



# Beauty and Personal Care

## The global IT services industry continues to be a highly fragmented one, with even the largest provider having a mid single digit market share

- ▶ Globally, rising IT investment, along with the industry's increasing use of cloud-based services and the broad adoption of software as a service, show how much demand there is for IT services.
- ▶ IT services that are offered are probably going to be impacted by trends like 5G, Blockchain, AR, and AI; The next 5G technology will probably make it possible for businesses to install networks on their property.
- ▶ The need for IT services is always expanding globally due to the growing acceptance of cloud-based software and the growing worry about automating company processes.

### Global Market Trends

- **Artificial Intelligence and Machine Learning**

A lot of businesses nowadays integrate AI & ML technologies in their operations, reaping huge benefits of enhanced performance, better customer service & data analytics, reduced production problems & more profits.

- **Edge Computing and Quantum Computing**

Encryption is used by edge computing to safeguard any data traveling across the network on its way back to the data center or cloud.; Complex computer simulations and problem solving can be accelerated by quantum computing.

- **Blockchain**

The main benefit of using Blockchain is that it makes digital content catalog able & circulating but not editable or altered.

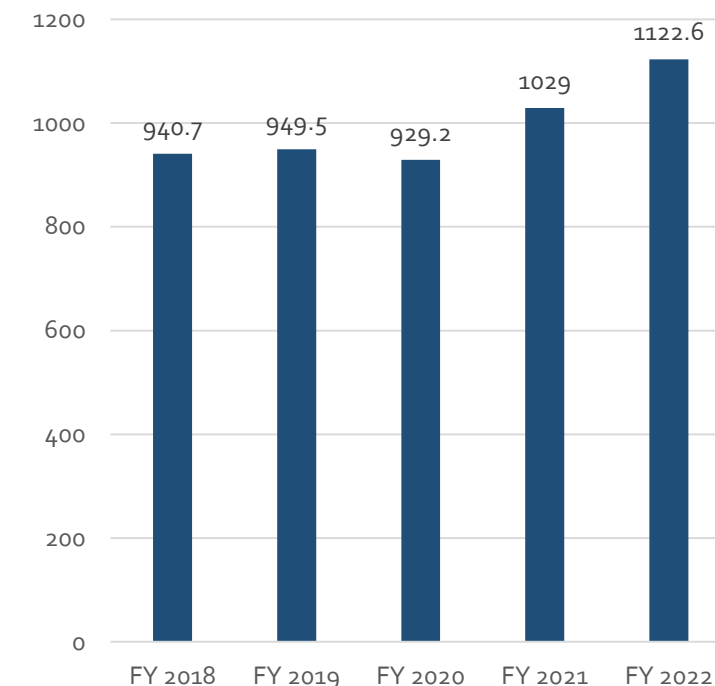
- **Virtual Reality and Augmented Reality**

Augmented reality, or AR, uses a smartphone's camera to add digital features to an already-existing live scene; virtual reality (VR) experience is one in which a simulated environment takes the place of the actual world.

### Highlights

- ▶ The market leader in 2022 was the reactive IT services category. Reactive IT services are in greater demand as a result of various factors, including the adoption of new technologies, software updates, and cybersecurity risks.
- ▶ In 2022, the on-premises division had the highest revenue share. Higher levels of control and protection over data and apps are available with on-premises solutions.
- ▶ Due to reasons such the increasing complexity of enterprise applications, the need for increased IT agility and efficiency, and the growing demand for mobile applications, the application management category retained the greatest market share in 2022.

### Revenue of the Industry-Global(In Bn)



# Summary - *The report, in numbers*

## BPC's attractiveness globally

**By 2027**

- **US\$ 660 Bn** market size
- **US\$ 2.2-2.7 Tn** market capitalisation

**CAGR (2022-27):**

Category	CAGR (%)	Relative Value
GDP	3%	2X
BPC	6%	-
Retail	4%	1.5X

**Gross Margins (2022):**

Category	Gross Margin (%)	Relative Value
F&B	44%	1.6X
BPC	72%	-
Retail	48%	1.5X

## Pure-play BPC performance globally

**Avg. Revenue growth (2017-22)**

Model	Avg. Revenue Growth (%)	Relative Value
Pure-play	10%	5X
FMCG-led	2%	-

**Avg. Gross Margin (2022)**

Model	Avg. Gross Margin (%)	Relative Value
Pure-play	72%	1.6X
FMCG-led	44%	-

**Avg. EBT (2022)**

Model	Avg. EBT (%)	Relative Value
Pure-play	12%	0.9X
FMCG-led	14%	-

**Avg. P/E (Aug 2023)**

Model	Avg. P/E	Relative Value
Pure-play	51	1.8X
FMCG-led	28	-

## Pure-play BPC performance in India

**Indian BPC snapshot (2027):**

- **US\$ 30 Bn** market size
- **US\$ 10 Bn** online market size (~33% online penetration)
- **150 Mn+** online BPC users

