



## Country overview

# The rise of prestige beauty

A number of developments in India augur well for the development of prestige beauty in the country **by Mayu Saini**

The beauty market in India has gathered steam in the first six months of 2022. The market, which was already on its way to recovery in 2021, has seen consumers return to physical stores, as well as continuing to shop online.

The market for the most part is said to have returned to growth in 2022. Brands and retailers were ready for the rebound having regrouped during the Covid lull and worked out a stronger digital push. This digital push has been driven by the success of beauty on e-commerce platforms, such as Myntra, Amazon, Nykaa and Purple.

"I would say that overall business has bounced back, and most [companies] are at higher sales levels than 2019. Certain environments have done better, especially in the premium business in physical retail," says Vivek Bali, former CEO of Sephora India, who has recently launched a new specialty store

concept called Enrich.

The prestige beauty market in India grew 17.2% to \$689.5m in 2021, according to Euromonitor. However, sales were still down over 2019 (-13.8%). But industry sources say that 2022 is proving to be a good year, when sales will return to pre-pandemic levels.

In 2021, as the market began its recovery, skincare was the biggest category, with sales up 15.4% to \$183m, while make-up's sales came in at \$94.5m, an increase of 18.8%. Fragrance, however, saw the strongest growth in 2021, with sales rising 22.9% to \$148.5m according to Euromonitor.

However, only skincare and color cosmetics managed to see sales go beyond pre-pandemic levels. In skincare, sales in 2021 rose 13% over 2019, while sales of make-up were up 8.5%. Fragrance sales, however, were still well below 2019 figures.

"Skincare is the fastest-growing category.

This will be big. India is known as the sixth-largest skincare market in the world, but is dominated by mass and masstige. This is going to be a segment where we need to play in," comments Luxasia Country Manager for India Praseed Changarath.

He adds that consumers have gone beyond just the cleansing, toning, moisturizing regimen to adopt an eight or 10-step process. They are also well informed about ingredients.

### Changing trends

Despite the rise of e-commerce, retailers say that consumers are back in stores, experimenting more, having done research into brands both on the global market and in India. Consumers are also veering more towards self-pampering and indulgence. The shift towards cleaner beauty and a focus on ingredients seen during Covid lockdowns has continued.

Greater focus on skincare has seen a rise in

specific items like serums and single-use face packs.

In make-up, foundations, blush and mascaras have added to the focus on eyeliners and kajals, while lipsticks have been a staple for the Indian consumer. Colors have gone brighter for both nails and lips. Brand loyalty has given way to an openness to experiment with new colors and products.

Hiroimi Yamaguchi, Research Manager at Euromonitor observes that although the second Covid-19 wave in the second quarter of 2021 continued to impact beauty and personal care, the year resulted in a strong push of many new trends. "For example, the shift to e-commerce and the aggressive expansion of online channels continued within the industry. This resulted in several retailers acquiring stakes in smaller direct-to-consumer (DTC) retailers that had a good online presence, as well as partnering with e-commerce players such as Amazon, Flipkart, Nykaa or Myntra, or launching their own online platforms." He adds: "This expansion in online also allowed retailers to reach out to consumers in smaller cities and towns, especially in terms of offering premium beauty and personal-care brands, which was not previously the case."

### Online shifts

One of the major shifts in beauty has been the success of e-commerce and omnichannel formats in the past two years, especially with the growth of specialty beauty e-commerce formats like Nykaa, which went public in November 2021. The company has extended its reach through the country to 19,000 pin codes, as well as focusing on physical retail, with more than 104 stores in India, around half of which are in the luxury space.

Meanwhile, traditional players such as department store chain Shoppers Stop, the leader in premium beauty, has shifted gears with the launch of a new beauty-focused format called SS Beauty.

"Beauty is one of our vital strategic growth pillars, contributing 16.5% to our sales which grew by 9% in the January to March 2022 quarter. We have aggressive plans [for the category] for the next three years. We are

actively growing our beauty portfolio of Estée Lauder stores, SS Beauty stores and Shoppers Stop department stores to provide our customers with a luxury beauty experience, and we continue to invest in this avenue," says Biju



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Enrich CEO Vivek Bali

Kassim, President, Beauty, Shoppers Stop.

Also changing are the more traditional perfumery concept stores like Parcos, which has more than 48 standalone formats across the country, including airport formats.

"We're changing the retail concepts and growing the portfolio exclusively as well," says Biju Anthony, who took over as CEO

and Executive Director of Baccarose Perfumes and Beauty Products Private Limited Ltd in December 2020. Baccarose distributes more than 40 beauty brands, including Shiseido and Clarins, and operates retailer Parcos, which expanded its reach in 2022 with the launch of Parcos.com.

### Good times ahead?

There have long been high expectations for the growth of prestige beauty in India—but the market has often led to disappointment for brands. As a result, many brands gave up on the market and pulled out, including Christian Dior, Chanel and Lancôme.

