

Cosmetic Thesis

August- 2024



Research Abstract

This thesis presents an exhaustive exploration of India's beauty and cosmetic sector, transcending conventional data compilations. The report begins by delinquenty examining the history of cosmetics from the Indus Valley civilization to the evolution of giants in the industry like Lakme and Himalaya and new age startups like Sugar.

The report tries to encapsulate how global beauty and personal care (from now on referred to as BPC) disrupts the online market and compares the market spend of both FMCG-led BPC and pure play BPC. We then proceed domestically and look into the Indian ecosystem the growth potential, and the market size and provide conclusive proof that BPC is here to stay, we compare India to the world which shows that India will spearhead growth in the future and India is poised to be one of the leaders in BPC sector.

While the report endeavors to encapsulate crucial trends in the expansive cosmetic industry, it acknowledges the inherent breadth of the sector, conceding that a concise 30-page report cannot encompass every facet. In conclusion, synergy expresses a notably optimistic outlook on the future growth of cosmetics in India.

-Nikhil



About Us

Synergy, established in 2009, is driven by a singular mission: to bridge the gap between academia and corporate life. As a member-centric society, we aim to nurture future leaders and foster professional growth by providing unique opportunities for learning and development across various fields including Consulting, Finance, and Marketing. Through our programs, we offer a head start to our members by engaging them in real projects with professional organizations and startups, exposing them to diverse experiences, and expanding their skill sets.

In addition to hands-on projects, we organize member-only sessions with executives from different industries and conduct workshops to enhance their skills. Annually, our management conclave serves as a platform to impart business learning and test the corporate acumen of participants from across the country, fostering healthy competition among India's brightest minds.

Notable Collaborations



Live Projects



Acknowledgement

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History at a glance: India's cosmetic journey spans from ancient herbal remedies to a booming industry, blending tradition with modern innovation



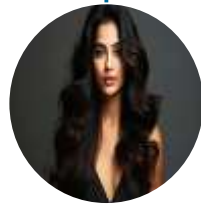
In the **Indus Valley Civilisation**, early cosmetic use is noted, with Hindu Scriptures like the Ramayana and Mahabharat referencing **natural products** such as butter and oil.



In the early 2000s, **Hindustan Unilever, L'Oreal India** and Colgate Palmolive India were major international players in the Indian beauty and hair care industry.



Post Covid, **Nykaa and Sephora** have addressed India's growing demand for luxury products by fulfilling consumers' needs and introducing renowned international brands like Charlotte Tilbury etc.



The cosmetics industry has become a formidable force since the **1991 liberalization** and the successes of many Indian women in international beauty pageants.



In 2014, there was a change in consumer preference for herbal and clean products catalysed by brands like **Patanjali**. Many cosmetic brands were coming up with products promoting all-natural, clean products.



There's a rising interest in men's grooming products, including **skincare and hair care**, driven by changing perceptions of masculinity and grooming standards.

Evolution of the cosmetics industry in India: Cosmetics evolved from ancient rituals to a global industry, blending artistry, science, and cultural trends.

Pre 2000

LAKMÉ

Lakmé: Established in 1952, Lakmé was one of the first major Indian cosmetic brands, offering a range of budget products.



Shahnaz Husain: Founded in 1970, Shahnaz Husain introduced herbal and Ayurvedic beauty treatments.

Himalaya
SINCE 1930

Himalaya Herbals: Founded in 1930, Himalaya initially focused on healthcare and later expanded into beauty.

VLCC

VLCC: Founded in 1989, VLCC initially focused on wellness and weight management and later expanded into beauty and personal care.

2000-2020

COLORBAR

Colorbar: Launched in 2004, Colorbar became known for its trendy, affordable makeup products, catering to young urban consumers.



Forest Essentials: Founded in 2000, it positioned itself as a luxury Ayurvedic brand.

PATANJALI

Patanjali Ayurved: Entered the cosmetics market in 2006, focusing on Ayurvedic and natural products.

NYKAA

Nykaa: Launched in 2012 as an e-commerce platform, Nykaa expanded to create its own line of beauty products.

Post 2022

MYGLAMM

MyGlam: D2C beauty brand, founded in 2017, gained significant traction post-2020 with its makeup and skincare products.

SUGAR

Sugar Cosmetics: Another D2C brand that saw rapid growth post-2020, known for its trendy, makeup products and strong online presence.

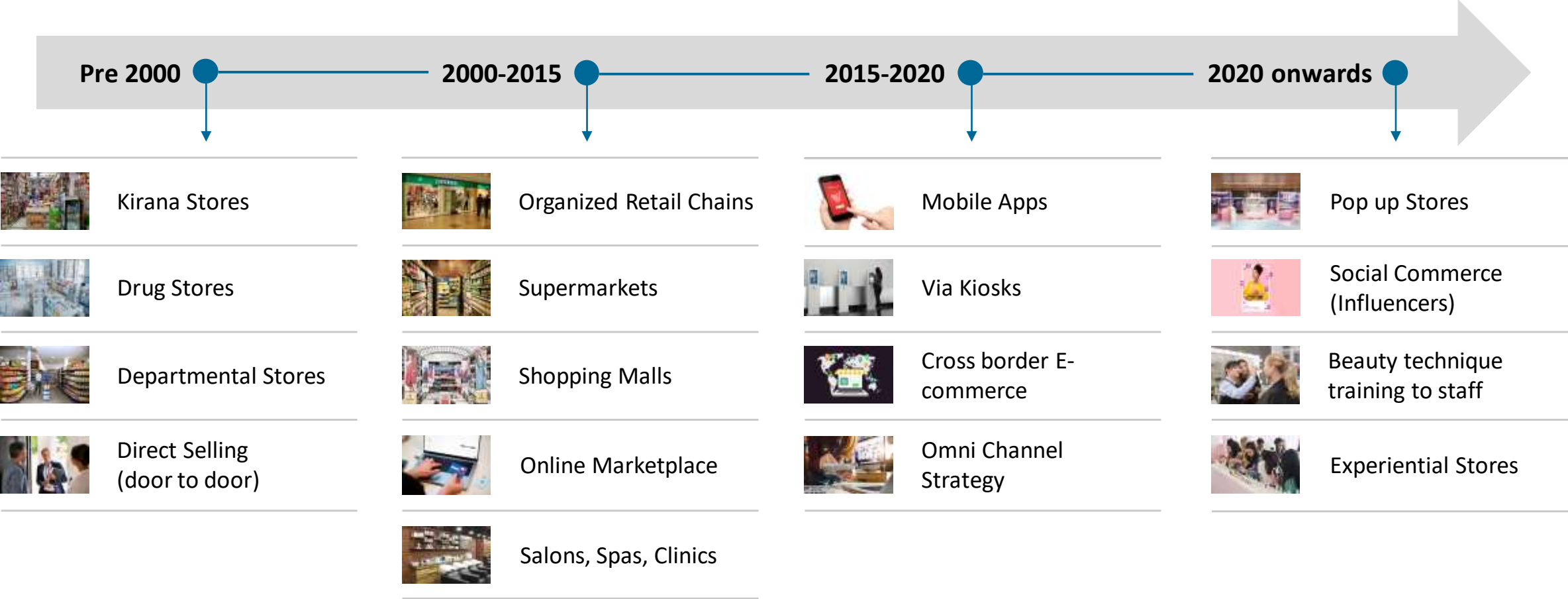
plum

Plum Goodness: Launched in 2013, Plum expanded rapidly post-2020, offering vegan and cruelty-free skincare & makeup products.