**Avg. rev growth (2022-27)**

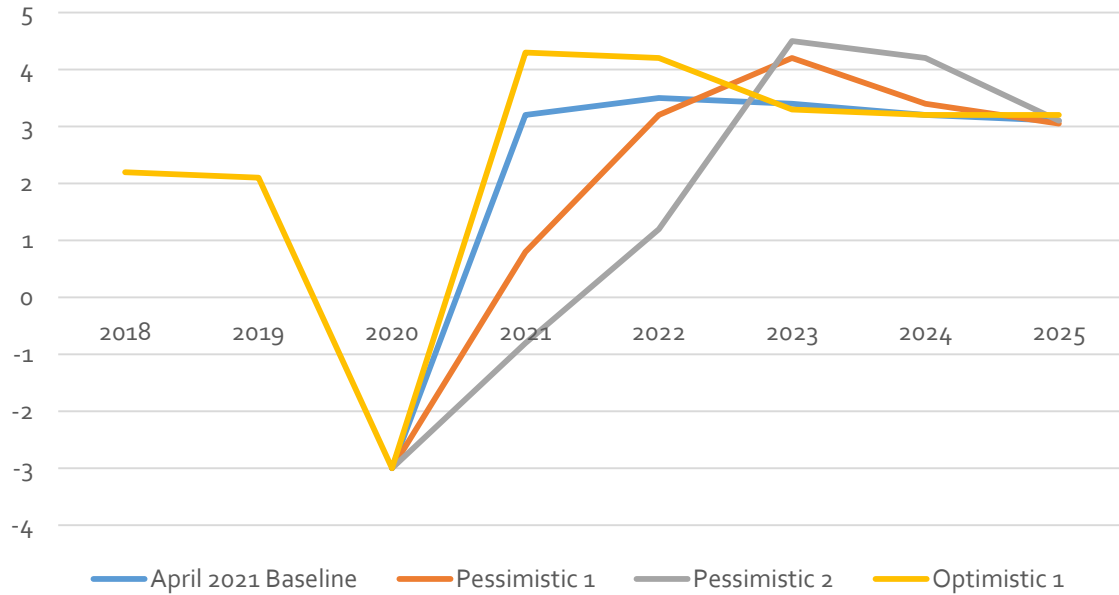
Model	Avg. Rev Growth (%)	Relative Value
Pure-play	15%	2X+
FMCG-led	7%	-

**Pure-play BPC market share (value)**

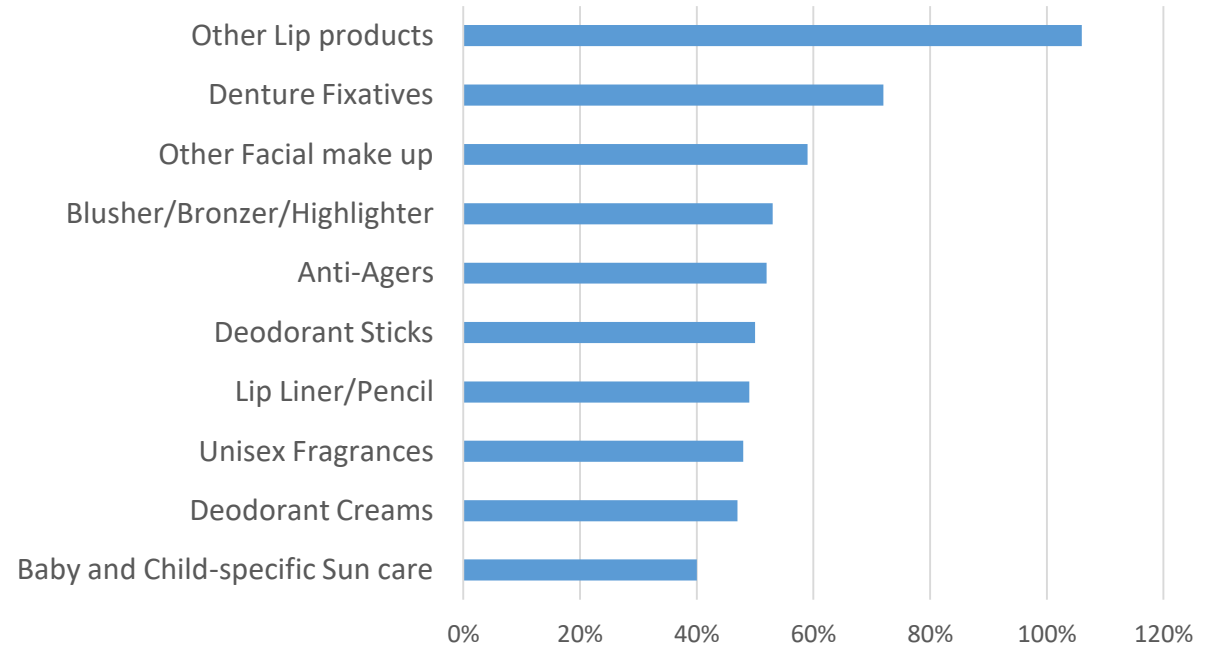
Year	Market Share (%)
2019	30%
2022	33%
2027	42%

**Globally, e-commerce accounted for only 4% of oral care sales in 2014, the share jumped to 11% in 2019 and now stands at 18% in 2023, as the largest brands continue to expand online**

