

# A CASE STUDY OF NYKAA



# INTRODUCTION



The slide features a pink rectangular background with a decorative blue and green triangle in the top left corner. On the left side, there is a white vertical bar containing the Nykaa logo in its signature pink font, followed by the text "From Banker To Beauty Entrepreneur". Below this, it says "Falguni Nayar, Founder and CEO of Nykaa". At the bottom of this bar is a horizontal row of various cosmetic products like lipsticks and bottles. To the right of this bar is a photograph of Falguni Nayar, a woman with dark hair, wearing a brown and red sari, standing outdoors.

- Nykaa, which is Sanskrit for *Nayaka* (one in the spotlight), is a Mumbai-based retail seller of beauty, fashion and wellness products
- Falguni Nayar at her age of 50 along with her husband Sanjay Nayar started Nykaa, with \$2 million dollars in the year 2012.
- The e-commerce startup lists products from over 1200 global brands along with its own line of products Nykaa Cosmetics and Nykaa Naturals.

## Vision

Bring inspiration and joy to people, everywhere, everyday.

## Mission

To create a world where our consumers have access to a finely curated, authentic assortment of products and services that delight and elevate the human spirit.

## Values

01 **Be bold  
and  
be good**

02 **Be better  
everyday**

03 **Be the  
*customer's*  
champion**

04 **One  
*Nykaa***

05 **A culture of  
*belonging***

06 **Sustainability  
in every action**

# BUSINESS MODEL

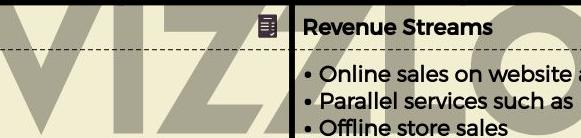
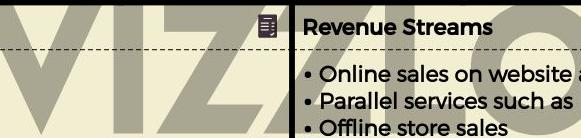
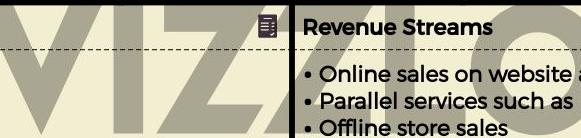
- Nykaa is one of the few ecommerce brands to follow an inventory based business model.
- Value Proposition: With the in-depth product offering and varied information about beauty products, Nykaa enables the customers to make best choice for themselves.
- Market Segment: Geographic: Urban cities, Tier -2, Tier-3 cities. Demographic : Females aged - 18 to 35.



- **Revenue Model:** As middle men in the regular supply chain, Nykaa is able to provide deeper discounts to its customers and still make a sizable profit. This motivates more customers to purchase products on Nykaa and thus increases the economies of scale.
- **Growth Model:** Segment Focus and improving the reach.



# NYKAA Business Model Canvas

Designed for EVERYONE	Designed by S.TRIVIKRAMAN	Date 7/1/2021	Version 1.0.0	
Key partners	Key activities	Value Propositions	Customer relationships	Customer segments
<ul style="list-style-type: none"> <li>Luxury beauty partners like L'Oreal Paris, The Face Shop,</li> </ul>	<ul style="list-style-type: none"> <li>Provides authentic beauty, wellness and fashion products.</li> <li>Offers educational content on latest trends and use of various products.</li> </ul>	<ul style="list-style-type: none"> <li>Customers get quick access to end number of beauty products</li> <li>Multiple payment options</li> <li>Rating and feedback option</li> <li>Get each beauty product details</li> </ul>	<ul style="list-style-type: none"> <li>Social Media</li> <li>Customer support</li> <li>Reviews and ratings</li> </ul>	<ul style="list-style-type: none"> <li>Customers who want to take care of their beauty</li> <li>Beauty lovers who want to shop everything from one place</li> </ul>
Key resources	Channels			
Cost structure	Revenue Streams			
<ul style="list-style-type: none"> <li>Salaries of staff</li> <li>Technological infrastructure</li> <li>Marketing expenditure</li> </ul>	<ul style="list-style-type: none"> <li>Online sales on website and Nykaa app</li> <li>Parallel services such as Nykaa Man and Nykaa Fashion</li> <li>Offline store sales</li> </ul>			