DOT & KEY
SKINCARE

Dot & Key: Founded in 2018, Dot & Key focuses on innovative skincare solutions, seeing significant growth post-2020.

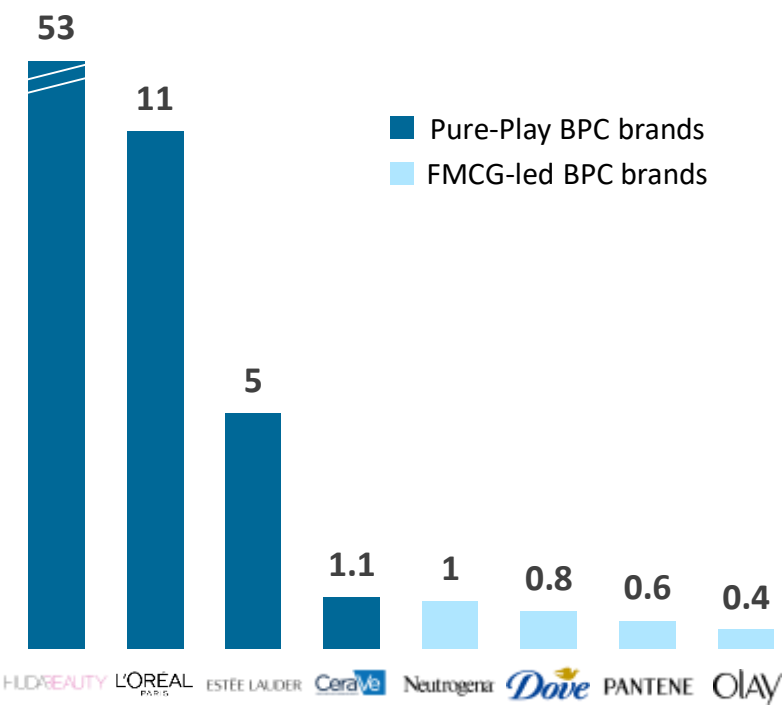
The Indian cosmetics industry has witnessed a fascinating transformation in its retail channels, mirroring the country's economic and technological advancements. Product launched and reached to the customer via these retail channels through both offline and online methods



Pure-play BPC players were the ones who led the online disruption with FMCG-led BPC players playing catch-up, higher online engagement by pure-play BPC has led to higher brand salience for them in the channel

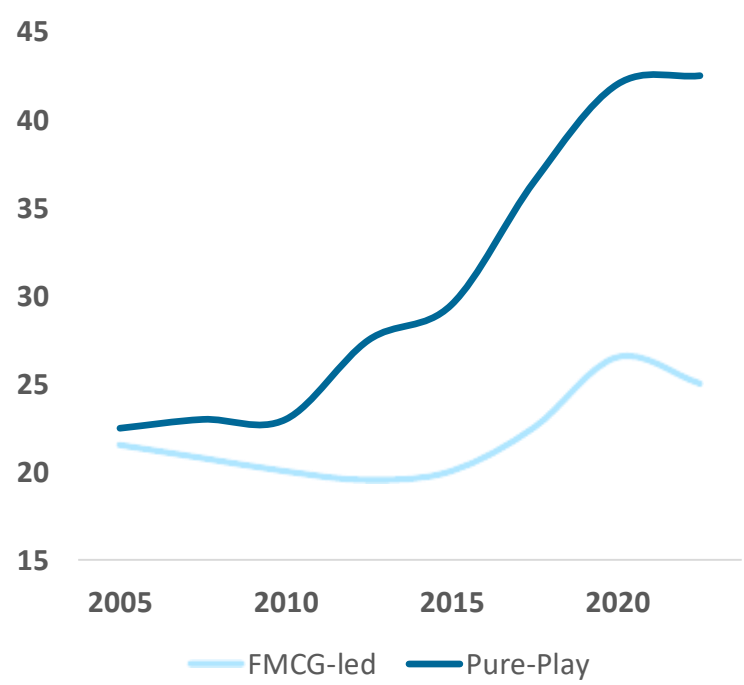
SOCIAL MEDIA ENGAGEMENT In Mn, As of August 2023