However, there now appears to be a renewed appetite for investing in India. For example, in June, L'Oréal India announced the relaunch of the Lancôme brand in the country.

"Over the recent years, we have seen a rise in high-end and luxury categories in personal care and beauty segments," says Amit Jain, Managing Director of L'Oréal India. "By bringing back Lancôme to India, we aim to cater to India's growing beauty consumers who are looking for such premium beauty products." He adds: "The Indian beauty industry is undergoing a transformation, not only in response to the pandemic, but also in redefining the true meaning of beauty and continuing to embrace technology." A good sign for the months and years ahead. ■

### India beauty and personal-care sales

Category	Sales 2021 \$	Sales 2020 \$	Sales 2019 \$	% change 2021/2020	% change 2021/2019
Prestige skincare	183.0m	158.6m	161.8m	+15.4	+13.1
Prestige fragrance	148.5m	120.8m	204.9m	+22.9	-27.5
Prestige color cosmetics	94.5m	79.5m	87.1m	+18.8	+8.5
<b>Total prestige beauty</b>	<b>689.5m</b>	<b>588.5m</b>	<b>800.0m</b>	<b>+17.2</b>	<b>-13.8</b>
<b>Total beauty &amp; personal care (mass &amp; prestige)</b>	<b>15.3bn</b>	<b>14.09bn</b>	<b>15.3bn</b>	<b>+9.0</b>	<b>flat</b>

Source: Euromonitor International

## Brick-and-mortar retail

### Retail rush

Despite online growth, India's beauty market has seen a rash of new retail formats and an increase in the overall number of doors selling cosmetics

by Mayu Saini

Consumers returned to physical stores with a vengeance last year and in 2022, despite various recurring waves of Covid. But while footfall increased in both malls and standalone stores, post-Covid beauty consumers have changed, according to beauty retailers. "We are seeing fantastic numbers. People are back to buying and consumers are spending," says Biju Anthony, CEO and Executive Director of distributor Baccarose Perfumes and Beauty Products Pvt Ltd, which also owns perfumery chain Parcos. "Skincare has grown considerably, and color is also growing. People are traveling a lot and our airport stores are doing well," he adds.

#### New concepts

Like many other retailers, Parcos has been fine tuning its offer. The company waited for the market recovery to launch a new retail concept that had long been in the works. The new concept sees the retailer add color and skincare to its traditional fragrance-format. The first store with the new concept is located in UB City mall, Bengaluru.

Sephora, meanwhile, which has more than 25 stores across India, has finally caught the imagination of consumers. Although it took three partnerships and several years of fine tuning, now in partnership with Arvind Fashions Ltd, the LVMH-owned beauty chain is seen as trendy place to experiment with new make-up styles. It is also becoming an inspiration for the changing ethos of



▲ Shoppers Stop opened a new retail concept called SS Beauty this year (left), while Nykaa (above) expanded with 32 new physical stores across the country

beauty retail.

Department store Shoppers Stop also launched a new-concept beauty store, called SS Beauty earlier this year and now operates six doors under the new format.

The new standalone multi-brand concept is in direct competition with Sephora or retailer Nykaa Luxe. "We have been leaders in the department-store space with a large beauty section in the store. But there is a new consumer who is evolving and a young consumer who wants to be in a similar

environment to Sephora and Nykaa Luxe," says Biju Kassim, President, Beauty of Shoppers Stop. "The concept was developed in 2018-19, but was put on the back burner due to the pandemic and we weren't sure about which malls would work as things changed. The roll out started from this year and the aim is to open 70-80 stores in the next three years," he says.

While SS Beauty is a multi-brand concept store, Shoppers Stop also launched an SS Beauty store in Mumbai at the Oberoi Mall,



Goregaon in May retailing only brands from the Estée Lauder Companies portfolio. "Our 15+ year partnership with Shoppers Stop has helped us grow our presence in India exponentially," says Rohan Vaziralli, General Manager, Estée Lauder Companies India. We plan to open more exclusive SS Beauty stores across India to intensify our reach in India."

**More stores, more growth**

Overall, the number of beauty stores in India is on the rise. With customers' return to physical retail, Nykaa accelerated store expansion this year, with 32 new physical outlets across the country including stores in tier-two and tier-three cities. As of March 31, 2022, Nykaa had 105 Nykaa stores in

the country, with a gross merchandise value growth of 72% year on year in its financial year 2022 (ending March 31, 2022).