# SWOT Analysis



Strengths

Weakness

Opportunities

Threats



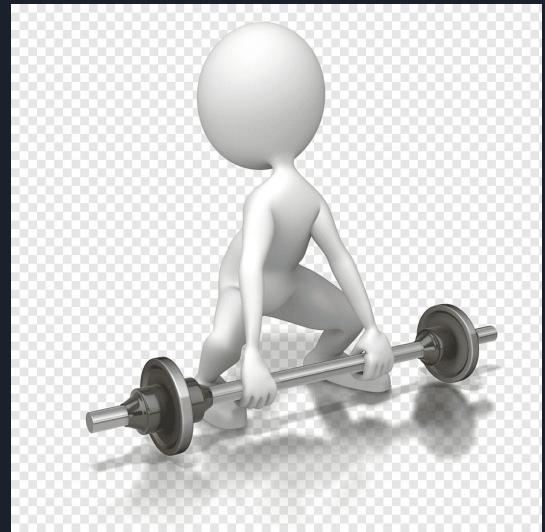
# Strength

- Wide reach to customers.
- Low cost structure.
- Dealer community is strong.
- Strong social media influence.
- Large product portfolio.



# Weakness

- Low profitability.
- Little experience of international market.
- Low Spending on R&D.
- Larger part of the company is rented.
- Financial obligations are lower.
- Waste management.



# Opportunities

- Opportunities in International Markets.
- Expand their market through online.
- Using social media for promotions.
- Technology enables better data to be collected.
- Growing of niche markets



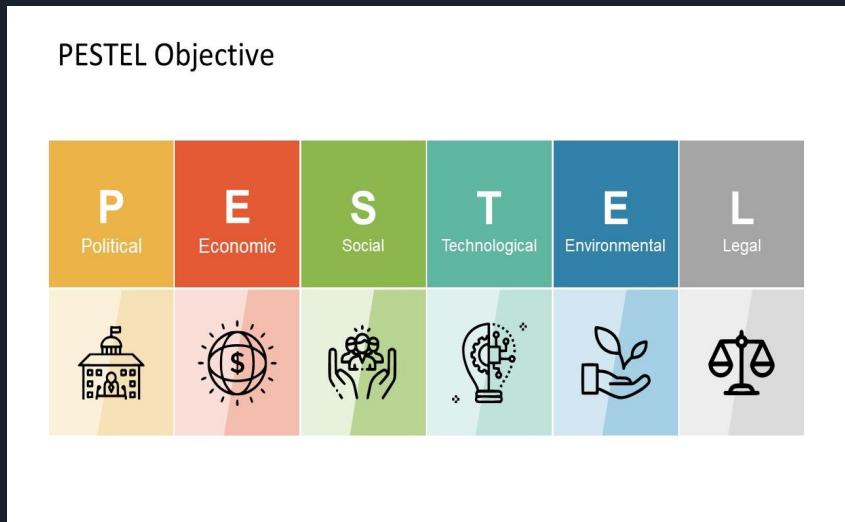
# Threats

- Technological development by competitors.
- New entries in the market.
- Increased competition within the industry.
- Consumer tastes changes.
- Availability of substitute products.
- Increased promotions by competitor.



# PESTEL Analysis

- PESTEL analysis is a framework or tool used by marketers to analyze and monitor the macro-environmental (external marketing environment) factors that have an impact on an organization, company, or industry.
- PESTEL analysis is used to identify threats and weaknesses which are used in a SWOT analysis.



