

*NYKAA*

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## **INDUSTRY OVERVIEW**

The Indian beauty industry is one of the most thriving sectors in the Indian economy, having undergone unprecedented growth and transformation in the last few years. It's a confluence point of converging influences, rapid evolution, and struggles, often framed through the tangibles of traditional practices and local brands on one pole, with multinational corporations and new startups on the other.

Key emerging trends marking the growth and evolution of the beauty industry::

**Rise of homegrown brands** This happened because domestic companies, by offering customized solutions to the peculiar preferences and skin types of Indian consumers, have captured a good market share. Companies like Sugar Cosmetics, Mamaearth, and Forest Essentials combine traditional Indian ingredients with modern formulations, thus gaining huge momentum in the competitive beauty vertical by meeting the needs and desires of local customers

**Changing consumer preferences** Growing health awareness has resulted in increased demand from consumers for natural and organic products. Formulations are needed to avoid harmful chemicals and emphasize the use of natural ingredients.

**Influencer and celebrity endorsements** Well-known celebrities and influencers of social media with high influence are a driver in the beauty industry as far as consumer behavior is concerned. Their endorsement initiates business, which over time grows. Moreover, such endorsement proves to be evident that personalities allow recognizing and relating to the consumers while building brand loyalty more easily.

## **JOURNEY OF DIGITAL TRANSFORMATION IN BEAUTY INDUSTRY**

### ***The Growth of E-Commerce in Beauty Industry***

This is quite an emergence in the beauty industry. Traditionally, beauty products were sold through physical retail outlets. In these places, many different products could be felt and tried on by consumers. In the wake of the emerging digital era, this has all changed, with online shopping being the dominant way of purchase. This can highly be attributed to the convenience involved in browsing through and buying beauty products from one's house. This has made brands, which had complete reliance on physical retail outlets, initiate huge investments in empowering their online channel as a way of capitalizing on this growing market.

This industry has been highly encouraged by the arrival of the digital revolution, with electronic commerce platforms such as Nykaa, Purplle, and Amazon. In this transformation, consumers throughout the country found easier access to explore and buy products, which caused a noticeable shift toward online shopping.

Convenience, however, is just one of the reasons for e-commerce growth in the cosmetics sector: convenient, but also for a far greater range of products,

personalized recommendations, and more often advantageous prices. Such convenience levelled the competition playing field, allowing brands other than the most major industry players to compete on an equal footing.

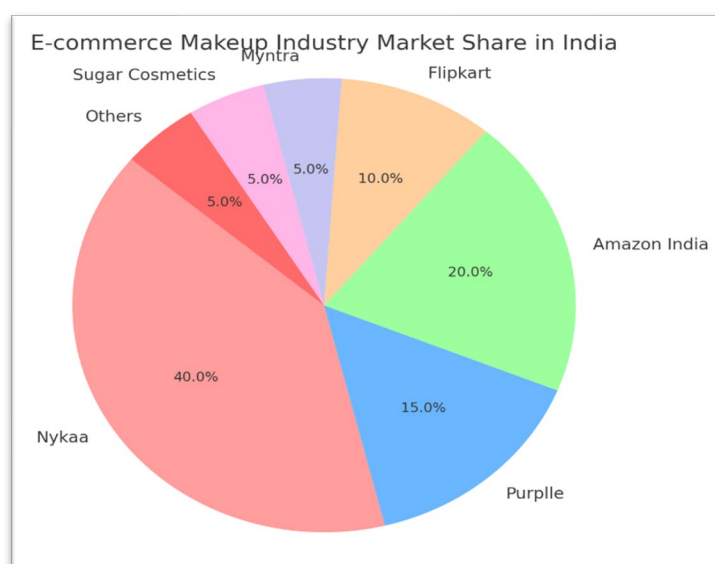
### **Tech Innovations Driving E-commerce**

The reasons for such growth and expansion in the beauty e-commerce market are deeply interlinked with the advances of technology. AI and machine learning push forward the transformation in this industry. Both study consumer data and preferences to offer personalized shopping experiences. For example, AI-powered chatbots can engage customers in virtual try-ons, answer their questions, and provide personalized product recommendations.

**Augmented reality**, AR also hyped in the fashion arena. With the support of AR capabilities, customers can virtually try on beauty products by using cell phones for brands such as

Sephora or L'Oréal. This closes the gap between online and offline purchasing because customers confidently purchase items without needing to personally inspect them. Virtual try-ons attained the love of online customers due to their efficiency and effectiveness

**Big Data** The analysis of huge sets of data is needed for tracking consumer trends and behavior. When analyses are done in the beauty industry with



comprehensive data, companies will be in a position to identify up-and-coming trends, perfect their marketing strategies, and improve their product offer. Big data can be used adeptly to make sure that the enterprise is at the edge in a competitive environment in answering the change in demands of their customers with better efficiency.