Pure-Play brands engage better with consumers on social media



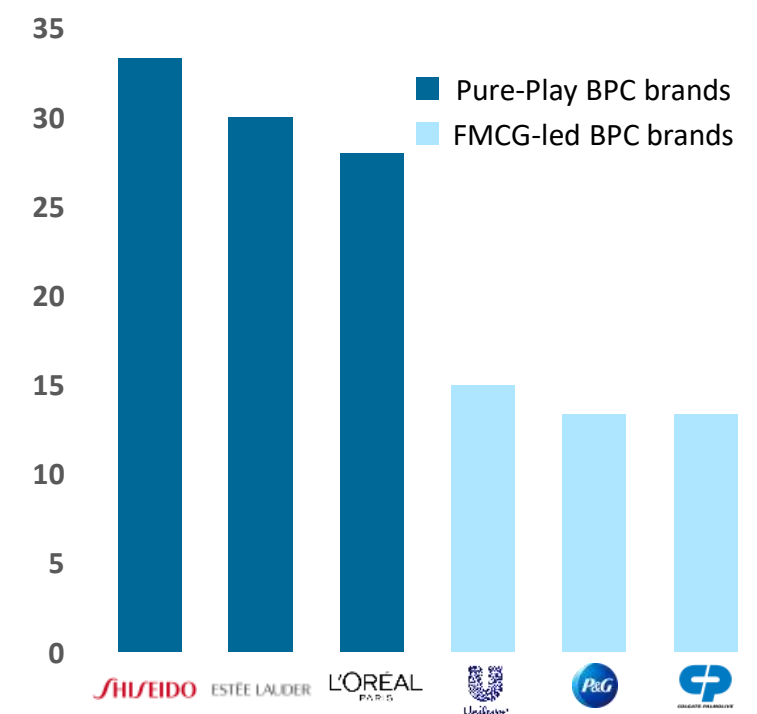
GOOGLE SEARCH TRENDS 2004-2023

Pure-Play brands have higher demand among consumers who shop online



% REVENUE CONTRIBUTION OF ONLINE CHANNELS 2022

Thereby leading to higher online revenue collection

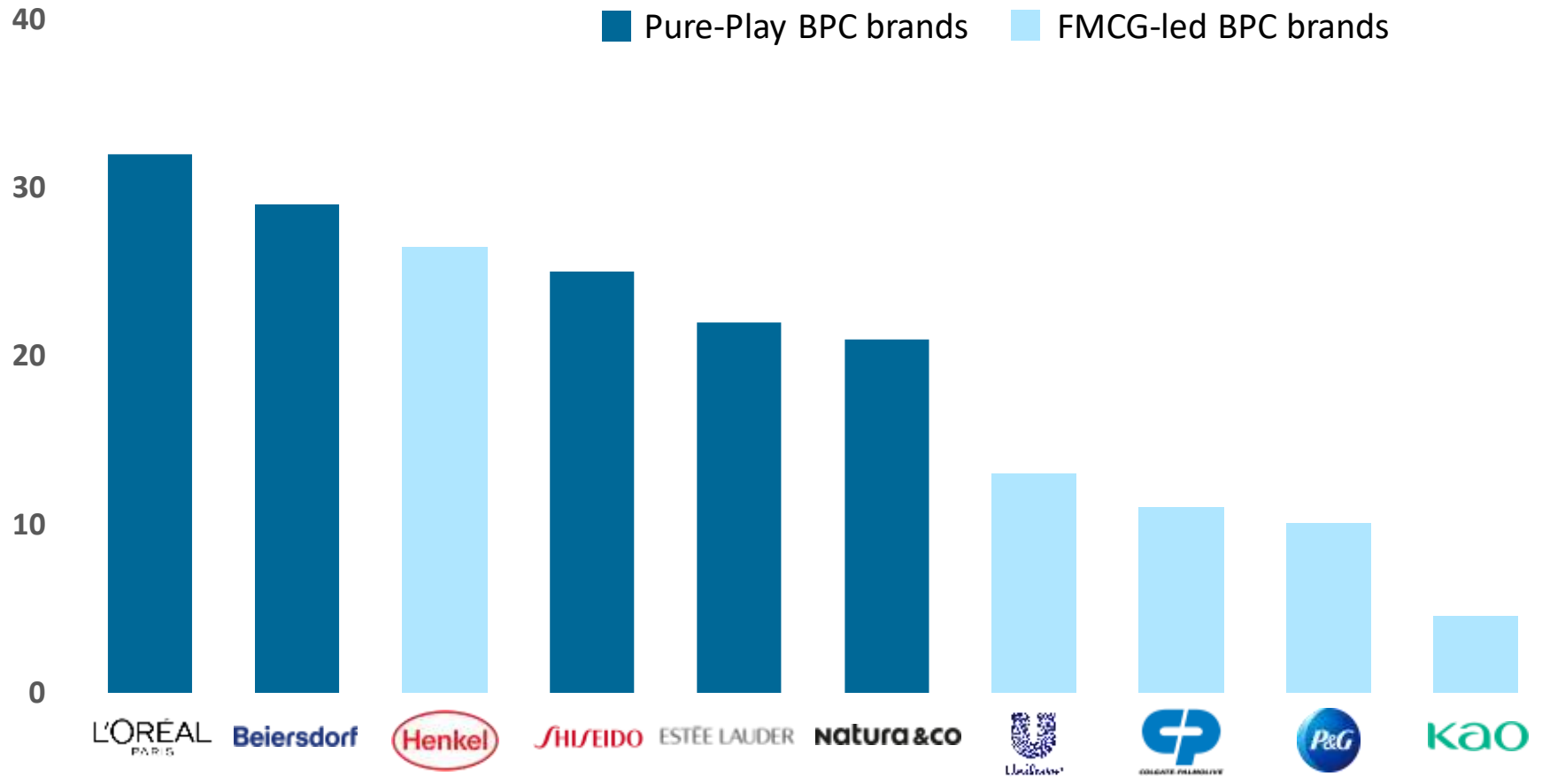


Pure-play BPC players were the ones who led the online disruption with FMCG-led BPC players playing catch-up, higher online engagement by pure-play BPC has led to higher brand salience for them in the channel

MARKETING SPENDS OF TOTAL EXPENDITURE
As of 2022

With high-speed innovation around niche offerings, pure-play brands invest in educating consumers about the uses and benefits of the products, to create demand

Consequently, pure-play BPC brands end up spending higher in marketing (in proportion) than the FMCG-led BPC brands