# POLITICAL

- Democracy & Other Democratic Institutions
- Government Regulations and Deregulations
- Political Governance System
- Role Local Governments Play



# ECONOMIC

- Foreign Exchange Rate
- GDP Trend & Rate of Economic Growth
- Financial Market Structure and Availability of Capital at Reasonable Rates
- Government Spending
- Inflation Rate



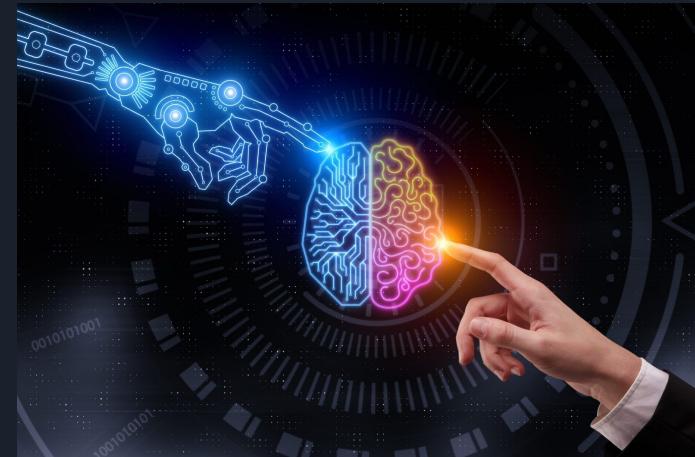
# SOCIAL

- Demographic Trend
- Education Level in Society
- Attitude towards Savings
- Power Structure in Society



# TECHNOLOGICAL

- Likelihood of Technology Disruption
- E-Commerce & Related Infrastructure Development
- Mobile Phone & Internet Penetration
- Level of Acceptance of Technology in the Society
- Intellectual Property Rights and Patents Protection



# ENVIRONMENTAL

- Environmental Standards and Regulations both at National & Local Levels
- Influence of Climate Change
- Focus & Spending on Renewable Technologies
- Recycle Policies



# LEGAL

- Consumer Protection Laws
- Health & Safety Laws
- Securities Law
- Transparency in Judiciary System & Processes
- Independence of Judiciary and Relative Influence of Government



# Porter Five Forces that Determine Industry Structure

The five forces that determine the industry structure of organization are

## 1. Bargaining power of suppliers :

The suppliers are numerous in cosmetic market. The internet retailing has 2.9 % of the channel distribution share. HUL has the major share in personal care and beauty products market. This decreases the bargaining power of the suppliers.

## 2. Bargaining power of customers :

The customer base of personal care and beauty products is very large. The products are undifferentiated. The switching cost is very low.



### 3. Threats of substitutes :

Substitutes for the online retailing are brick and mortar stores. The threat of substitutes is high and to fight with the substitutes over this matter, online retailers have adopted an omni channel strategy.

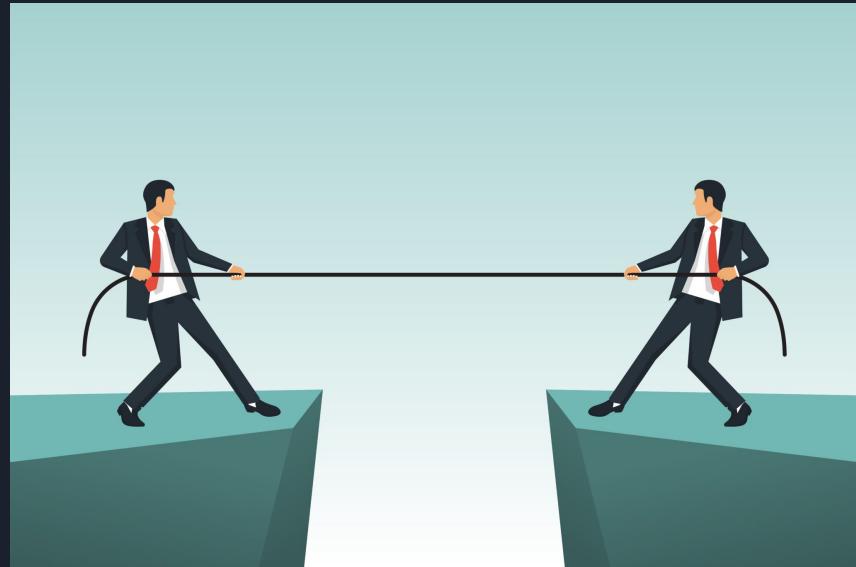


### 4. Threats of new entrants :

Beauty product market is rising very rapidly, with the CAGR of 9% till 2023. The value of Ecommerce for the beauty and personal care market will increase to 33.5 % till 2023. This increases the threat of new entrants.