# NYKAA

Nykaa is an Indian e-commerce website, selling wellness and cosmetic products. It was founded in 2012 by Falguni Nayar, the former managing director at Kotak Mahindra Capital Company. In aggregation over time, Nykaa has grown into one of the largest online marketplaces for wellness and beauty across India.

## How did Nykaa bring a complete transformation in the industry?

It is well to remember that when Nykaa launched an online beauty platform, the personal care and beauty products business was largely unorganized. One could buy products from only a limited number of trusted sources. Only the beauty enthusiasts knew the handful of D2C products like Plum, which were just about getting popular. Sales were made basically through retail in-store purchases. Nykaa also had a very well-curated portfolio of products from acknowledged manufacturers other than its private brand. Nykaa has scaled to become India's largest online beauty and wellness marketplace, with over 17 million monthly active users. Other than the chain of offline stores, the company operates an e-marketplace platform that houses over 1,500 brands and 1,30,000 products. Nykaa has further diversified into businesses such as fashion and home décor through tie-ups with various known designers, besides introducing private labels.

## Key Drivers

**E-commerce website** This is arguably the major virtual asset of Nykaa. It enables customers to browse and buy various ranges of retail beauty and wellness products online. To this effect, it can be classified as a critical success factor.

**Technology infrastructure** The Nykaa technology infrastructure is highly invested in right from website development to shipping and payment processing.

**Private label products** The private label products of Nykaa form an important asset base through which the company is able to offer its customers merchandise not readily available elsewhere, while earning much better profit margins.

## **Brand collaborations and partnerships**

One of the major strengths for Nykaa is the collaborations and partnerships in place, thus enabling it to display several products on its website while earning income by charging fees and commissions related to those very products.

**Physical stores** Physical stores of Nykaa add to another big asset; this is due to the fact that in real life, the customer experiences them through the sale of products and services alike in-store, which brings money for the company.

**Customer knowledge** Nykaa has huge customer knowledge which is of immense use to gain insight into consumer trends and behavior. This, in return, will help in modifying business product and communication strategy according to its customers.

## Marking its Omnichannel Presence

From a digital birth to morphing into an omnichannel framework, this brand has emerged. Besides being strong online, Nykaa has innovated in a few other key formats:

**Nykaa Luxe** Nykaa also offers tailor-made in-store services, including makeovers and one-on-one consultations with beauty experts. For example, through its multiple Nykaa Luxe stores, the company extends fittings and personalized beauty consultations for consumers in India before making a purchase

**Nykaa On Trend** The intrinsic feature of Nykaa On Trend is the significance given to user reviews and ratings. For every product, customers can have trends as to consumer feedback and evaluation and make an informed decision while buying any product on the site. It has helped to build up credibility and trust among customers.

Nykaa Business Model Canvas				
<b>Key partners</b> 1. Brand partners (National and international brands in the BPC and fashion segment)  2. Delivery and sourcing partners (logistics)  3. Manufacturers and vendors  4. Influencers and celebrities	<b>Key activities</b> 1. Genuine and high quality products  2. Education on personal care and fashion- assistance  3. Sales and marketing  4. Brand partnership management  5. Diversity in product line  6. Customer relationship	<b>Value Propositions</b>  Customers: 1. Curated list of genuine products at various price points, domestic and international, drugstore, luxury and prestige  2. Coterie of beauty ambassadors educating on skincare and fashion  Brands: 1. Platform for many small and big brands to be accessible and gain visibility  2. Global and prestige brands to gain better acceptance in the growing aspirational Indian population  3. Insights into consumer buying patterns, concerns	<b>Customer relationships</b> 1. Digital channels- personalized recommendations, loyalty programs like Nykaa Prive, reviews and ratings, etc.  2. In-store- Makeovers, hair styling, experts recommendations through skintest, Nykaa luxe loyalty discovery and purchase, etc.	<b>Customer segments</b> 1. Beauty and fashion connoisseur who like experimenting and discovering different products  2. Gen Z and Millennials  3. Beauty and makeup professionals
<b>Revenue Streams</b> 1. Sale of products- e-comm sales, private labels, stores  2. Commissions from brand collaborations and partnerships  3. Nykaa Pro for makeup artists- products and service	<b>Key resources</b> 1. Technology- platform, infrastructure, customer data  2. Private label products  3. Physical stores  4. Brand partnerships		<b>Channels</b> 1. Digital Advertising  2. Social Media  3. Physical stores  4. Events sponsorships	<b>Cost Structure</b> 1. COGS and logistics  2. Technology infra  3. Marketing and advertising  4. Employee salaries and benefits  5. Rent and Utilities  6. R&D

## Obstacles Nykaa Faces in the Digital Transformation

### Complexity of Omnichannel Integration

As Nykaa evolves from a purely e-commerce player to wearing the mantle of an omnichannel retailer, implementation complexity related to omnichannel strategies becomes highly daunting. Seamless customer experience requires huge investment in infrastructure and technology.