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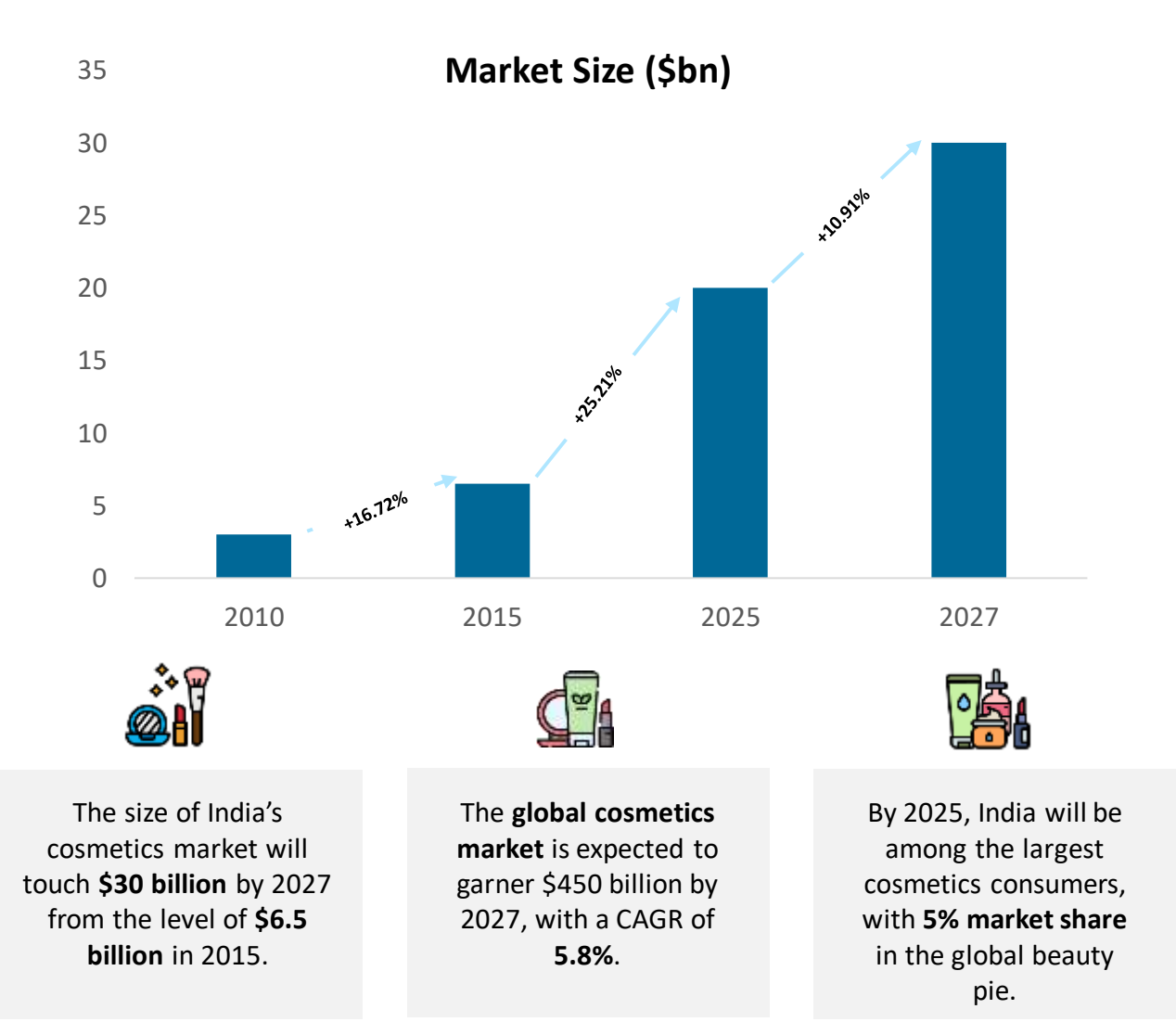
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**About the
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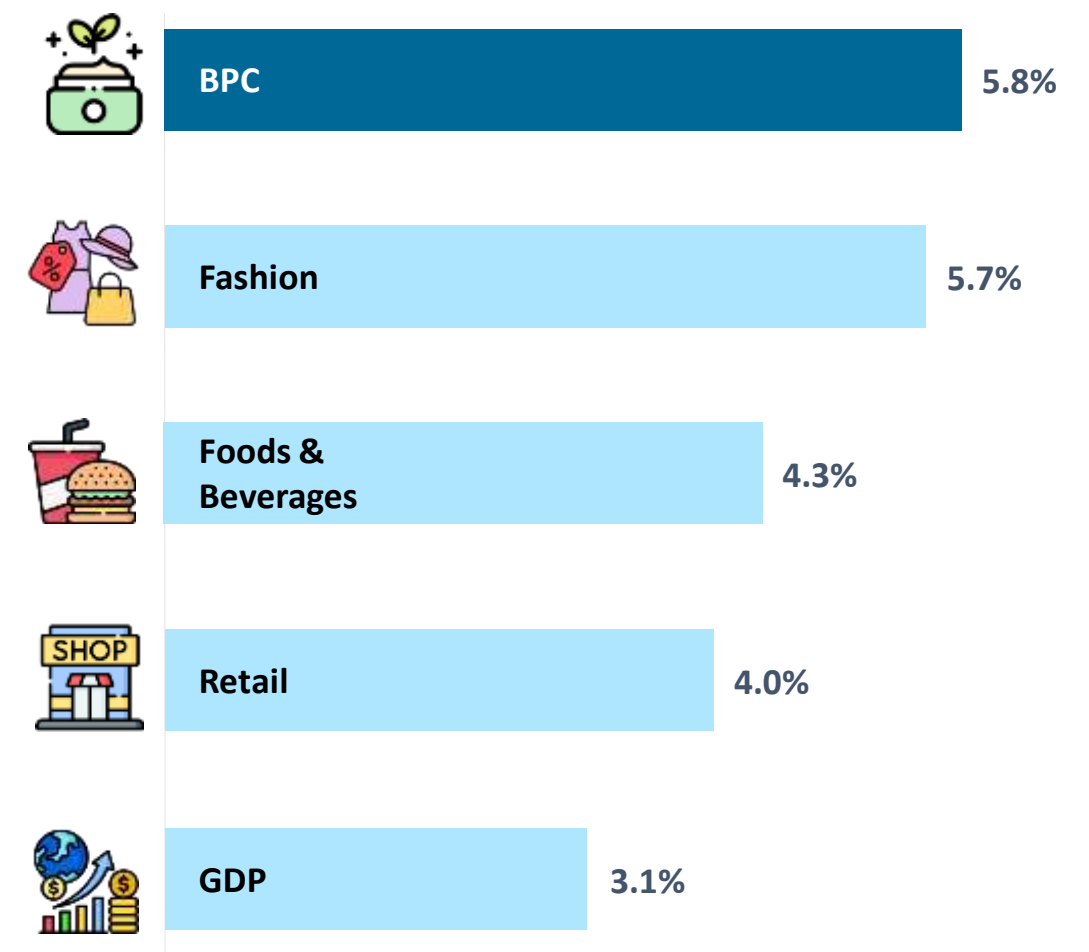
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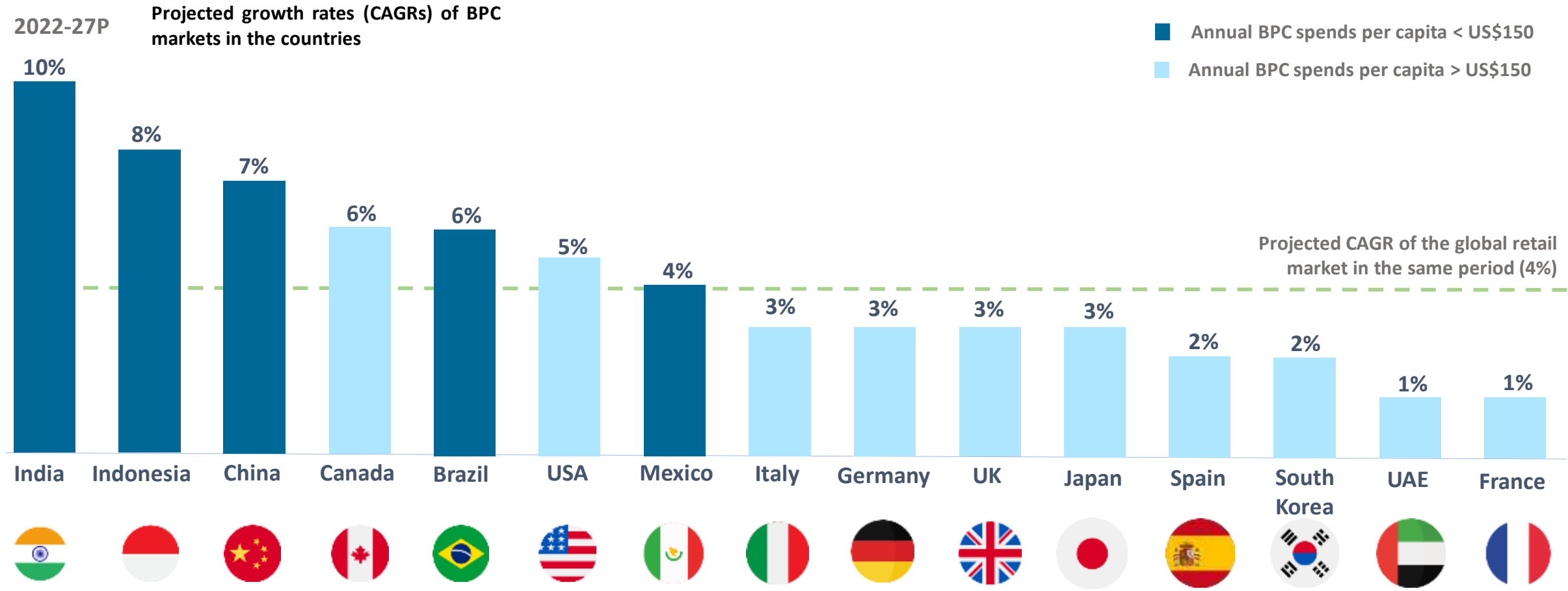
Globally, BPC is the fastest growing consumption category, and it is undergoing significant evolution, leading to significant brand-creation opportunities