Retail Value Sales (2021) Constant % Growth



Fastest Growing BPC Categories



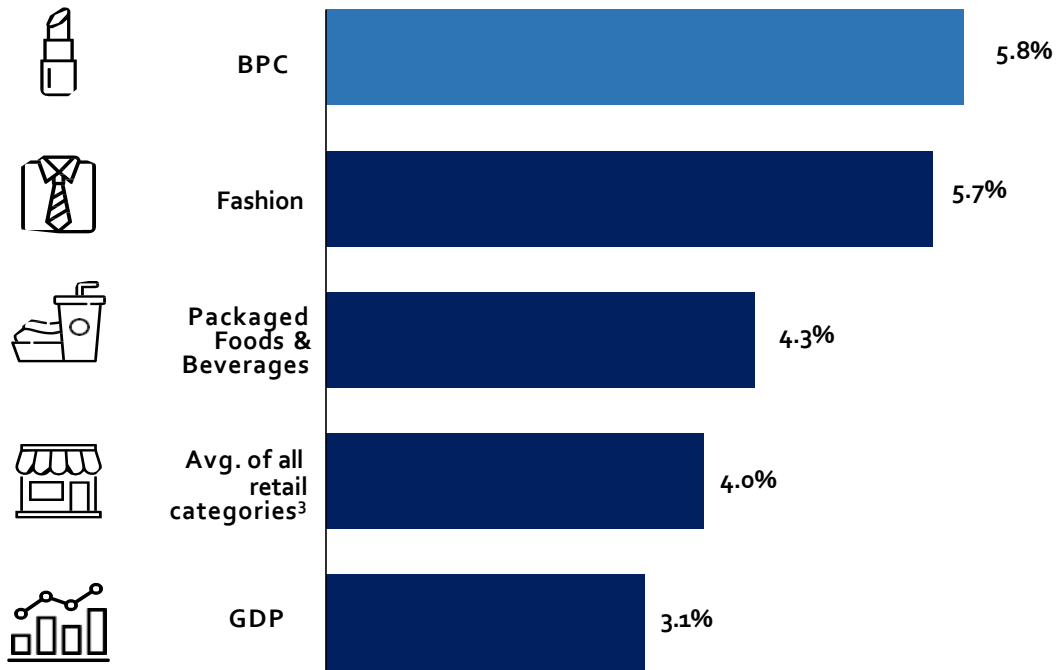
- ▶ Throughout the first three quarters of 2023, sales of other lip products more than doubled over the same period in 2022, surpassing the growth of any other BPC category across the markets covered by the Passport: E-Commerce system.
- ▶ This was especially the case in the US, where digital consumers flocked to lip serums, tinted lip oils, and other products designed to enhance their lip features.
- ▶ This trend is a part of a broader revolution in color cosmetics in the United States, where the pandemic years gave rise to a focus on products that bridge the gap between skin care and color cosmetics

- ▶ During the 1st 9 months of 2023, denture fixtures emerged as the 2nd fastest growing category in BPC e-commerce.
- ▶ Denture fixtures are growing from a rather small base; overall, dental care sales over the internet are still relatively tiny compared to other BPC categories like skin care or color cosmetics. Nonetheless, the oral care industry is quickly shifting its sales online.

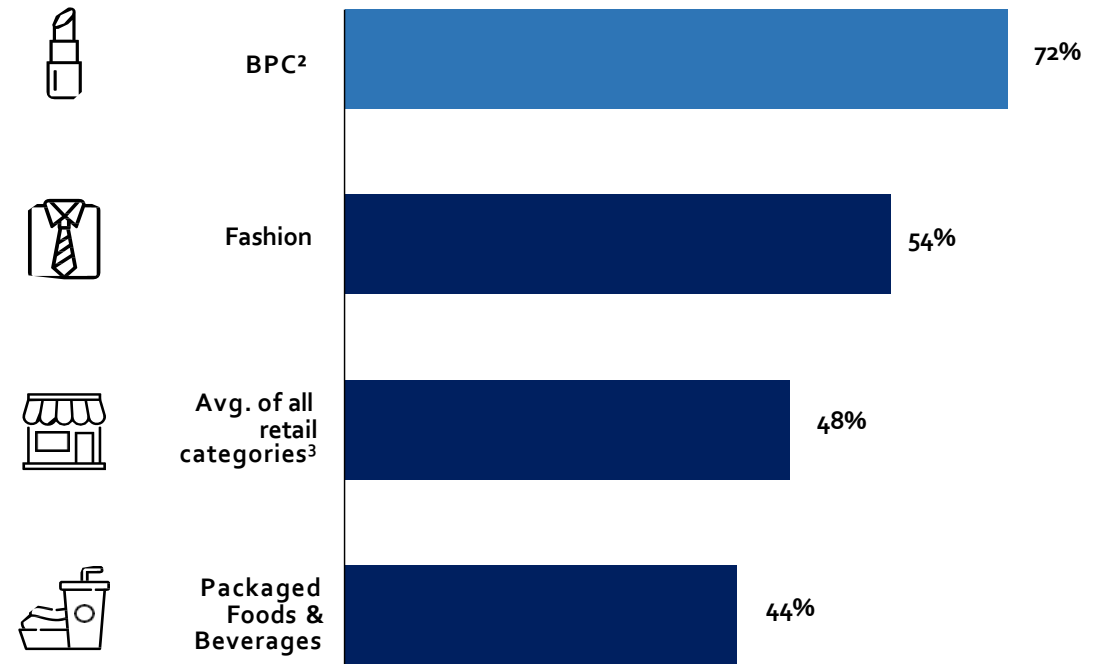
# Globally, BPC is an attractive and a large consumption category

The global BPC market is projected to be sized at US\$ 660 Bn+ with US\$ 2.2-2.7Tn market cap. by 2027