## Higher IT and Tech Spend

Nykaa is growing spends faster in IT and tech than the overall spends owing to investments in its digital infrastructure, including but not limited to products such as Virtual Try-on and Virtual Stores.

## Cybersecurity and Data Management

Nykaa needs to reinforce cybersecurity in securing consumer information, making its digital infrastructure scalable and reliable, and making a slew of improvements in the data management system

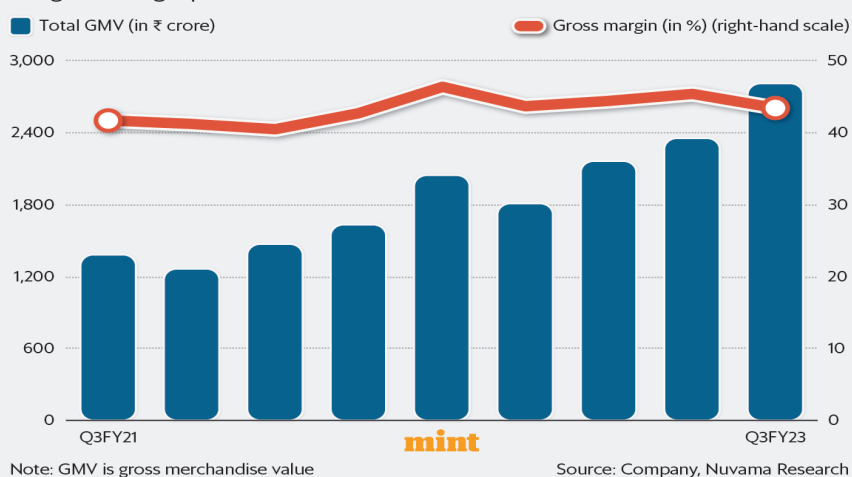
## POSITION NYKAA IN THE DIGITAL MATRIX

Nykaa can be positioned as a Digital Giant and is currently in **“Re-invention at the root”**

Nykaa began its operations as an e-beauty retailer, disrupting the brick-and-mortar beauty industry in India. Many of its advances over the years in digital technologies, such as personalized shopping experiences, virtual consultations, and rich data analytics, have transformed the way things were hitherto done. Nykaa had, at its core, a pledge to

### Not blending well

In Q3FY23, Nykaa's GMV continued to rise with growth across all segments but the gross margin performance was muted.



further the cause of "Re-invention at the root" brought on by its leap into omnichannel retail and the creation of an extensive network that bound the physical spaces, digital platforms, content, and community together.

The company renovated its operational methodologies by extending its influence in various industry sectors related to fashion, wellness, and lifestyle, while integrating digital intervention as an intrinsic part of its operation. Besides building its physical retail outlets, Nykaa's digital-oriented outlook serves as an example of a transformation that bridges the gaps between online and offline trade and thus offers consumers a seamless omnichannel experience.

## COMPETITOR ANALYSIS

Aspect	Details
<b>Market Share</b>	Approximately 20% of the premium segment in the Indian beauty e-commerce market.
<b>Customer Base</b>	70% of revenue from Tier II and III cities, focusing on the "woman on a budget."
<b>Revenue Model</b>	Marketplace commissions Advertising partnerships Private labels (e.g., Good Vibes, StayQuirky)
<b>GMV</b>	\$250 million by FY23 [1]
<b>Funding</b>	Over \$400 million raised; valuation of \$1.25 billion (unicorn status)
<b>Key Strategic Initiatives</b>	Strong focus on social media marketing and SEO Personalised recommendations and loyalty programs Offline expansion with Purple Studios [2] ( Ref : )
<b>Private Labels</b>	Significant growth driver, contributing heavily to offline sales; key brands include Good Vibes and Faces Canada [3] ( Ref : )
<b>Future Prospects</b>	Plans for IPO in the next 2-3 years; focus on profitability and expanding private labels [4] ( Ref)
<b>Competitive Positioning</b>	Positioned as a key competitor to Nykaa, with a strong emphasis on affordable products and local brands [5] ( Ref : )

[1] <https://yourstory.com/2022/10/purple-gmv-250-million-fy23-beauty-festive-shopping>