BPC is among the highest growing consumption category



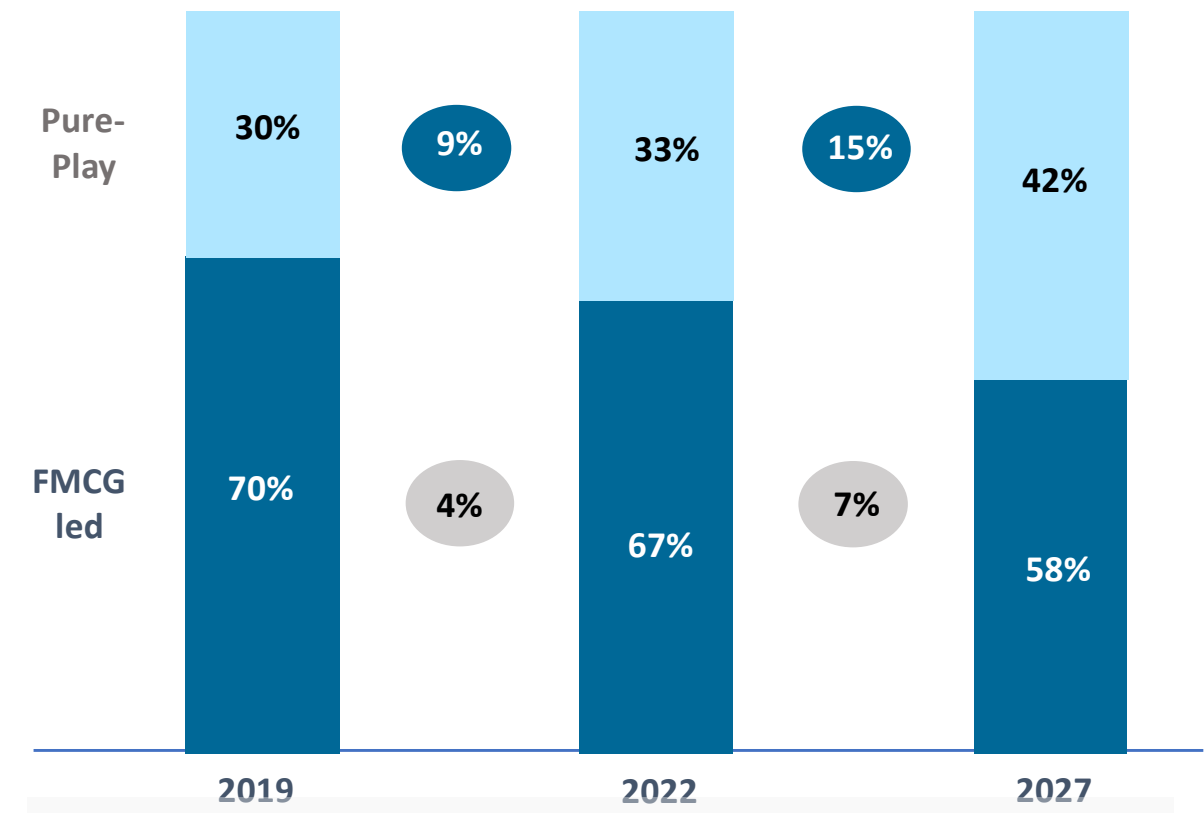
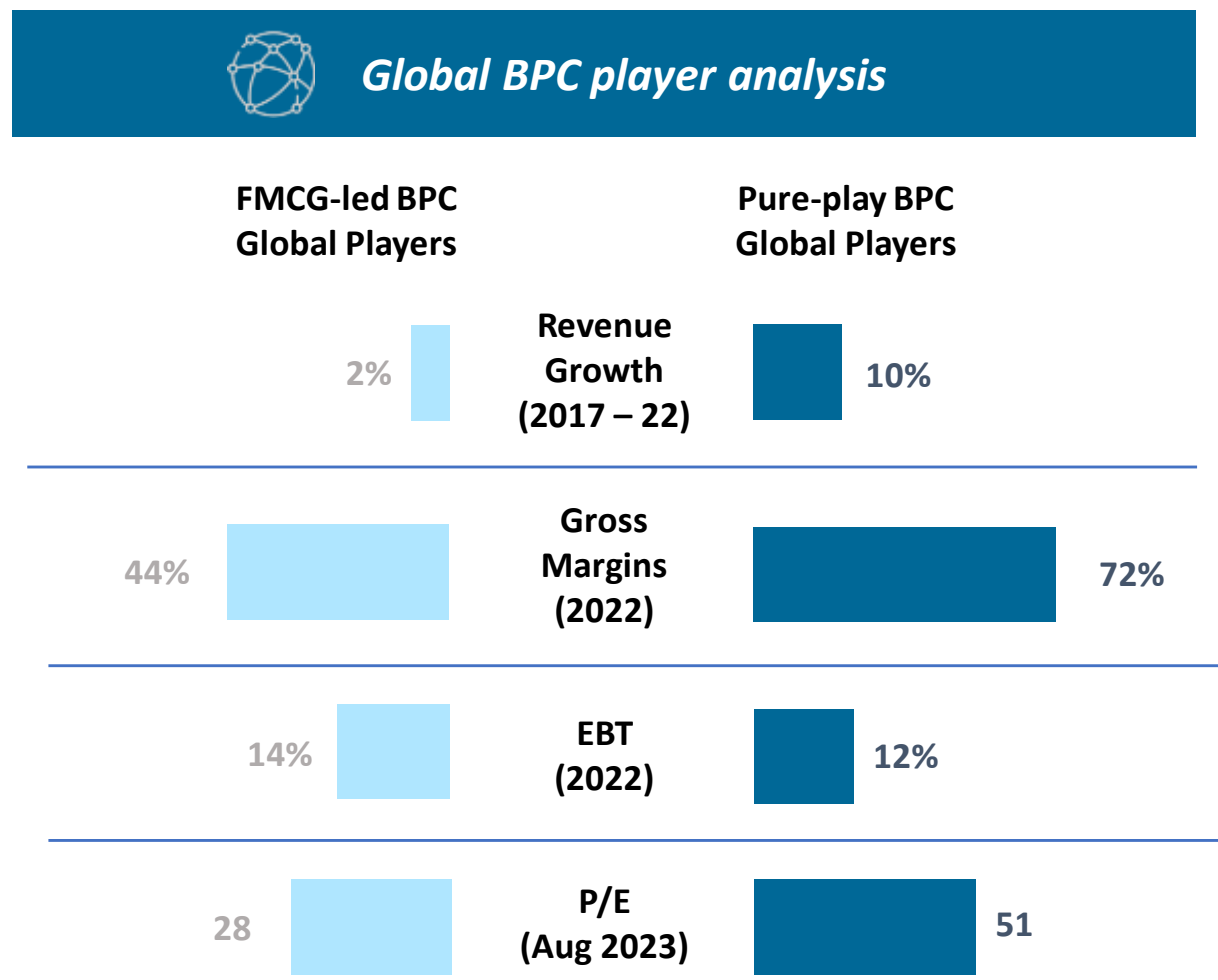
India, being one of the most attractive BPC markets globally, is closely mirroring the global trends with a total GMV of USD 30 billion by 2027



