



NYKAA

LEADER OF THE ONLINE BUSINESS OF BEAUTY SPACE

April 2012 marked the beginning of a journey that can well be documented as a case study for budding e-commerce entrepreneurs. Nayar with her venture www.nykaa.com has gone ahead to create a niche in the online beauty. We document the journey the Nykaa & the leader in the e-commerce space when it comes to the business of beauty.

By Zainab S Kazi



Moving out of a comfort zone is perhaps the toughest challenge specially so when there is no need or compulsion to do so. But those who take the plunge are the ones who also go ahead to define new territories and set examples for others to follow. The story of Falguni Nayar and the journey of her maiden venture – www.nykaa.com accentuate this.

A walk down the memory lane

Having spent 19 years as an investment banker and broker which also included having spent eight years overlooking the group's international operations in the US and the UK where she headed their Institutional Equities division. In 2005, Nayar took over as Managing Director of the investment banking business and was responsible in closing a lot many successful M&As.

Everything seemed to be going perfect for Nayar but then there was more to come. From investment banking it was now going to be about treading the path of an entrepreneur. The trigger being her visit to Sephora and a few couplets she heard from her daughter from one of Constantin P. Cavafy's poem which read –

“.....Keep ithaka always in your mind. Arriving there is what you are destined for. But do not hurry the journey as all....” As she shared in one of her media interviews, “The poem emphasizes how one must cherish the journey rather than being overly focused on the end result.”

Elaborating on the idea of entering an altogether new space in the business of beauty, Nayar shares, “I once walked into a Sephora store and was amazed by the profusion of brands, the beautiful displays and the women behind counters who offered advice, sold beauty products and helped women discover a whole new side to themselves. This and other exposures to multi-brand online retail made me realize there was such a huge gap in India with a severe dearth of good multi-brand retail experiences in the beauty and wellness space. I saw the need for a multi-brand retail format that gives unbiased advice to consumers, being able to guide them on the right products for their beauty and health concerns. It was a risk I was willing to take but, I am happy to say that they have been well-received by our customers.” The last sentence

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holds true every bit as today Nykaa is one of the strongest players in the e-commerce space and specially so when it is catering to a niche category unlike other portals who have a multi-category offering.

The first few steps

The company started off with 5 employees for business, technology, operations and content. Currently, they are a 200+ team. Nayar shares, “We have a large technology team and we are very proud of them. Almost 50 per cent of sales come from the app and that has led to our success. We are on our way to launch a mobile lite site.” Adding further, she says, “Having a very efficient digital marketing team has helped us to achieve and be where we are. As for the brands, we started

off with brands like Neutrogena, Lakme and L’Oreal. The initial investment was very small, under ₹10 crores.”

Overcoming Challenges

In terms of challenges, Nayar rightly points out that major challenges usually crop up when the business grows. To hear it in her own words, “I think a few roadblocks and challenges we faced have to do with technology in terms of getting the right choice of people and executing. The problem begins when you start to scale. It is important key to understand the process and implement solutions accordingly.” Adding further on the ongoing challenge, Nayar’s predicaments like that of any other e-commerce retailer – that of having the right inventory and keeping tab of the changing customer demands. She elaborates, “Retail is all about detail, so getting the right detail execution is always a challenge. We deal with a lot of products on a daily basis, over 700 SKUs, and we constantly need to manage this inventory for the various regions to predict demand.”

Having entered the space at a time when major players like Flipkart, Amazon and Snapdeal were already having a loyal clientele, Nykaa had to find its USP to build a loyal client base. The differentiating factor had to be truly strong. Elaborating on the USP that has made Nykaa have such a strong patronage, Nayar shares, “We believe in content, we make sure to put content throughout the website as we strongly feel that it creates better customer engagement. Customers need advice in the beauty segment, for example right foundations for the Indian skin tone and things like that. This is why we have a dedicated section called the ‘Beauty





LOGISTICS

Nykaa has invested in having three warehouses - Mumbai, New Delhi and Bangalore, of 1500 sq. ft. each. The courier delivery partners are outsourced.

Book' which features product reviews, tips and tricks on applying the right makeup and guidance on choosing the right products for concerns." A very strong differentiating factor that Nykaa has that gives it an advantage over other players in this category is based on their inventory led model. Nayar reveals, "Unlike bigger e-commerce players who prefer the marketplace model, Nykaa stores 85 per cent of its inventory. If you see it on the site, we have it in our warehouse. This leads to a much more superior user experience with extra fast delivery." It also leads to complete quality control as well. Adding further in the USP, she shares, "Then it is the extensive inventory of 450+ brands we carry, as well as the international beauty trends that we will launch like Korean skincare, Dead Sea products etc."

Today Nykaa has 450+ brands live on their portal and four years ago, they had started off with 80 brands which mean doubling their inventory every year.