[2] <https://thebrandhopper.com/2023/03/21/behind-the-success-of-purple-a-look-into-indias-fastest-growing-beauty-brand/>

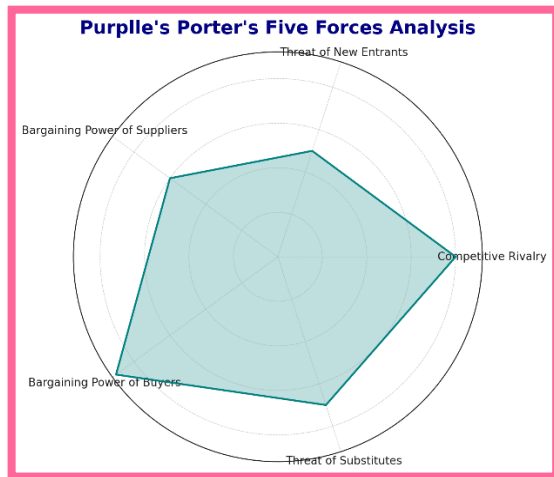
[3] <https://yourstory.com/2022/10/purple-gmv-250-million-fy23-beauty-festive-shopping>

[4] <https://yourstory.com/2022/10/purple-gmv-250-million-fy23-beauty-festive-shopping>

[5] <https://startuptalky.com/purple-success-story/>



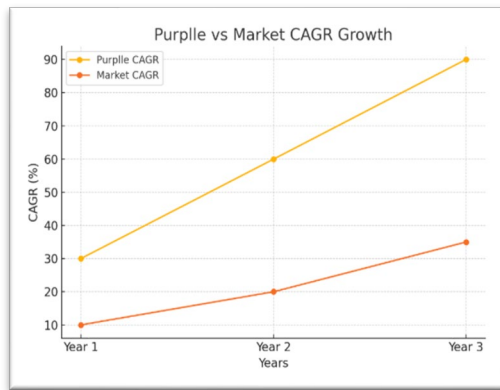
## ANALYZE THE COMPETITOR



The competitive landscape is fierce, with high rivalry of 8, considering the strong competitors in this market such as Nykaa among other e-commerce platforms where the product differentiation is limited. The threat of new entrants is moderate at 5, with a high cost of entry and brand loyalty. However, digital platforms decrease barriers to entry. Suppliers enjoy medium power, at 6, due to available alternatives, but those supplying unique ingredients enjoy greater leverage. The buyers have strong bargaining power

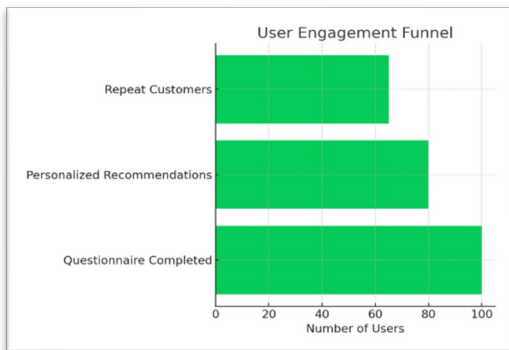
because they have so many alternatives and can switch easily on the basis of price and convenience.

Porter's Force	Rating	Explanation
Competitive Rivalry	8	High competition from Nykaa and other e-commerce platforms with low differentiation.
Threat of New Entrants	5	Moderate due to high capital requirements and brand loyalty, but digital platforms ease entry.
Bargaining Power of Suppliers	6	Medium, with alternative suppliers available, but unique ingredient suppliers hold more power.
Bargaining Power of Buyers	9	High, as customers have many options and can easily switch to competitors based on price and convenience.
Threat of Substitutes	7	Moderate to high, as alternative products and brands offer similar benefits, challenging customer loyalty.



## Purple vs Market CAGR Growth

This graph illustrates **Purple's impressive compound annual growth rate (CAGR) of 90% over the past three years**, significantly outpacing the broader beauty and personal care market, which has grown at a rate of 35% during the same period.



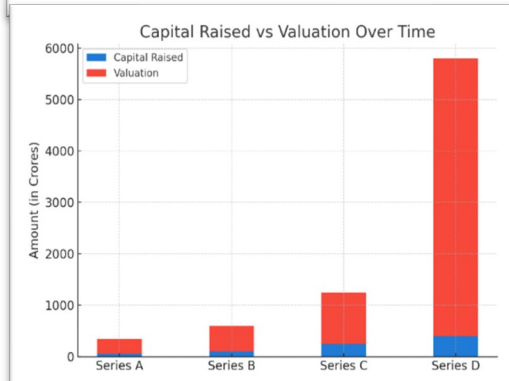
## User Engagement Funnel

The User Engagement Funnel visualizes the flow from questionnaire completion to repeat purchases, indicating strong user retention and engagement.