## Projected growth rates (CAGRs) 2022-27P



## Avg. gross margins (as of 2021)

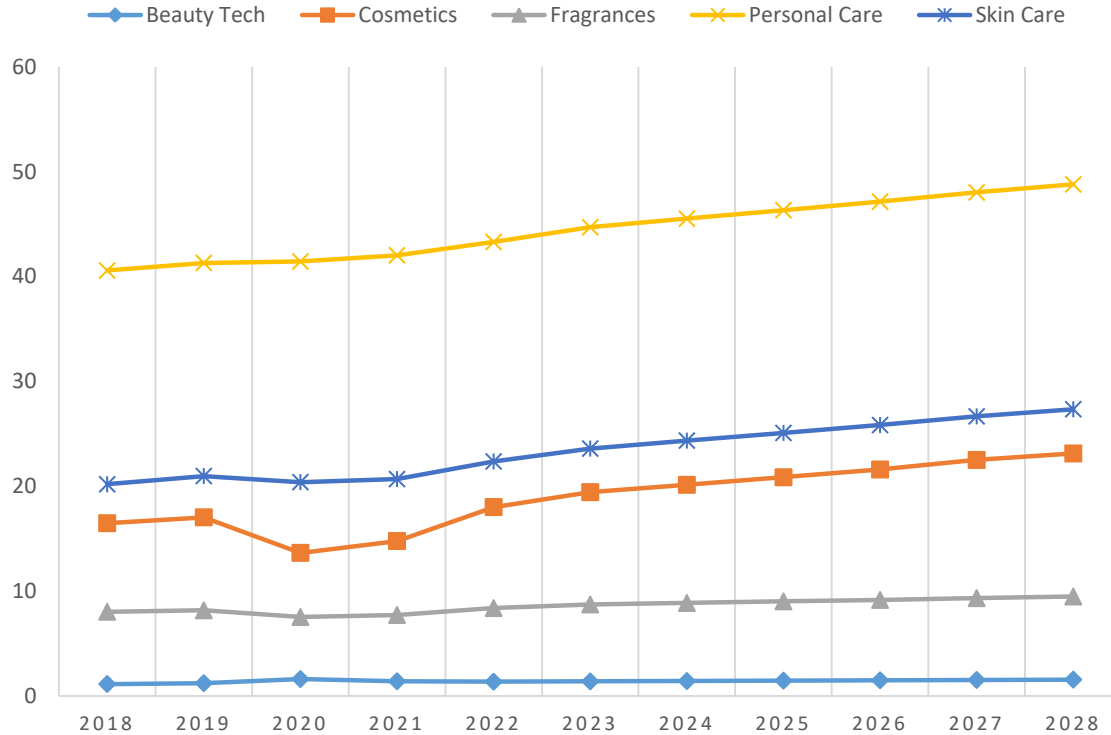


Note(s): 1. Avg. of leading companies globally in each category 2. Considered companies for which BPC contributes more than 70% of revenues 3. Retail categories include packaged foods, fashion, BPC, FMCG, jewelry & watches, consumer electronics, consumer durables, home & living and pharmacy & wellbeing

## Industry Overview - USA

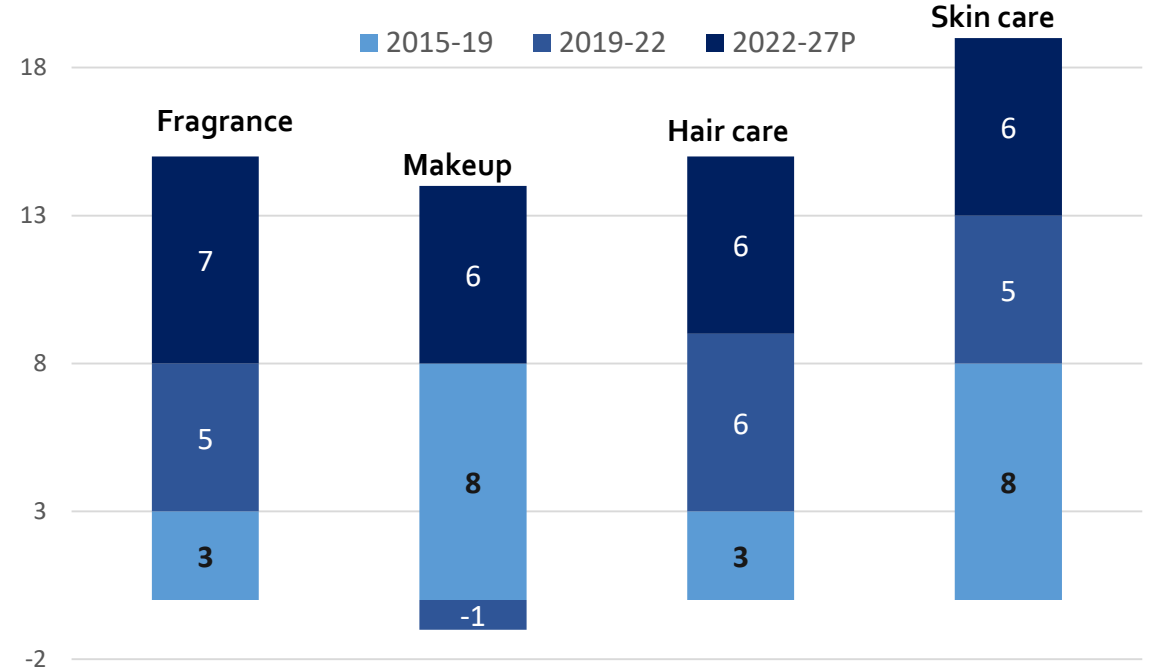
United States is expected to generate a revenue of \$100.30bn in the Beauty & Personal Care market in 2024 at a CAGR of 2.4% during 2024-2028; personal care being the largest market

Revenue, by segment



- ▶ By 2024, online sales are estimated to contribute 27.9% of the total revenue in the Beauty & Personal Care market.
- ▶ The United States is experiencing a surge in demand for clean and sustainable beauty products

Global Beauty Market Retail Sales, by category (in \$billion)



- ▶ E-commerce in beauty nearly quadrupled between 2015 and 2022, and its share now exceeds 20 percent, with significant runway ahead. This compares with a 2022 e-commerce share of approximately 30 percent in apparel and footwear, and around 65 percent in toys and games.

