Mn

SEARCHES PER
MONTH



**Personalized recommendations
and ads using LLMs²**

100+ Mn

SESSIONS PER
MONTH



**Personalized CRM and
customer support**

LEADING BRANDS USE GEN AI FOR QUICK & EFFECTIVE AD GENERATION

L'ORÉAL
PARIS

invested US\$ 8 Mn in Gen AI
startup Rembrand (2023)

Seamlessly integrates a **photo-
realistic representation
of a product into a video** without
disturbing the original content



It debuted in-house Gen AI beauty
content lab, CreAltech (2024)

Plans to create brand-
compliant and localized
content at scale across
its 37 beauty brands,
**enabling faster
launch of innovative
campaigns**



GEN AI BEAUTY GUIDES ARE ADDRESSING COMPLEX SEARCHES

NYKAA

SLANG LABS

In 2024, Slang Labs integrated its CONVA App
with Nykaa, **enhancing search through Gen AI
assistance**



Avoids leaving the app for
product research



Addresses sensitive
and personal quandaries



Offers specific product
recommendations



Provides relevant answers
for complex queries

AI IS SIMPLIFYING DECISION MAKING WITH DETAILED SKIN ANALYSIS



Haut AI's SkinGPT has resulted in **62% growth in customer conversion**
through skin analysis, modelling and curated recommendations

- Customers use the Haut AI app to **analyze 15+ skin metrics** via selfies, integrated with websites or kiosks
- AI-powered recommendation engine **suggests the best skincare products** based on the customer's skin metrics
- The app performs **simulations to model future skin outcomes** and benefits of selected products

Note(s): 1. Click Through Rate, 2. Large Language Models

Source(s): Nykaa Trends data, Redseer research

NYKAA

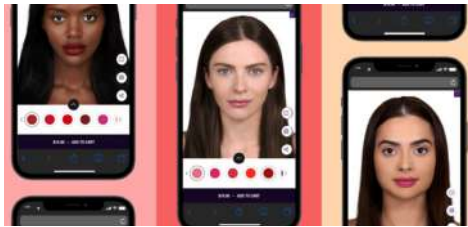
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TECHNOLOGY INTERVENTIONS HAVE DRASTICALLY IMPROVED CUSTOMER EXPERIENCE AS WELL AS BACKEND OPERATIONS

VIRTUAL TRY-ON IS BRINGING IN-STORE TRIAL EXPERIENCE TO E-COMMERCE

NYKAA



- In 2021, Nykaa partnered with L'Oréal to launch AI-powered ModiFace to launch AR-powered try-on
- It offers **real-time virtual try-ons with advanced face tracking** for a personalized shopping experience

L'ORÉAL
PROFESSIONNEL
PARIS



- My Hair ID professional tool enables professionals to provide hair diagnosis combined with an advanced virtual try-on experience to their clients

Note(s): 1. Stock Keeping Units

Source(s): Redseer research

ANALYTICS IS AIDING PRODUCT IDEATION AND SUPPLY CHAIN OPTIMIZATION



PRODUCT IDEATION



Hindustan Unilever Limited

- In 2022, HUL established Agile Innovation Hub, using analytics for trend spotting, digital prototyping, and rapid deployment, reducing go-to-market time by >30%
-
- Resulted in 50+ new product launches, notably Lakmé Sun Expert sunscreen, Glow & Lovely Hydraglow serum cream, and Closeup multivitamin toothpaste (As of FY24)



INVENTORY MANAGEMENT



SKINKRAFT LABORATORIES USES DIGITAL ANALYTICS FOR:

- Tracking and maintaining finished goods inventory across channels, SKUs1 and platforms
- Procurement of raw materials accorded to forecasted SKU demand
- Development of sales strategy basis inventory

NYKAA

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We are sure you will find the report insightful and we hope you enjoy reading it as much as we have enjoyed putting it together for you.

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