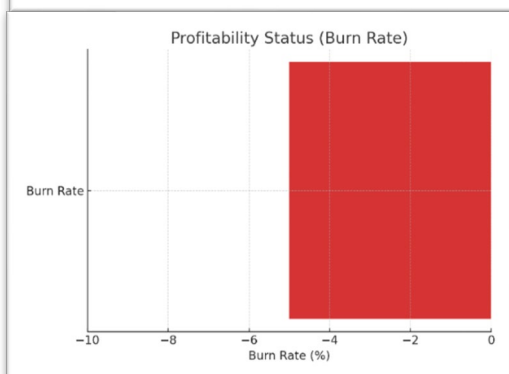
## Private Label Contribution to GMV and Revenue

This illustrates that private labels contribute 25% to GMV and 42% to revenue, showing the importance of these brands in Purple's strategy.



## Capital Raised vs Valuation Over Time

This compares the capital raised in different funding rounds to the valuation, showcasing Purple's capital efficiency and growth in valuation.



## Profitability Status (Burn Rate)

This bar chart shows Purple's current burn rate of negative 5-6%, indicating its near-profitable status.

## ANSOFF MATRIX

Nyka	Existing Products	New Products
Existing Markets	<b>Market Penetration</b> <ul style="list-style-type: none"><li>• Enhance customer loyalty through personalized marketing and loyalty programs.</li><li>• Increase sales via targeted digital marketing campaigns, influencer partnerships, and promotions.</li><li>• Improve the omnichannel experience by integrating online and offline customer journeys more effectively.</li></ul>	<b>Product Development</b> <ul style="list-style-type: none"><li>• Expand exclusive brand partnerships to offer unique products not available elsewhere.</li><li>• Launch new product lines within the beauty and personal care segment, such as clean beauty or organic products.</li></ul>
New Markets	<b>Market Development</b> <ul style="list-style-type: none"><li>• Expand into international markets, targeting regions like Southeast Asia, the Middle East, and Europe.</li><li>• Explore Tier 2 and Tier 3 cities in India by opening more physical stores and enhancing e-commerce penetration.</li><li>• - Partner with local influencers and adapt marketing strategies to suit regional tastes and preferences.</li></ul>	<b>Diversification</b> <ul style="list-style-type: none"><li>• Diversify into related categories such as wellness, health supplements, or lifestyle products.</li><li>• Develop a subscription box service that offers personalized beauty and wellness products.</li><li>• Introduce a new business vertical such as a beauty services platform, offering online consultations, virtual makeovers, or beauty treatments.</li></ul>

Purple	Existing Products	New Products
Existing Markets	<b>Market Penetration</b> <ul style="list-style-type: none"> <li>Focus on increasing market share in the online beauty and personal care segment through aggressive pricing and discounts.</li> <li>Strengthen digital marketing efforts, particularly on social media platforms, to attract more customers.</li> <li>Enhance user experience on the platform with better UI/UX and personalized product recommendations.</li> </ul>	<b>Product Development</b> <ul style="list-style-type: none"> <li>Expand product offerings by introducing new categories such as men's grooming products or organic skincare.</li> <li>Develop exclusive product collaborations with local or emerging brands.</li> <li>Introduce a line of in-house private label products targeting cost-conscious consumers.</li> </ul>
New Markets	<b>Market Development</b> <ul style="list-style-type: none"> <li>Expand into Tier 2 and Tier 3 cities across India by leveraging digital penetration and e-commerce.</li> <li>Explore international markets by targeting the Indian diaspora and beauty enthusiasts abroad.</li> <li>Partner with local beauty salons or retailers to reach customers in new geographic areas.</li> </ul>	<b>Diversification</b> <ul style="list-style-type: none"> <li>Diversify into adjacent categories such as wellness products, fitness gear, or organic food items.</li> <li>Launch a beauty subscription service or a personalized beauty box.</li> <li>Develop a new digital platform or app focused on beauty education, tutorials, and personalized consultations.</li> </ul>

## HOW IS NYKAA RESPONDING TO THE COMPETITION?

The nature of competition for Nykaa in the retail and e-commerce industry has been highly competitive, and this company is fighting this battle both in the cyber and offline world by different strategies. Here's how Nykaa stays competitive, based on this financial report and available secondary sources.

## **Omnichannel Strategy**

Digital and Offline Investments: Nykaa has invested a fair amount in digital platforms and offline retail networks across the country. Such an omnichannel presence aids in reaching more and more people, adding flexibility to attend to diversified consumer preference. Thus, Nykaa offline stores build brand trust, especially within the beauty sector for which in-store experiences mean a lot.