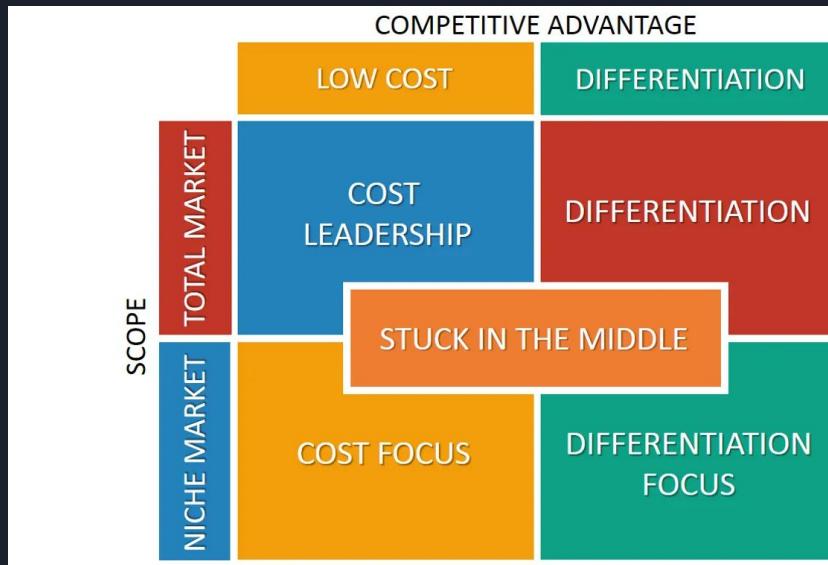
## 5. Rivalry among existing customers:

The rivals are fighting based on large variety of brands that they are showcasing on the website, price, convenience, as well as offers and discounts at the appropriate time. Participants with excellent service, convenience and variety can win many customers.



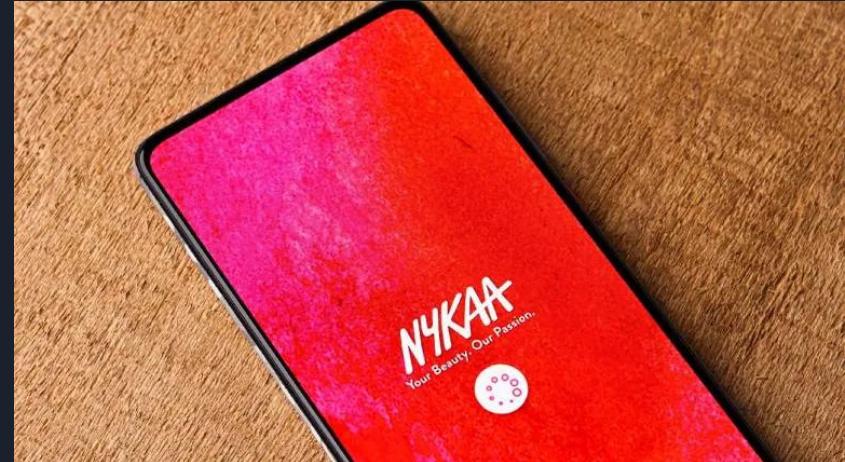
# FOUR GENERIC COMPETITIVE STRATEGIES

1. Cost Leadership
2. Differentiation
3. Cost Focus
4. Differentiation Focus



# FUNDAMENTAL ANALYSIS

- Nykka beauty and personal care follows inventory model.
- Nykka fashion follows managed marketplace model, since trends keep changing.
- Omnichannel sales.
- They are pivoting into the fashion industry too.
- High following on social media, since fashion influencer industry is shaping up there. Marketing costs comes down.



# INDUSTRY ANALYSIS

- The cosmetics industry is highly profitable. Gives around 50-60% returns.
- Fashion industry is also highly profitable.