The Indian BPC market is poised for rapid expansion, with a total GMV of **US\$30 billion** by **2027**, comprising **~5%** of the global BPC market. Growing at **~10% annually**, it is the fastest growing BPC market among large economies. Mirroring the global trends, Indian consumers are **increasingly seeking higher-quality products** and are adopting evolved beauty and self-care routines. They are making their BPC product choices by researching the ingredients, listening to influencers, and are purchasing BPC products both online and offline. Hence, the Indian brands which are innovating fast and investing on growth are seeing good early results.

While Indian BPC is a very nascent market which will chart its own course, the pure-play Indian BPC brands are mirroring the success of the global peers, growing 2x as fast the Indian FMCG-led BPC players

Pure-play BPC players perform better than FMCG-led BPC players

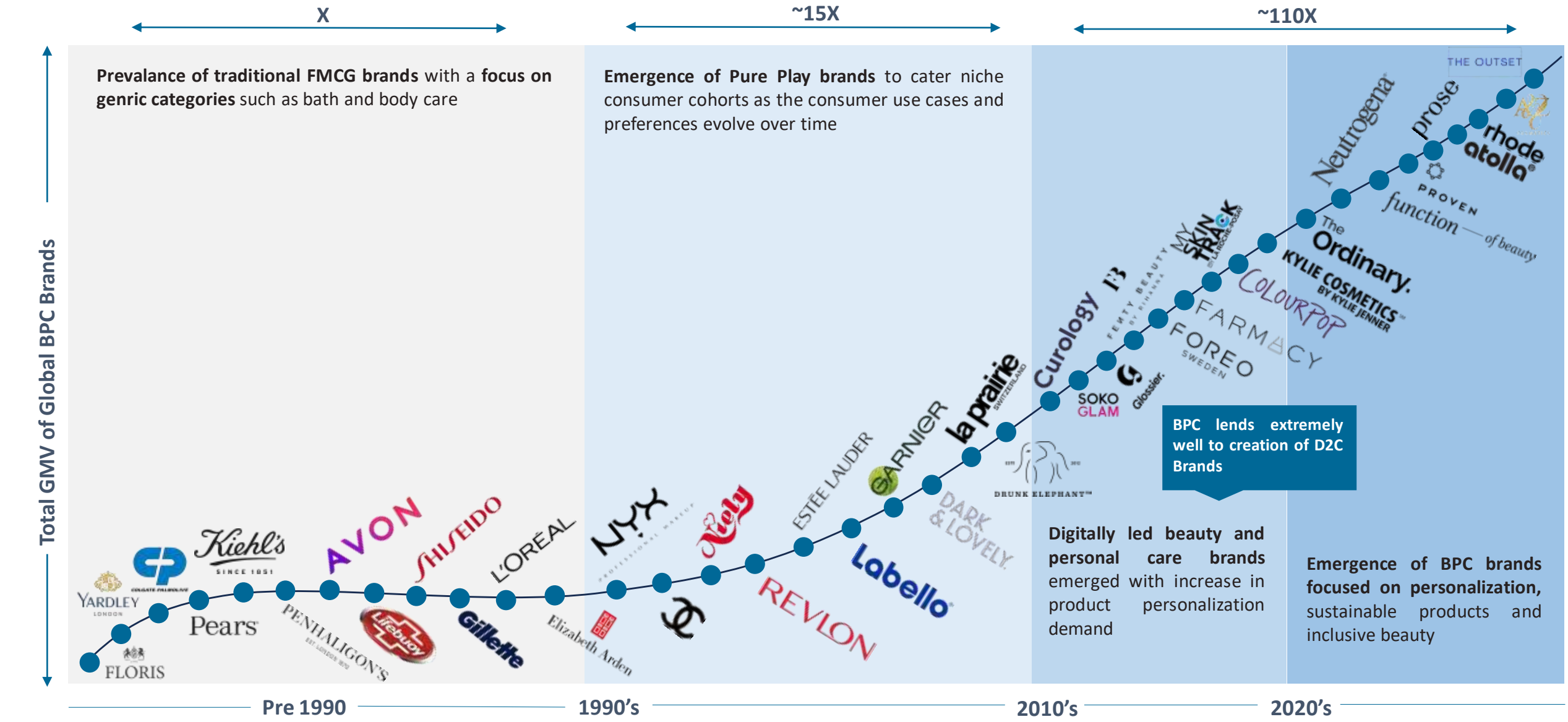


Traditionally, the **Indian BPC market** has been dominated by large **FMCG players**. It was because India is a large yet fragmented market that is significantly unorganized. However, with rapid organization of the retail market, India is increasingly mirroring global trends.