Better customer experience: Nykaa is committed to offering customers a seamless shopping experience through the integration of online convenience with offline touchpoints. The offline stores will serve as experience centers where customers can sample products, get personalized consultation, and interact with the brand.

## **Products on Offer that are Differential**

Focus on the Niche: Nykaa started off purely as an e-commerce portal for beauty and wellness and later included fashion. Its specialization in beauty, along with its large range of products including luxury and premium beauty brands, places it uniquely in the market. Nykaa Fashion extends this differentiation into the lifestyle segment.

Exclusive brands and distribution partnerships: Nykaa directly imports several brands and enjoys exclusive distribution rights for many international brands. This provides them with a competitive advantage, where their products are different and no other retailer offers these kinds of products. Due to this fact, their private-label brands give them control over price

and margin, further fortifying their market positions.

## **Brand Building and Customer-Centric Marketing**

Long-term brand building: Nykaa will always insist on the long-term building of the brand with customer-oriented marketing, educative content, and responsible marketing. This focus on educating the customers, especially in the beauty space, builds brand loyalty and trust that are very important in retaining customers in such a fiercely competitive environment.

Influencer Partnerships and Content Marketing: Nykaa is adopting influencer marketing in order to spread brand awareness through user-generated content. This allows them to engage more and more youth on social media.

## **Adapting to New Consumer Trends**

Diversification into Fashion and Lifestyle: The foray of Nykaa into the fashion segment through Nykaa Fashion will reduce dependence on its core beauty business and position it as a more holistic lifestyle platform. The result of this will be that the company reaches out to new consumer segments and is not wholly dependent on the beauty category.

Sustainability Focus: Nykaa has also started introducing eco-friendly products, sustainable products to meet the rising trend of conscious consumerism.

This therefore differentiates the brand and resonates with that segment of consumers who seek ethical and sustainable shopping.

## **Investment in Technology**

In addition, it is developing other personalized services and AI-driven recommendations. Nykaa is investing heavily in technology to further enhance the customer experience. It uses artificial intelligence and data analytics to make recommendations according to customers' tastes, keeping them satisfied and wanting more.

Mobile-first approach: Nykaa started its operation in the year 2012, and this mobile application is the most important piece of this approach. With

more than 80% of e-commerce traffic coming via mobile phones in India, Nykaa has ensured the app works seamlessly in order to remain competitive in the fast-growing mobile commerce space.

## **Geographic and Market Expansion**

Expansion into Tier 2 and Tier 3 Cities: Nykaa is expanding into smaller cities and towns across the country. Such strategic expansion will surely help Nykaa get a better market share and fight the competition, both at an online and offline level, targeting these growing consumer bases.

# **TECH THAT NYKAA CAN UTILIZE**

## **Social Commerce Integration**

Nykaa is already very well placed in e-commerce initiatives such as integrating YouTube for video shopping and collaborating with influencers. Still, Nykaa hasn't taken full advantage of the emerging trend of social commerce, where social media engagement meets direct shopping experiences.

## **Shoppable Content on Social Media**

Nykaa can provide social commerce features right on its platform; this is a place where customers can shop directly from social media posts and videos. By integrating seamless shopping on the platform, Nykaa, in collaboration with active influencers, can facilitate the reach of these products through beauty bloggers and fashion icons. Customers can thus engage themselves in purchasing whatever has been featured on a post without having to leave the platform. For example, a customer can watch a makeup tutorial on Instagram or a fashion haul on TikTok and instantly add the products showcased in his/her Nykaa cart.

## **Live Shopping Events**

Nykaa can organize live shopping events where brand ambassadors, celebrities, and makeup artists can be invited. Events stream on both the Nykaa app and the website. Viewers are allowed to interact with the host in real time, ask questions, and buy products right from within the live stream. This would be a good representation of the in-store experience virtually, resulting in higher engagement and sales.

### **User-Generated Content (UGC) Integration:**

Nykaa can also incentivize users to create and share their content in the form of tutorials on how to do beauty, product reviews, and fashion styling on Nykaa itself. By integrating user-generated content into product pages, Nykaa pushes authentic community-driven insights to drive purchase decisions.

### **Social Shopping Groups:**

Nykaa can create social shopping groups in which users can recommend products, make wishlists, and shop together. The idea behind this is to reward such groups with special offers or other incentives that will further enhance the degree of belonging and loyalty from Nykaa customers.

## **Reason Behind Including Social Commerce**

**Increased Engagement** Social commerce features would increase manifold the engagement of customers by making the shopping experience a lot more interactive and community-driven. People tend to trust and buy products once they see real people using them and therefore endorse them.