# Global consumer behavior is changing fundamentally, which is what defines the BPC market

## Need 'made for them' products

Customers look for goods that address their problems and fit their body type or complexion



Customers need to use acne management products specifically designed for their skin type, even though there are several available

Shampoos alone won't solve hair fall; dermatologist-recommended products are necessary to address the underlying cause of the issue



Anti-aging products that complement customers' wider lifestyles

Customers with curly hair require certain products to preserve their hair while taking care of any potential problems

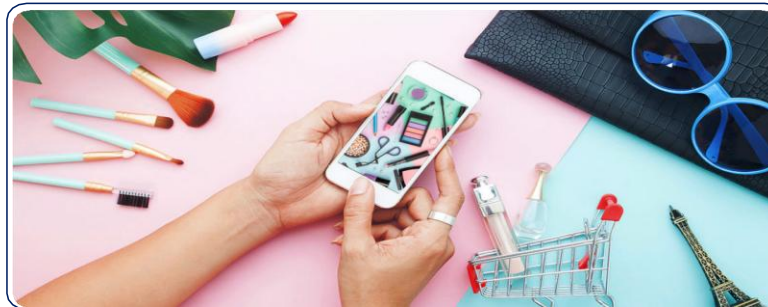


## Exploring various shopping avenues

Consumers look for things they enjoy through both online and offline channels, use the internet and speak with others to discover more about BPC products



Consumers prefer the offline mode because it offers more experiences and helps them feel more confident about the things they are purchasing



In addition, they use online resources to conveniently shop, investigate additional companies, and learn about the products

## Willing to pay premium for what works

Consumers' willingness to pay has increased for safe and effective solutions, even as their needs have changed. The masstige and premium categories are growing in popularity worldwide

Market value CAGRs (2022-27P)			
Premium	+7%	+12%	+10%
Masstige	+7%	+13%	+10%
Mass	+6%	+6%	+6%

- Masstige and premium account for more than 50% of the market share by value in the US and China
- In India, masstige is growing 2x as fast as the mass market (CAGR-wise)

# Due to this possibility, several new brands have been created, bridging the gaps in consumer demand with more innovative offerings

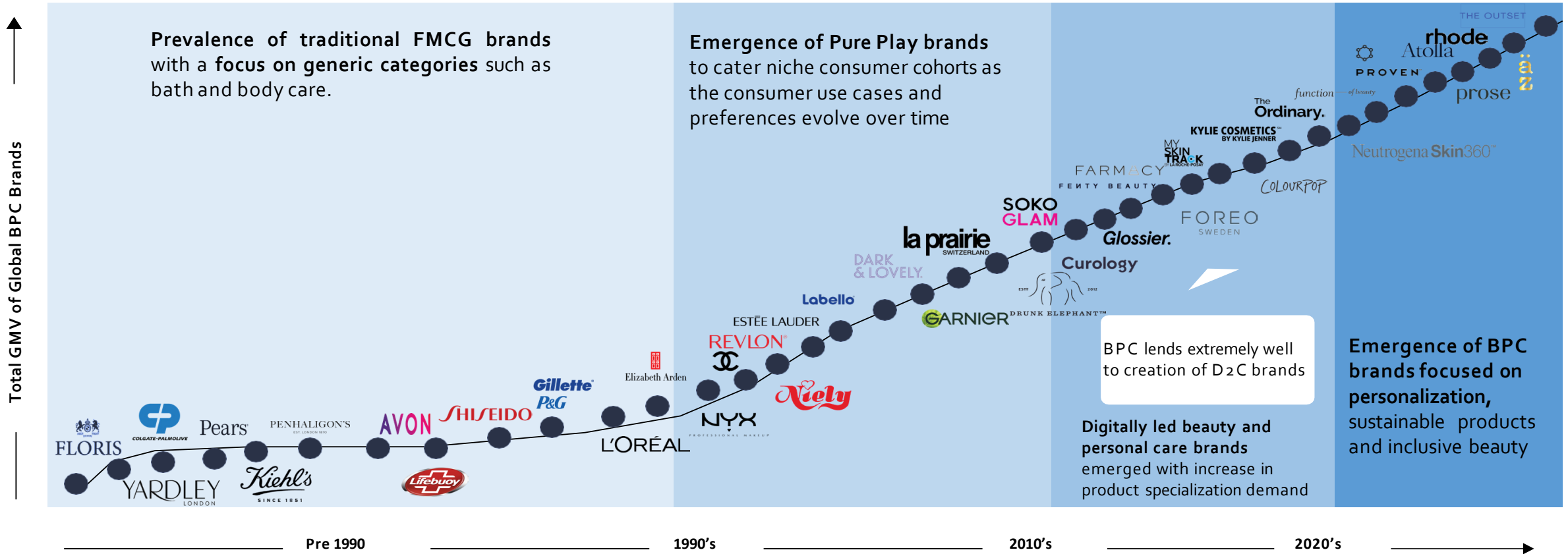
BPC brands created across the last several decades As depicted

Average number of companies started per year

X

~15x

~110x





# The two primary BPC models—pure-play and FMCG-led BPC players—has been compared in order to identify the critical success criteria

## Pure-play BPC players (global)

Non-exhaustive

Brands or retailers where BPC contributes more than 70% of revenues, are defined as pure-play players



## FMCG-led BPC players (global)

Non-exhaustive

Players with products in multiple FMCG categories including BPC, are defined as FMCG-led BPC players<sub>1</sub>



Note(s): 1. FMCG categories such as fashion, food & beverages, home care, pet care, jewelry etc.