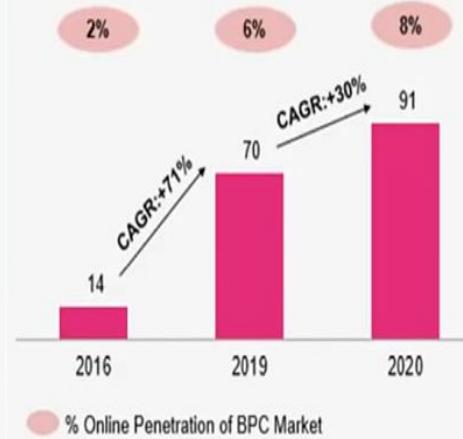


# BEAUTY & PERSONAL CARE INDUSTRY

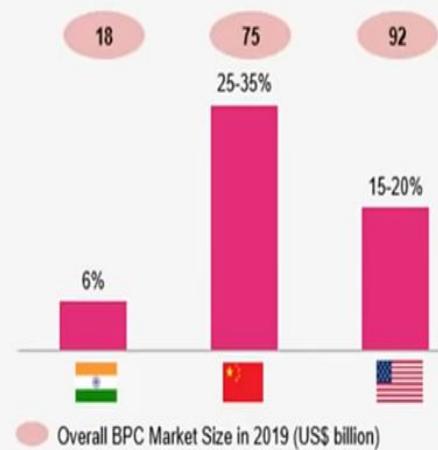
India Beauty and Personal Care Market Size and Growth (₹ billion)



India Online Beauty and Personal Care Market Size and Growth (₹ billion)



Online Beauty and Personal Care Penetration – Global Benchmarks (% Penetration)



Source(s): RedSeer Research

Source(s): RedSeer Research; assumes US\$ 1 = ₹ 70 and US\$ 1 = RMB 6.5

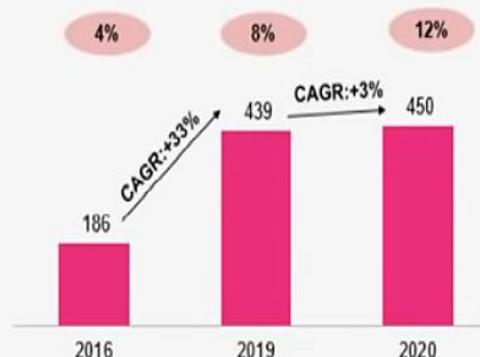
# FASHION INDUSTRY

India Fashion Market Size and Growth (₹ billion)



Source(s): RedSeer Research

India Online Fashion Market Size and Growth (₹ billion)

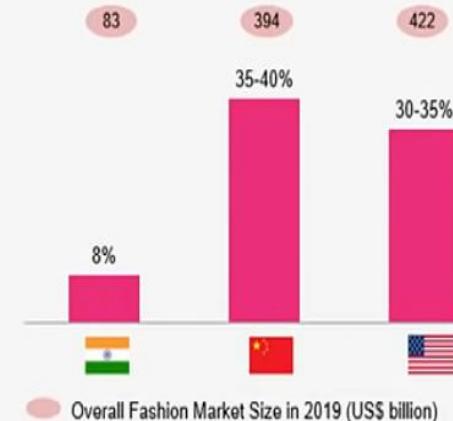


Source(s): RedSeer Research; assumes US\$ 1 = ₹ 70 and US\$ 1 = RMB 6.5

Note:

1. Fashion market for USA and China includes only apparel and footwear, while in India, the market is inclusive of apparel, footwear and accessories

Online Fashion Penetration – Global Benchmarks<sup>(1)</sup> (% Penetration)



# KEY METRICS

Metric	2019	2020	2021
<b>Annual Unique Transacting Consumers (mn)</b>			
Beauty and Personal Care	3.5	5.3	5.6
Fashion	0	1	6
<b>Orders (mn)</b>			
Beauty and Personal Care	11	17	17.1
Fashion	0.4	1.1	2.4
<b>Average Order Value (Rs.)</b>			
Beauty and Personal Care	1,433	1,448	1,963
Fashion	655	1,604	2,739
<b>Gross Merchandise Value (GMV) (Rs. In Mn.)</b>			
Beauty and Personal Care	16,219.2	24,981.4	33,804.1
Fashion	281.6	1,867.8	6,655.7