Reiterating on the key aspects that Nykaa has implemented that make it amongst the top players in e-commerce today, Nayar reveals, "We follow an inventory led model, because of which we needed to compromise and not take foreign capital. This model is reason for our success as we earned consumer trust. Consumers are always looking for

Nykaa welcome 5-6 million visitors a month

Nykaa currently clock a 20 crore GMV per month

Nykaa delivers to 30,000 pincodes

Regional sales pattern: Delhi - 22% / Bombay - 12% / Bangalore - 10%

TOP PERFORMING CATEGORY AND TOP 3 BRANDS WITHIN EACH CATEGORY

Makeup and skincare

Makeup accounts for 43% of their revenue with L'Oreal, Lakme and Maybelline as top brands.

For skincare; the top brands are Forest Essentials, Neutrogena and Nivea.

authentic, fresh and genuine products and we meet all those customer needs. Since inception, we have strongly believed in developing strong conversations with our customers, whether through product reviews, or on social platforms or our video tutorials. This in-depth customer connect has allowed us to understand their needs and learn continuously. This translated to the launch of the native Nykaa beauty brand in-line with our long term goal of offering quality products at value for money prices. Apart from our online presence, we are building on our offline presence. We already have a Nykaa store in Delhi, Bengaluru and Mumbai and we plan to have 30 stores by 2020."

Brand Association and Relationship

Nykaa has a strong, rather a very strong social media presence and each of their social media communication is dominated with brand offers. This accentuates the fact that the relationship Nykaa shares with partnering brands is cemented well. Nayar shares, "Our brand partners are constantly surprised with our e-commerce penetration in the beauty category, and we believe that it could be the highest, almost 20- 30%. It



was different from when I entered the business. In 2012, not even 40,000 women were shopping online. Today there is a much larger population shopping online, out of which a substantial percentage are women.”

Entering the Offline Space

Keeping in mind the offline stores that Nykaa has which are visually appealing and well stocked, the first thought that comes to mind is that if Nykaa with such a niche offering can do it, then the whole argument about e-commerce eating up offline retail stands no ground. Strategically located, Nykaa's offline stores are rich and luxurious in their look and feel. Nayar elaborates on the entry into the offline space, “We are of the strong belief that the Nykaa customer needs a mix of an online and offline format. Customers may be quite happy to buy products online for a majority of purchases but at times customers may want a more sensory experience. Visiting the store allows customers to touch, feel and try on a product that they may be interested in buying at that moment or to consider it as a future investment. According to me, it is the right optimum mix to have both online and a store. We aim to be a destination store where we have the right set of brands which provide consumers with performance products.”

A major challenge though is to have the right kind of people to man the offline store. She adds, “Sales staff are key to offline stores - their passion and expertise is very important.”

Nayar highlights on the differentiating factor of an online and an offline customer saying, “The two customers are different. The online customer prefers to research and review on products she wants to buy and invest in and have in depth knowledge. Offline customers look to beauty advisors before purchasing a product and they also get to touch and feel the product.”

The Launch of their Private Label

With over four years of experience in this space, Nayar realised that there were many gaps to be filled in the range that was available in India. This



From inception till date, Nykaa has received an approximate **of ₹170 crore in funding**

triggered off the idea to launch their private label. She elaborates, “We believed there was a gap in the market and certain foreign products were not available. For e.g. - we felt there was a lack in nail polish colors available in the market hence we started our private label with nail polishes. Then launched body mists due to the lack of them as well. We introduced our private label in order to offer a continued choice to our customers. We make sure to use the best quality and best formulas in their production. We are happy to say that our private label products have been very well-received by our customers, in fact becoming one of the top-selling ranges within a short period of time. We will soon be expanding this range to offer a larger make-up and bath and body collection, as well as a fragrance range.”

Nykaa's nail enamel collection dominates the category and they have recently launched Bath & Body collection which has also been gaining momentum. According to Nayar, within a short time span, Nykaa has emerged as the 8th largest brand on the website.

Marketing and social media initiatives

As mentioned earlier, Nykaa has a strong presence when it comes to social media. They have more than

1.4 million followers on Facebook and 1.3 thousand on Instagram. Their YouTube presence is also very strong and so is their blogger network. The brands that deserve recognition are given full support without any bias and that is what makes Nykaa different. They emphasize on the quality and niche offering of each brand thus instilling customer trust. Nayar shares, “Our marketing initiatives include Google ads, display marketing, email marketing and app marketing. We are also present on Twitter, Google +, Pinterest and Snapchat. The innovative and original content on our social media platforms has led to a highly engaged audience.”

On the road ahead that Nayar has in mind for Nykaa, she reveals, “We aim at opening 30 offline stores by 2020. Of course our online presence will continue to grow. We will see 300% revenue growth in the next couple of years which will take us to a critical size, to be a dominant player.”

The business of beauty in India is growing from strength to strength. The very fact that there are niche players like Nykaa going all out in investing in different formats (online, mobile and offline) to tap the ever increasing needs of the consumers, proves that the industry has a lot of potential to grow. 