# Pure-play BPC players are aiding and aligning with the consumer evolution through sharper value propositions and faster execution

Pure-play BPC brands disrupted the market by targeting specific use-cases

And have much higher number of products vs FMCG-led brands, showcasing their speed of execution

## Beiersdorf

**Eucerin**<sup>®</sup> (Beiersdorf Brand)



**Eucerin Anti – Pigment Dual Serum**  
(Reduces pigment spots and prevents re-appearance)

**Eucerin Hyaluron Filler Vitamin C Booster**  
(An anti-aging serum with 10% Vitamin C)



**la prairie** (Beiersdorf Brand)  
SWITZERLAND

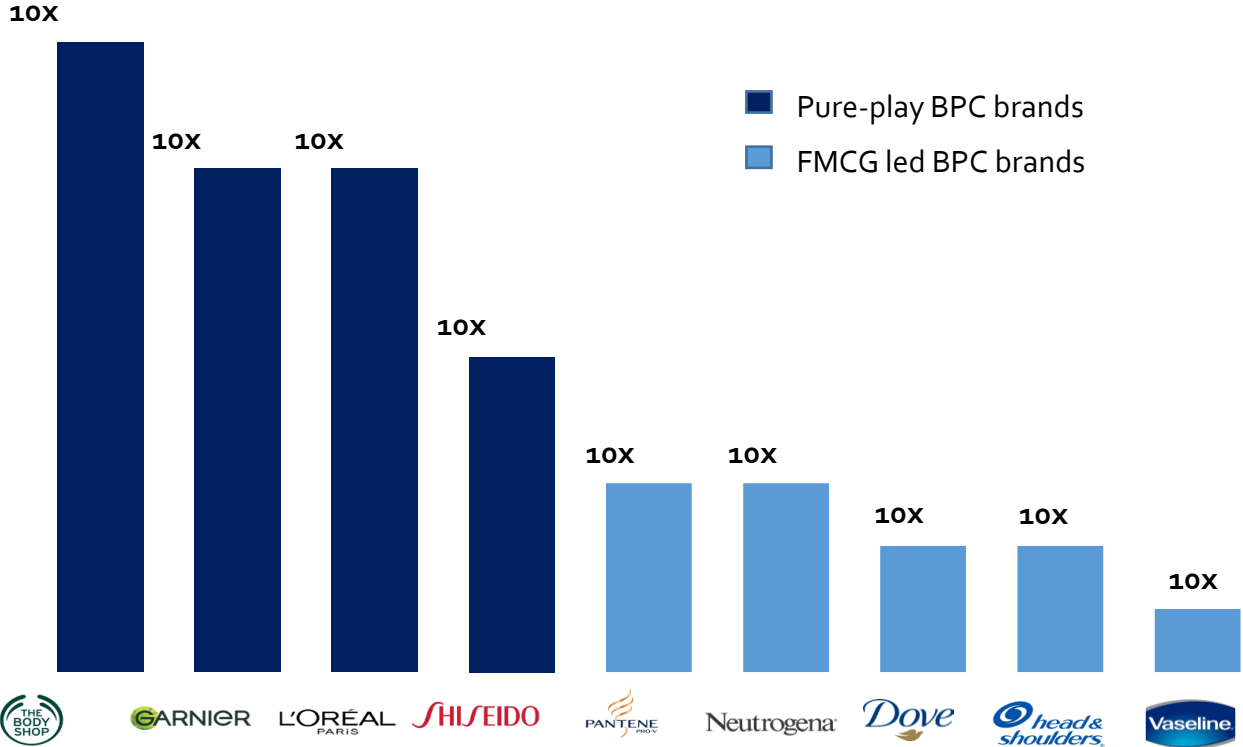


**Skin Caviar Luxe Eye Cream**  
(Lifting and firming eye cream)

**Cellular Hydrating Serum**  
(Provides an intensive & long-lasting hydration)



Number of products in the US<sup>1</sup> As of Aug 2023



Note(s): 1 Number of Products are calculated from brand own website in USA

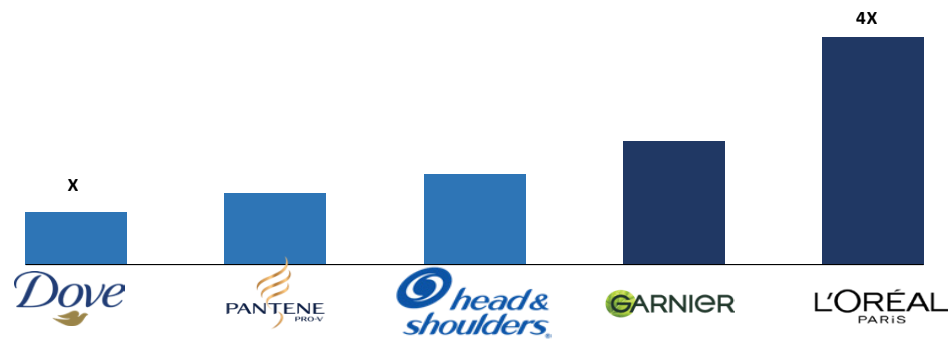
Source(s): Secondary Research and Redseer analysis

# The specialized and effective products results in higher pricing power

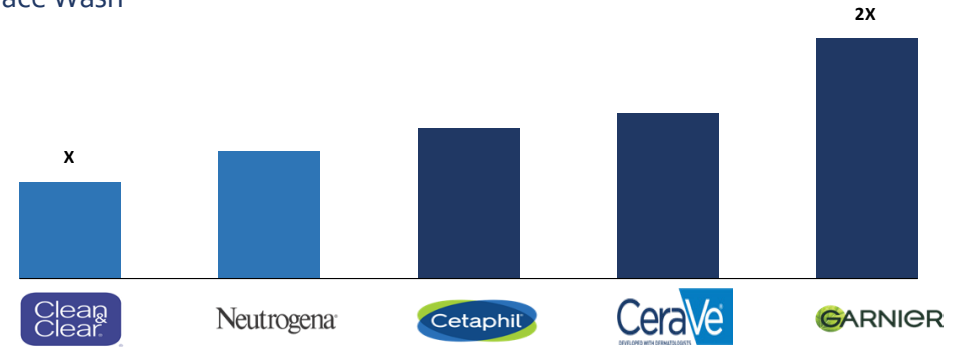
Per unit price-points of comparable SKUs (targeting same use-cases) of brands across select categories<sup>1</sup> As of Aug 2023