# OPERATIONAL REVENUE

## 29 Revenue from operations

	For the three months ended 30 June 2021	For the three months ended 30 June 2020	For the year ended 31 March 2021	For the year ended 31 March 2020	For the year ended 31 March 2019
<b>A. Sale of products</b>	6,916.38	2,726.73	21,809.06	15,838.25	9,739.11
<b>B. Sale of services</b>					
Marketing support revenue	840.30	124.90	1,950.12	1,682.35	1,230.95
Income from marketplace services	365.25	31.22	552.87	132.74	129.60
<b>C. Other Operating Revenue</b>					
Logistics services income (shipping and delivery charges)	42.39	3.54	87.44	19.91	13.78
Income from Pickup Mile	-	-	-	-	-
Gift card expiration	5.59	-	9.47	2.08	0.50
<b>Revenue by geographical market</b>	<b>8,169.91</b>	<b>2,886.39</b>	<b>24,408.96</b>	<b>17,675.33</b>	<b>11,113.94</b>
Within India	8,169.91	2,886.39	24,401.46	17,648.47	11,113.94
Outside India	-	-	7.49	26.86	-
	<b>8,169.91</b>	<b>2,886.39</b>	<b>24,408.95</b>	<b>17,675.33</b>	<b>11,113.94</b>

# PROFIT/LOSS

Particulars (Rs. in millions)		2019	2020	2021	CAGR
<b>Revenue from Operations</b>		<b>11,113.9</b>	<b>17,675.3</b>	<b>24,409.0</b>	<b>148%</b>
	Sale of Products	9,739.1	15,838.3	21,809.1	150%
	Sale of Services	1,360.6	1,815.1	2,503.0	136%
	Other Income	14.3	22.0	96.9	261%
<b>EBITDA</b>		<b>255.0</b>	<b>913.7</b>	<b>1,731.7</b>	<b>261%</b>
EBITDA Margins		1.9%	4.6%	6.6%	
<b>PAT</b>		<b>-245.4</b>	<b>-163.4</b>	<b>619.5</b>	-

# IPO: Initial Public Offering

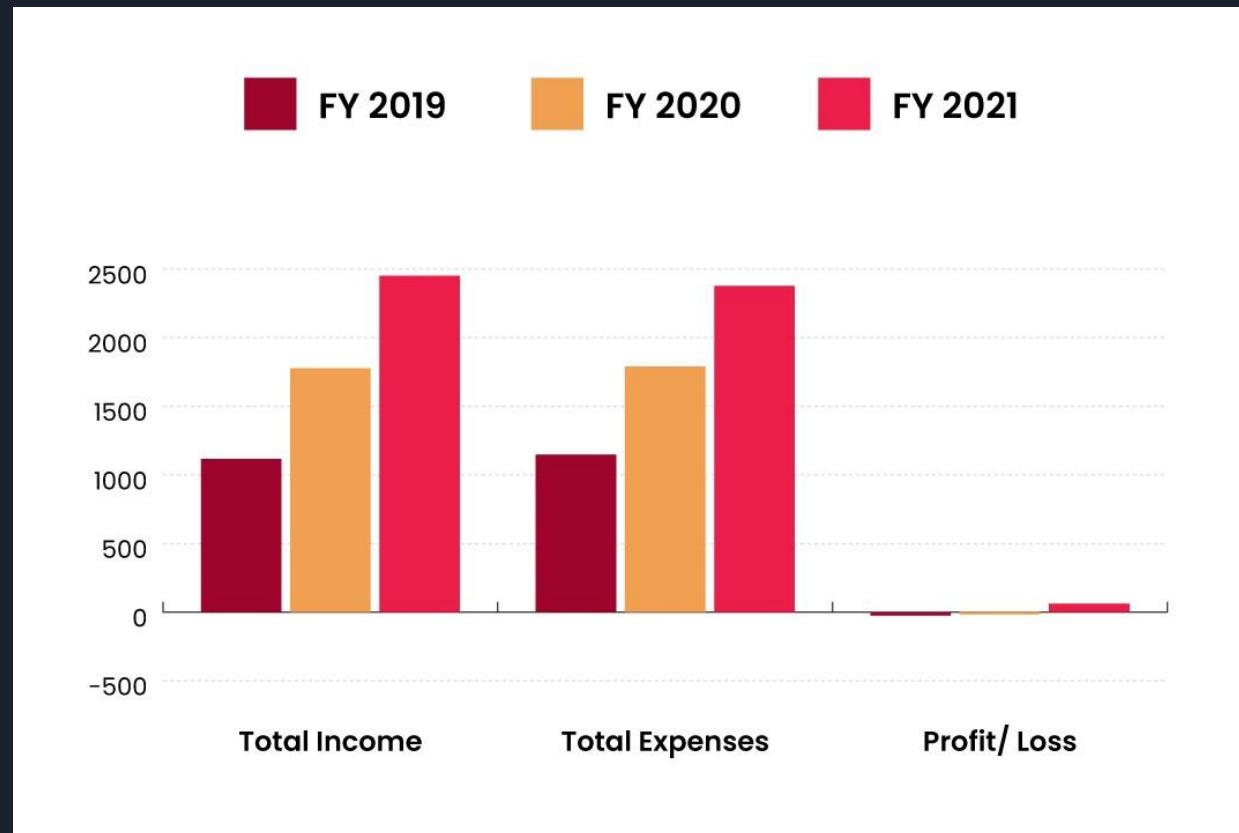
Particulars	Amount (in Rs. Cr.)
Investment in certain subsidiaries, namely, FSN Brands and / or Nykaa Fashion for funding the set-up of new retail stores	42
Capital expenditure to be incurred by the Company and investment in certain subsidiaries, namely, Nykaa E-Retail, FSN Brands and Nykaa Fashion for funding the set-up of new warehouses	42
Repayment or prepayment of outstanding borrowings availed by the Company and one of the subsidiaries, namely, Nykaa E-Retail	156
Expenditure to acquire and retain customers by enhancing the visibility and awareness of the brands	234
General Corporate Purpose	156
<b>Total Fresh Issue</b>	<b>630</b>