**Smoother Purchase Journey:** Shoppable social content and live shopping events pave a smoother journey where time is spent getting closer from awareness to a purchase decision. This will automatically translate into better conversion rates, and even impulsive buys.

**Brand Loyalty through Community Building:** Nykaa will breed a sense of community among customers by integrating UGC and social shopping features. This will spur them to be increasingly brand loyal, returning for more.

**Influencer Marketing:** Although the company already works with influencers, incorporating social commerce allows monetizing this influencer content directly. Make sure Nykaa captures actual ROI on these influencer partnerships through direct sales driven from social media platforms.

The social commerce would essentially target the younger audiences who get used to discovering and buying products on social media. Adding such features to Nykaa will surely attract more consumers and retain the consumer base of Gen Z and millennials for longer.



# RECOMMENDATIONS TO THRIVE IN COMPETITIVE BUSINESS

The current business model of Nykaa consists of the following components:

## 1. Omnichannel Retailing

- **Online Presence:** Nykaa operates a comprehensive e-commerce platform through its website and mobile app, offering a wide range of products across beauty, wellness, and fashion categories.
- **Offline Stores:** Nykaa also operates physical stores under different formats such as Nykaa Luxe, Nykaa On Trend, and Nykaa Kiosks. These stores are located in key urban centers across India, allowing customers to experience products in person before purchasing.

## 2. Product Offerings

- **Beauty and Personal Care:** Nykaa is best known for its extensive range of beauty and personal care products, including makeup, skincare, haircare, and wellness items. It carries both international and Indian brands.
- **Fashion:** Nykaa Fashion, a separate vertical, offers apparel, accessories, and footwear for men, women, and children, focusing on a curated selection of brands.
- **Private Labels:** Nykaa has developed its own private label brands, such as Nykaa Cosmetics, Nykaa Naturals, and Kay Beauty, which offer higher margins and help differentiate the brand.

## 3. Content-Driven Marketing

- **Educational Content:** Nykaa leverages content marketing heavily. It offers tutorials, beauty tips, product reviews, and user-generated content through its YouTube channel, social media, and blog (Nykaa Beauty Book).
- **Influencer Collaborations:** Nykaa partners with beauty influencers and celebrities to reach a wider audience and build credibility within the beauty community.

## 4. Community Engagement

- **Nykaa Army:** An influencer program that engages micro and macro influencers to promote products and trends.
- **Customer Reviews and Ratings:** Nykaa's platform allows customers to leave reviews and ratings, helping other shoppers make informed decisions.

## 6. Strong Supply Chain and Logistics

- **Efficient Logistics:** Nykaa has built a robust supply chain to ensure timely deliveries across India. It operates multiple warehouses to facilitate fast shipping and manage inventory effectively.



- **Technology Integration:** Nykaa uses data analytics to personalize customer experiences, optimize inventory, and predict trends.

## 7. Revenue Streams

- **Retail Sales:** The primary revenue stream comes from selling beauty, personal care, and fashion products both online and offline.
- **Private Labels:** Sales from private label products contribute significantly to revenue due to higher profit margins.
- **Advertising:** Nykaa generates additional revenue by offering brands the opportunity to advertise on its platform, through banners, sponsored content, and influencer collaborations.

## 8. Target Audience

- **Diverse Customer Base:** Nykaa targets a broad demographic, catering to both premium and mass-market consumers. It appeals to young, urban, and fashion-forward consumers, as well as those looking for specific beauty and wellness products.

This multifaceted business model has allowed Nykaa to become a leading beauty and fashion retailer in India, combining the convenience of online shopping with the experiential aspect of offline stores. However, the company faces challenges like intense competition, the need for continuous innovation, and maintaining profitability amidst expansion efforts.

## HOW TO CHANGE THE BUSINESS MODEL

### **Subscription model:**

Nykaa's Prive Platinum will evolve manifold into a much dynamic subscription module it goes on hyper-personalization. Skin type, subscriber preference, and seasonal needs would be featured in AI-powered beauty boxes. VIP events will comprise an early access opportunity for subscribers with exclusive launches, virtual consultancies with beauty experts, and masterclasses that will make customers' journeys of product discovery even better. A tiered rewards system will help subscribers to unlock greater privileges with free services and redeemable points. To appeal to environmentally sensitive consumers, subscribe to sustainability that could underwrite ecological activities; as a feature on demand would be ideal for curated boxes to address events or seasons. This would deliver instant gratification when needed.