■ Pure-play BPC companies  
■ FMCG-led BPC companies<sup>1</sup>

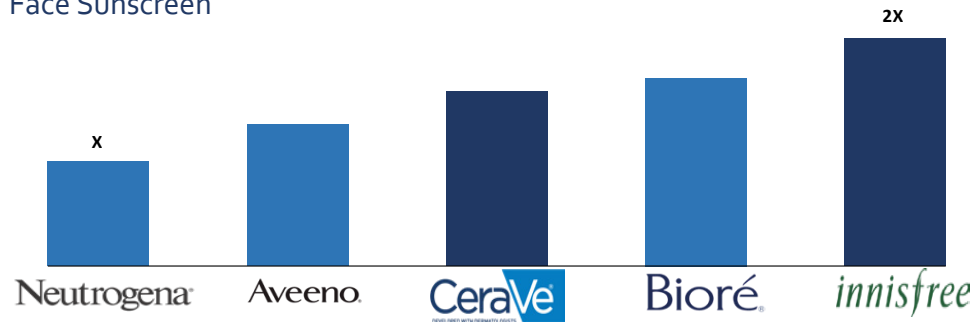
## Shampoo



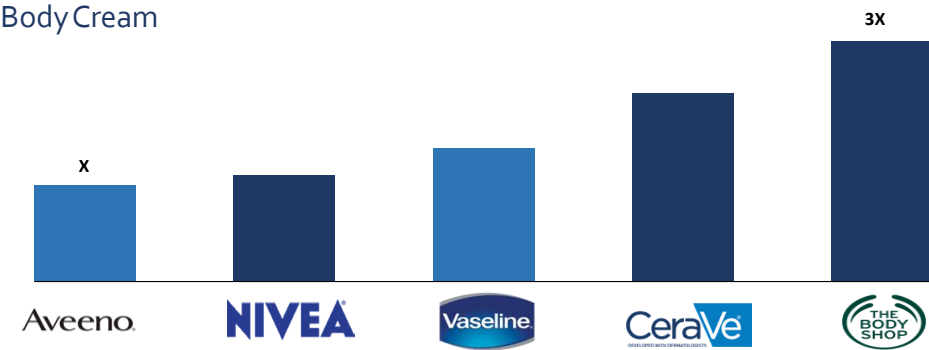
## Face Wash



## Face Sunscreen



## Body Cream



Note(s): 1. Median per ounce prices shown in Amazon.com for each category as of 28th Aug 2023

# Pure-play companies are spending more money across a variety of platforms in an effort to reach customers where they are



## Offline channels

- Brands such as L'Oréal, Shiseido and Estee Lauder continue to **enhance customer engagement via their EBOs**

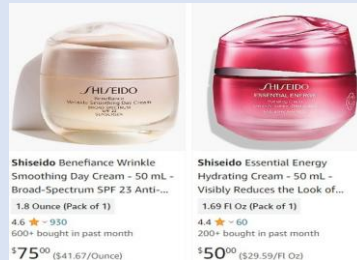


- L'Oréal leverages various offline channels including **hair salons, department stores, drugs stores, etc.**



## E-commerce

- Shiseido aims to pursue their goal of **35%** online revenue contribution across geographies and over 50% in China soon



- Estee Lauder's online sales grew by **11%** in 2022 & comprised **28%** of the overall global sales



## D2C

- Beiersdorf launched personalized **AI powered D2C brand O.W.N.** using multiple consumer survey data points for formulations



- Companies like Loreal & Shiseido have deployed D2C strategy for their respective brands & partnering up with local players.



## Live Commerce

- Estee Lauder's first stream was watched by **8k+** customers and witnessed **500%** more sale conversions



- Shiseido partnering with Isetan Mitsukoshi group to conduct live commerce sessions



## VR/AR Stores

- Laura Mercier has already introduced a **metaverse store** that features AR technology