<b>IPO Opening Date</b>	Oct 28, 2021
<b>IPO Closing Date</b>	Nov 1, 2021
Issue Type	Book Built Issue IPO
Face Value	₹1 per equity share
IPO Price	₹1085 to ₹1125 per equity share
Market Lot	12 Shares
Min Order Quantity	12 Shares
Listing At	BSE, NSE
Issue Size	[.] Eq Shares of ₹1 (aggregating up to ₹5,351.92 Cr)
Fresh Issue	[.] Eq Shares of ₹1 (aggregating up to ₹630.00 Cr)
Offer for Sale	41,972,660 Eq Shares of ₹1 (aggregating up to ₹4,721.92 Cr)
<b>Employee Discount</b>	100

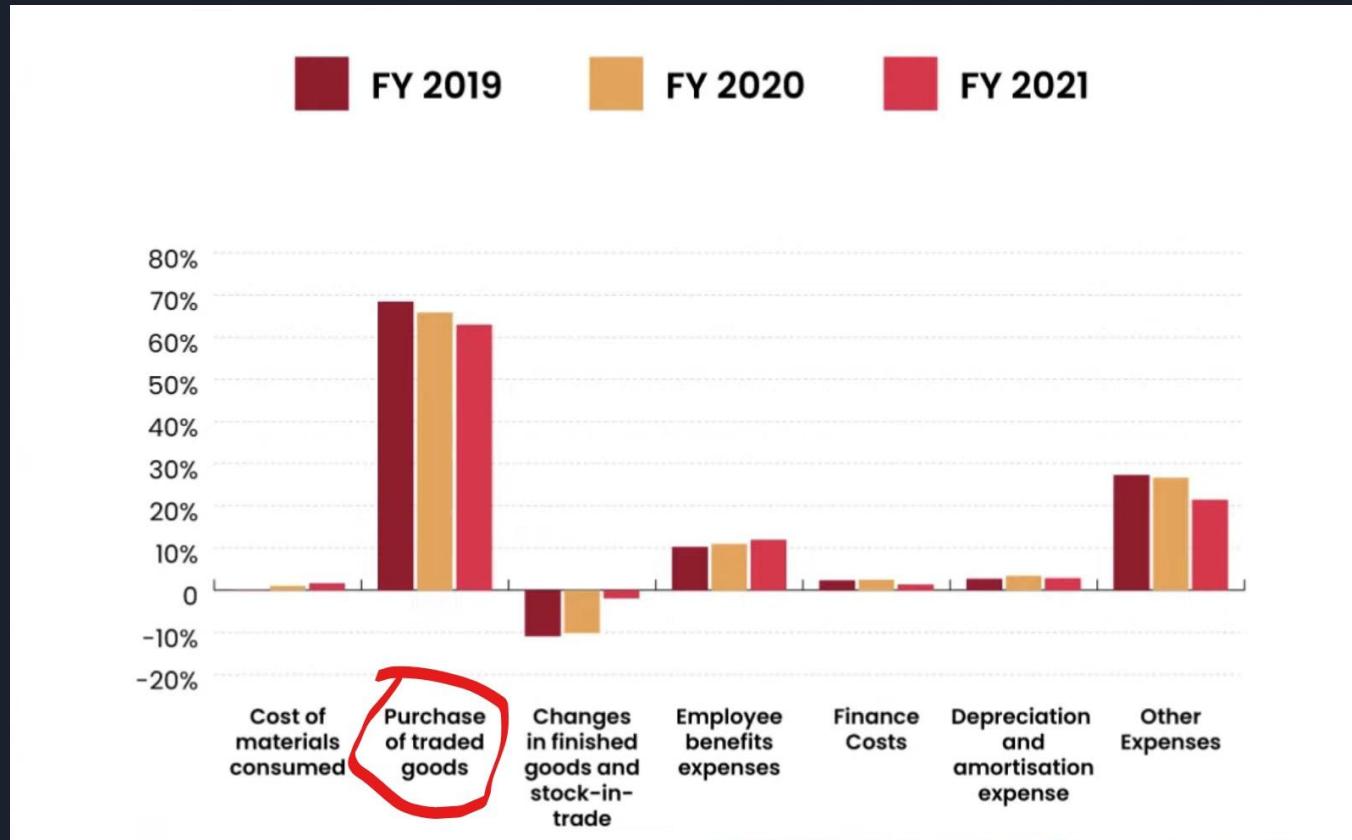
IPO Open Date	Oct 28, 2021
IPO Close Date	Nov 1, 2021
Basis of Allotment Date	Nov 8, 2021
Initiation of Refunds	Nov 9, 2021
Credit of Shares to Demat Account	Nov 10, 2021
IPO Listing Date	Nov 11, 2021

Pre Issue Share Holding	54.22%
Post Issue Share Holding	52.56%