More new stores are expected. Market watchers say that Tata Cliq, Reliance and salon chain Enrich will open new beauty stores. Tata Cliq and Reliance come with the strength of being India's biggest industrial conglomerates. Reliance has announced plans to enter the beauty space, with a large number of doors, with details to be shared in coming months. Meanwhile, salon chain Enrich entered the beauty retail space last November by combining retail and services with a wide offering of premium beauty brands, and a focus on experiential beauty. Enrich includes click-and-buy, and its website launched August 2022. "It's

about creating the omni-experience for the consumer," says Enrich CEO Vivek Bali. "Physical stores continue to do well. E-commerce will always remain a strategy for everybody now, and during Covid the levels went up. But the moment things opened up, customers started coming back to the stores," he says.

**India review**

Distributors and retailers who had left the Indian market earlier are now also looking at it anew, while others are moving in.

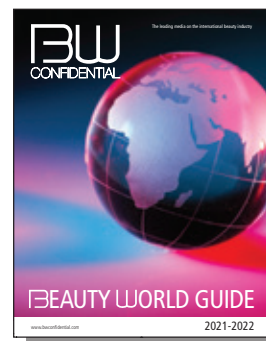
Luxasia, known for its network in 15 countries across Asia, has been strengthening its position in India, having recently launched brands Caudalie, Kora Organics, Vinosource, with more



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■■■ to come this year. “A few years back a certain strategy may not have paid dividends, but I don’t think that tells us the future,” observes Satyaki Banerjee, Group COO of Luxasia, and Managing Director of LEAP Commerce (Luxasia’s e-commerce enablement entity). “The next decade will see a lot of movement in terms of brand, market share and what wins,” he says.

At the same time, while global brands may rule the roost in the premium market, Indian brands are making their mark. Kama Ayurveda, which is celebrating its 20<sup>th</sup> year

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Shoppers Stop President Beauty  
Biju Kassim

in 2022, is on an aggressive growth plan. Vivek Sahni, CEO of Kama Ayurveda says that he expects to open 20 new stores this year to add to its existing 59 standalone stores. There are also more than 75 shop-in-shop formats, and Kama is in leading hotels including Park, Trident and Roseate and partner stores like Shoppers Stop and Central. Other Indian brands like Forest Essentials, Lotus Herbals and Soul tree, have been looking at differentiation and growth in physical stores as well as e-commerce.

These standalone stores and the increase in doors from larger retailers spell good news for the market in the coming years. ■

### India’s key beauty brick-and-mortar retail players

#### Shoppers stop

Shoppers Stop is India’s leading department store and was established in 1991. Spread across 88 department stores in 48 cities, the company also operates premium home concept stores (11 Stores), with 130 beauty stores for MAC, Estée Lauder, Bobbi Brown, Clinique, Smashbox and Jo Malone and 23 airport doors. The retail group recently opened a new beauty concept store SS Beauty, which now has six doors.

#### Nykaa

Nykaa.com is India’s biggest beauty e-commerce player, which launched in 2012. It moved from e-commerce only to launch physical stores in 2015. It now has a total of 105 stores and 51 Nykaa Luxe stores, which feature more premium and luxury brands, such as Estée Lauder, Dior and Huda Beauty. After completing an initial public offering in November 2021, Nykaa has continued to grow its physical stores, as well as its e-commerce base, with more than 3,000 brands.

#### Parcos

The Parcos perfumery chain, which is owned by distributor Baccarose has 48 stores and continues to focus on prestige fragrance. The perfumery chain has launched a new concept store that includes a color and skincare offer.

#### Sephora

Sephora operates in India in partnership with Arvind Lifestyle Brands and has brought new brands to India. The retailer now has more than 25 stores in the country. It has seen its strongest growth in the make-up category, with best-sellers including eye products, such as mascara, eyeliners, and eye shadow.

#### Kama Ayurveda

The ayurvedic beauty brand Kama Ayurveda marks its 20<sup>th</sup> anniversary in India, and has grown its retail presence. It now has 59 standalone stores and 75 shop in shops.

#### Forest Essentials

Launched in 2000, the Forest Essentials brand, rooted in Ayurveda, now has 110 standalone stores. The Estée Lauder Companies took a minority stake in the company in 2008.

#### Purple

Purple is a strong player in the e-commerce segment and became a unicorn in June 2022, crossing the \$1 billion mark in valuation. Investors in the company include Sequoia Capital, Goldman Sachs, Premji Invest, Blume Ventures, and Kedaara. Purple has more than 1,000 brands reaching more than 18,000 pin codes across India and is now opening physical stores, with nine stores launched in 2022

#### Enrich

Enrich has been a strong player in the beauty services segment, and since last November embarked on a new format whereby every new Enrich Salon will have space dedicated to beauty as the company undergoes a reset, transitioning from being a beauty services player to a beauty retailer. There are currently four doors with the new format. Its retail offer includes brands across beauty segments, from make-up, skincare to hair care and fragrances. Enrich’s strategy reset is focused on becoming an experiential retailer with service elements, such as express facials, free ‘mini makeovers’ and a live lipstick bar, where shoppers can have customized lipsticks made.