### **Sustainable Decluttering:**

Nykaa could offer a reselling site where people can sell beauty products that have been used a few times or not at all in order to encourage sustainability. This market not only gets rid of trash, but it also speaks to the growing number of environmentally conscious shoppers. Nykaa can stand out as a brand that cares about the environment by supporting a cycle economy. This also gives customers the chance to update their collections in a responsible way.

### **Nykaa Economy:**

Nykaa can reach out to Tier 3 towns with an affordable product line by starting Nykaa Economy. This will make high-quality beauty and personal care products available to more people. This tiered pricing plan would appeal to people from different income groups without taking away from the brand's appeal, allowing it to reach new markets that aren't well served yet. Nykaa Economy would meet the wants of a wide range of price-conscious customers by offering smaller packages and a variety of products together.

### **Hampers Model:**

The hampers business is all about giving gifts. Carefully chosen beauty hampers with a variety of products will be perfect for festivals, special events, and business gifts. By putting together the best of Nykaa's product lines in pre-packaged hampers, the company makes shopping easier for customers and helps them find new goods. Customers could add their own names to these packages, so they could make gifts that fit their tastes or the times of year.

### **Complementary Products:**

Nykaa's present products will be better if they have items like makeup boxes, beauty tools of different kinds, and accessories that would supplement the beauty products that the customers intend on buying. Customers could get all of their beauty needs met in one place with these carefully put together sets, which would include makeup brush cleaning kit, binders, mirrors, and cosmetic bags. These bundles would not only get people to buy bigger baskets, but they would also help Nykaa become known as a beauty-center for all kinds of things

## **BUSINESS MODEL APPROACH**

There are 4 stages of Business Model Approach.

1. Discover
2. Define
3. Develop
4. Prototype and Execute

We will take a look at each of the above phases in sequence to come up with the Business Model to compete with Nykaa.

### **Discover**

Category	Details
Target Audience	Urban millennials and Gen Z, who prioritize eco-friendly, sustainable beauty solutions.

Pain Points	Frustration with traditional beauty products due to harsh chemicals. Lack of personalization.
Gains	Desire for natural, effective beauty solutions. Expectation of transparency and sustainability.
Insights (Empathy Map)	Use AI for personalized beauty routines. Leverage Ayurvedic ingredients for natural products.
Emotional Drivers	Users are drawn to products that combine the safety of natural ingredients with the efficacy of modern skincare.
Market Demand	Increasing demand for Ayurvedic and natural beauty products, with the market growing at <b>16% CAGR</b> .

### Define

Category	Details
Value Proposition	Fusion of Ayurvedic beauty with AI-powered personalization for tailored beauty routines using natural products.
Collision at the Core	Challenge traditional beauty models by integrating AI for personalized solutions, creating a unique tech-Ayurveda fusion.
Reinvention at the Root	Reinvent the Ayurvedic beauty space by blending scientific research with natural, Ayurvedic formulations.
Competitive Advantage	Differentiation through science-backed natural ingredients, personalization, and sustainable sourcing.
Revenue Streams	1. Direct Sales (e-commerce & offline). 2. Subscription model for personalized kits. 3. Third-party Ayurvedic brands.
Market Positioning	Positioned as a premium brand offering personalized, natural solutions driven by science and AI insights.

## References:

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## Develop

**AI/ML for personalization:** Using machine learning algorithms in composing personalized routines of beauty. The system could offer a correct mix of Ayurvedic and modern products that combine the needs of health and respective beauties.

**Supply Chain and Sustainability:** Invest in a traceable, sustainable value chain for raw Ayurvedic material supply. Apply digital tools to optimize this process, which will lead to complete transparency and sustainability. This would meet the demands of today's eco-conscious consumers and provide competitive advantages in the market

**Omnichannel Experience:** Develop a phygital strategy-while the core will be e-commerce, create flagship stores that offer in-person AI-driven beauty consultations and immersive Ayurvedic experiences

## Prototype & Execute

**Prototype Launch:** Go to market with a small launch offering AI-powered personalization, combined with a suite of fusion beauty products. This would be on the order of Ayurvedic-infused serums or personalized Ayurvedic kits. Create feedback loops through data from early users to refine algorithms and product offerings, digital consultations powered by AI insights, further personalization of the beauty journey

**Scaling and Growth:** Scale gradually into **Tier II and III cities** on the back of increasing mobile penetration and rising demand for sustainable beauty in India. Rapidly scale by fast expansion online and offline, with a focus on a young, digitally savvy consumer base.

**Market Growth:** The Indian Ayurvedic beauty market is expected to grow at a 16% CAGR through 2028

**Revenue Model:** Generate revenue through a combination of direct sales, subscriptions for personalized beauty kits, and third-party Ayurvedic product sales. Expect 25-30% margins from private-label products.