# INCOME SUMMARY

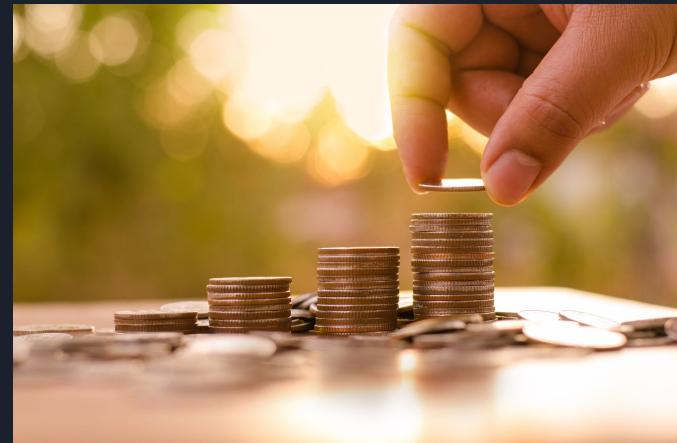


# STRATEGY:



# Why is it Profitable?

- Omnichannel marketing.
- More online sales, lesser physical infrastructure costs.
- Producing own products.
- In FY21, Nykka's expenses increased by 6.57% to INR 507.9 over FY20 due to higher freight and packaging costs, meanwhile, marketing expenses during the fiscal were down by 19% year on year.
- Ability to pivot.
  - When covid hit, Nykka's sales came down. They pivoted quickly. "Overnight we pivoted to an essentials only online store and to handle that we utilised over 70 offline stores across the country to do hyperlocal delivery" says Falguni Nayar. No major sales loss was faced.





DONE BY:

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