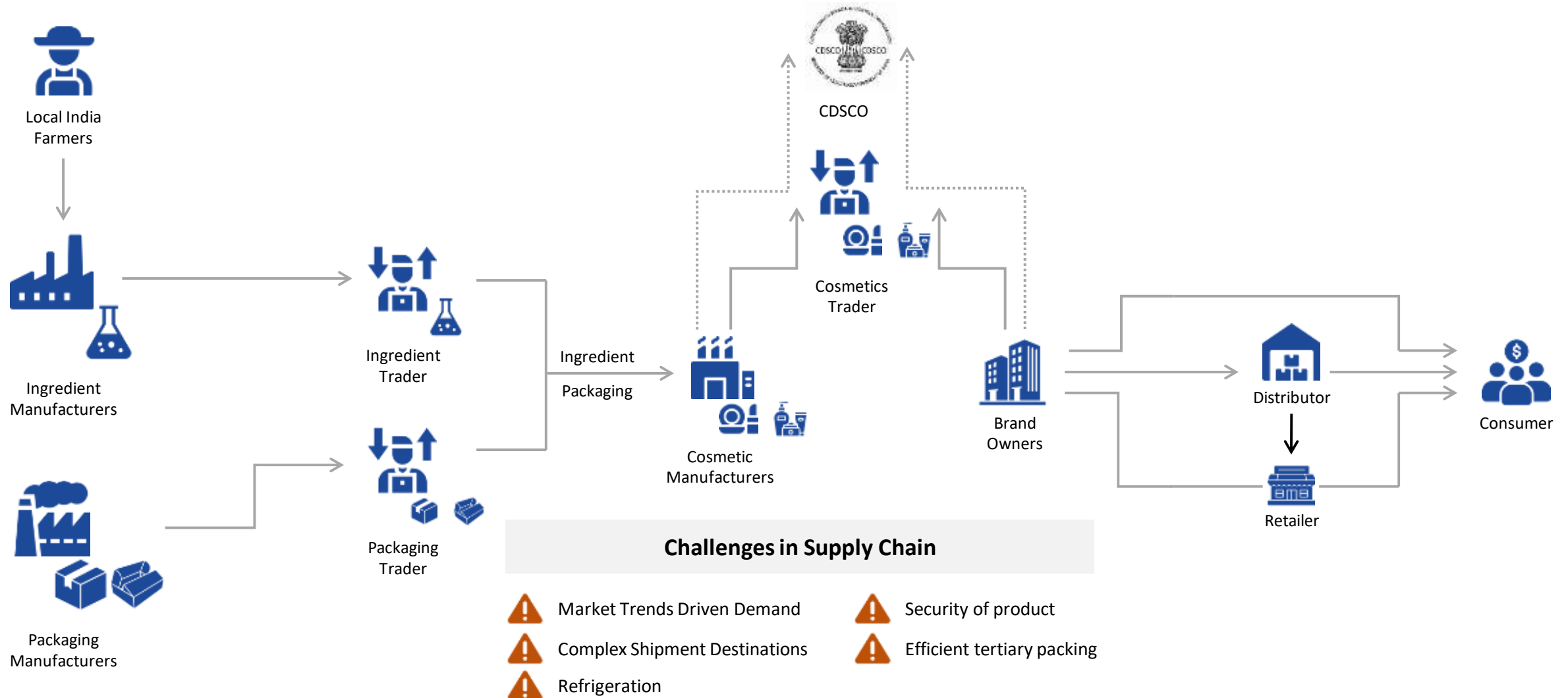
BPC brands created across the last several decades

Average number of companies started per year



By 2027, the global BPC market GMV is expected to be US\$ 660 Bn, commanding a total market capitalisation of **US\$ 2.2-2.7 Tn.**

Cosmetics require high-end transportation and warehousing due to its short shelf life hence complex industry procedures like temperature-controlled logistics is required in the supply chain



Exploring the multiple channels of distribution used in the cosmetics industry through the example of notable players in each channel

OFFLINE CHANNELS



LAKMÉ

One of the most prominent Indian cosmetic brands, **Lakmé enhances** customer engagement through its exclusive brand outlets (**EBOs**) and presence in various department stores, salons, and beauty parlours across the country.

E-COMMERCE



NYKAA

As a major player in the Indian beauty e-commerce sector, Nykaa aims to increase its **online revenue** significantly. They offer a wide range of beauty and personal care products, including their own line of cosmetics.

purple

Another leading online beauty store in India, **Purple**, has seen substantial growth in online sales, focusing on offering a wide range of products and competitive pricing.

LIVE COMMERCE



MYGLAMM

This brand has embraced live commerce to engage with its audience, conducting live **streaming sessions** where beauty experts showcase products and offer makeup tutorials.

WOW
SKIN SCIENCE

They have started experimenting with live commerce to provide **real-time product demonstrations** and engage with customers, aiming to enhance the shopping experience.

D2C



mamaearth™

This brand leverages consumer data for personalized product recommendations and formulations. Their **D2C model** allows them to maintain direct contact with their customers, improving product offerings based on feedback.

SUGAR

Known for its trendy and affordable range of products, Sugar Cosmetics uses a D2C approach to reach its customers directly, offering personalized beauty solutions and exclusive online products.

Looking at how strategic campaigns and influencer marketing drive trends and pass on messages to spread the awareness

Pure-play brands invest to educate customers not only about their brands, but also about the trends (driving demand)...

Pure-play brands create targeted campaigns to inform consumers about emerging trends, thereby driving demand. One of these trends being Natural Ingredients and Eco-Friendly Packaging.



TREND AWARENESS

Pure-play BPC companies invest heavily in brand building through various mediums, building trust and credibility via different customer touchpoints.



Indian brands like Nykaa and Mamaearth etc leverage influencers to promote product usage and benefits.

BRAND AWARENESS

..and focus intently on selecting the right mediums to pass on their messages



Campaign India

<https://www.campaignindia.in> › Media

Over 70% of brands are investing in influencer marketing ...

4 Apr 2024 — **Over 70% of brands** are investing in influencer marketing in India, says new EY report. The report also finds that 77% of brands surveyed feel ...



L'Oréal Ad on Burj Khalifa, Dubai



Significant learnings that brands and retailers could use for standing out of the competition and eventually expanding

Fuel Innovation & Sustainability

Develop a diverse product portfolio catering to a wider range of needs and preferences while **prioritizing sustainability** by embracing eco-friendly practices and ethical sourcing which resonates with today's conscious consumers and sets the brand apart.

Forge Strategic Alliances & Go Global

Do collaborative partnerships with local and global **players to unlock new markets** and Leverage their expertise and distribution networks to expand reach. Use e-commerce and social media to maximizing brand visibility and to tap untapped markets.

Stand Out & Build Trust

Uncompromising quality and regulatory compliance are as essential as building a unique selling proposition. **Educate consumers about brand values** and the benefits of products. Foster trust and loyalty as the key to sustained success.



Capture through expansion

Consumer spending power in **Tier-2+** cities is surging. **Expand through Exclusive Brand Outlets and Shop-in-Shop concepts** to reach these **untapped markets**. Tailor marketing strategies to resonate with their specific needs and preferences.

Embrace Digital & Stay Ahead

Invest in a robust e-commerce platform to capture the online beauty market. Utilize digital marketing tools like social media influencers and personalized campaigns. **Prioritize R&D and develop innovative formulas and products that address evolving consumer trends.**

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Estee Lauder



LAUNCHING

Launched in 1946, New York



BUSINESS SIZE

Market Size and Share: USD 38.18 billion with 10.7% share in total market

CAGR (5 Years): 3.1%



FUTURE PROSPECTS

Earnings & Revenue: Estimated 27.3% and 6.2% per annum

Expansion Strategy: Leveraging Generative AI



AWARDS / LATEST NEWS

Honoured at the Inspiring Women in Science Awards, Honoured at the CEW Achiever Awards



Lakme



LAUNCHING

Founded in 1952, India



BUSINESS SIZE

Market Size and Share: USD ~39.3 million revenue, 25% market share in color cosmetics
CAGR (5 Years): 10%



FUTURE PROSPECTS

Earnings & Revenue: Expected to grow with CAGR 10.1% till 2029
Expansion Strategy: Natural & Sustainable Products, Tier 2 and 3 Cities

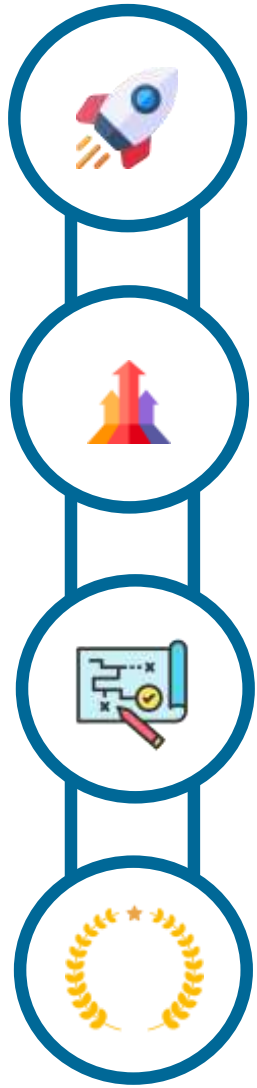


AWARDS / LATEST NEWS

Most Admired B2C Activation, Best Cause-Related Communication Campaign



Sugar Cosmetics



LAUNCHING

Founded in 2012, India

BUSINESS SIZE

Market Size and Share: USD ~47 million RFO with 6% market share in colour cosmetics

CAGR (5 Years): 60% (revenue)

FUTURE PROSPECTS

Earnings & Revenue: Expected to grow with CAGR 25% till 2029

Expansion Strategy: Diversifying into skincare, expanding international presence, focusing on new product lines

AWARDS / LATEST NEWS

Retailer of the Year Award (2023), Emerging Brand of the Year



Nykaa



LAUNCHING

Founded in 2012, India



BUSINESS SIZE

Market Size and Share: USD ~203.4 million RFO with 27% market share in its segments

CAGR (5 Years): 12%



FUTURE PROSPECTS

Earnings & Revenue: 23% Projected Revenue growth for Q1 FY'25

Expansion Strategy: Brick-and-mortar presence with 180 new stores across India, Launched 'Nysaa' in the GCC market



AWARDS / LATEST NEWS

Gold Award for Excellence in Innovation



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Cosmetics Industry might just be the future: Assessing the expanding market size, various growth drivers and the rise of phygital experience

<u>EXPANDING MARKET SIZE</u>	<u>GROWTH DRIVERS</u>	<u>PHYGITAL EXPERIENCE</u>	<u>ETHICAL AND PURE BRANDS</u>
Projected Growth <p>The Indian Beauty and Personal Care market is expected to reach \$30 billion by 2027 and increase with a CAGR of 10%</p>	Consumer Sophistication <p>Higher disposable income and a more sophisticated consumer base are key growth factors</p>	Hybrid Approach <p>Brands are integrating physical and digital experiences to provide seamless customer interactions</p>	Sustainability Focus <p>Growing consumer preference for sustainable, ethically sourced, and cruelty-free products</p>
Increasing Consumer Base <p>Rising disposable incomes & urbanization are expanding the overall consumer base</p>	Influence of Social Media <p>Beauty influencers and social media platforms significantly shape consumer preferences and trends</p>	Tangibility & Convenience <p>Consumers seek the tangible feel of in-store products and the convenience of online shopping</p>	Rise of Herbal Products <p>Increasing demand for herbal and chemical-free beauty products</p>
Diverse Product Demand <p>Growth is being driven due to the increasing demand for various beauty and personal care products across different segments</p>	Awareness of Grooming <p>Greater awareness and importance placed on personal grooming and wellness contribute to market growth</p>	Customer Engagement <p>Combining online and offline strategies enhances overall customer engagement and satisfaction</p>	Brand Loyalty <p>Ethical practices and transparency in sourcing build strong brand loyalty among consumers</p>

Increased customization, specialized products to target a focus group, differentiation and new segments are the future of the cosmetics industry

PERSONALIZED MARKETING

Customization: Brands are offering personalized products and marketing campaigns to cater to individual preferences

Emotional Connection: Campaigns like Dove's focus on making consumers feel confident and comfortable in their own skin

Consumer Engagement: Personalized marketing strategies result in higher consumer engagement and brand loyalty

PRODUCT SPECIALIZATION

Targeted Solutions

Brands are focusing on personalized and specialized beauty products **tailored to specific skin types** and concerns, enhancing consumer relevance



Differentiation & Innovation

Amidst competition, brands innovate with **unique formulations** and benefits to stand out in the market



INNOVATION AND NEW SEGMENTS

Men's Care Products: Expanding into new segments like men's grooming products

Eco-Friendly Innovations: Development of natural, eco-friendly, and tech-enhanced beauty products

Advanced Packaging: Innovations in primary and secondary packaging to meet evolving consumer needs

THANK YOU