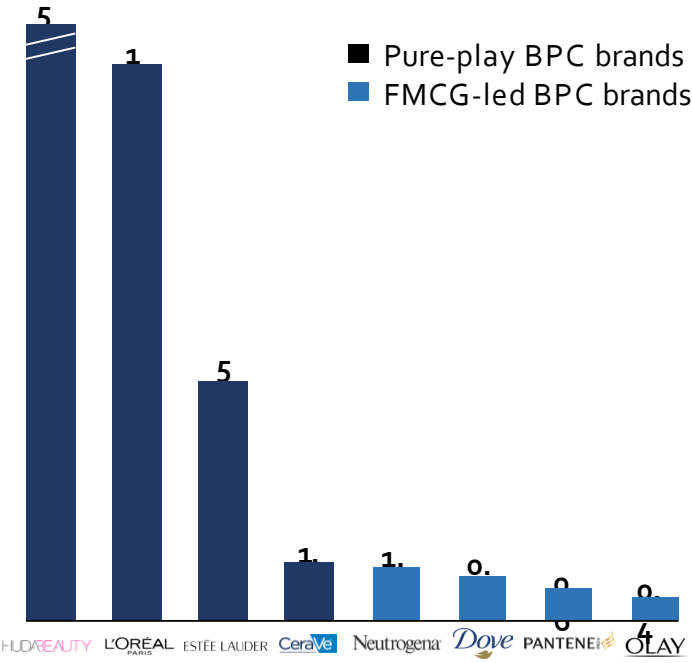


- Loreal, Estee Lauder & Shiseido have started embracing AI technology

# And they have superior online engagement and brand salience, resulting in higher online revenue contribution

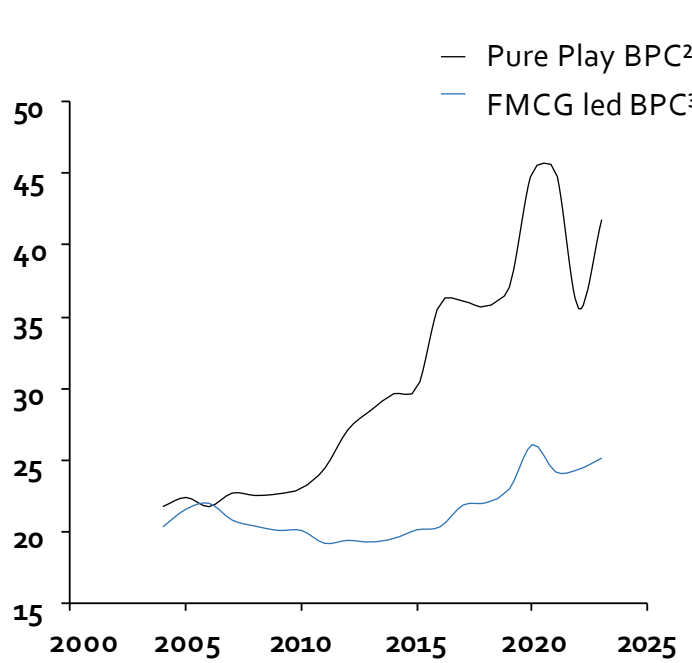
Social media engagement<sup>1</sup> # in Mn, As of August 2023

Pure-play brands engage better with consumers on social media



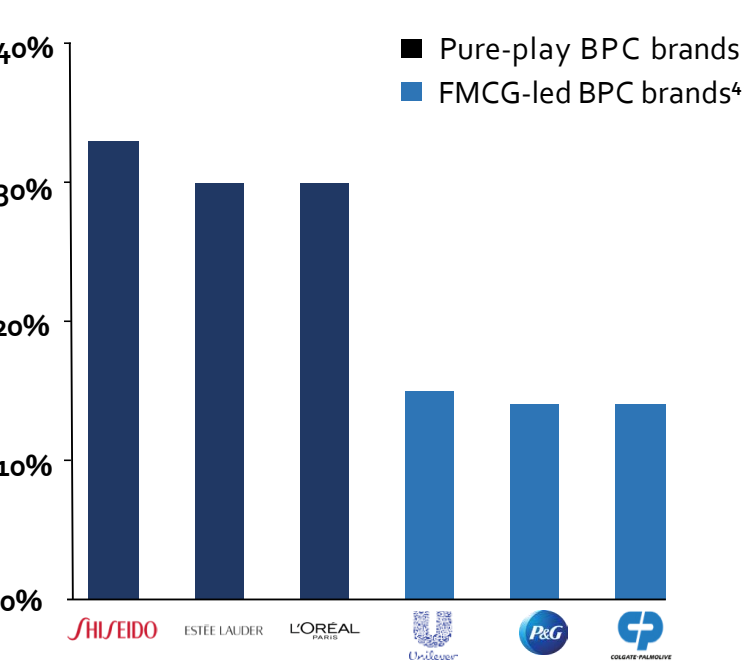
Google search trends 2004-23

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



% revenue contribution of online channels 2022

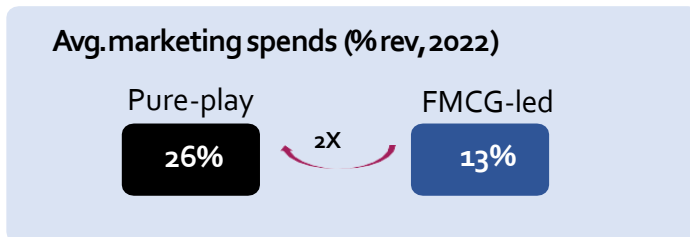
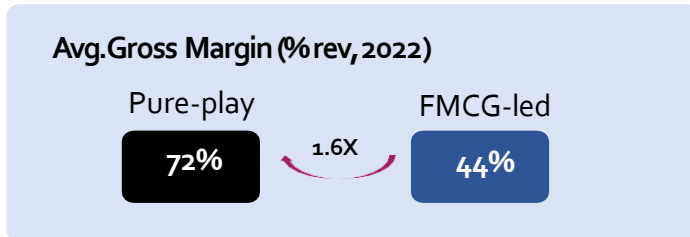
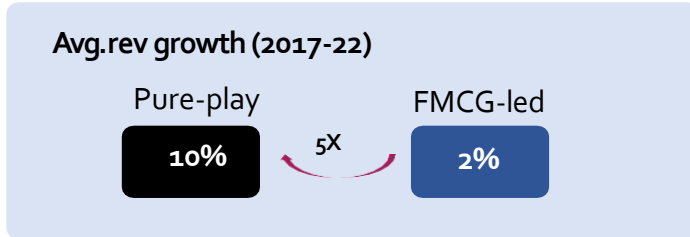
Thereby leading to higher online revenue contribution



Note(s): 1. Number of Instagram followers 2. Average search trends is calculated from CeraVe, L'Oreal, Garnier and Revlon search results 3. Average search trends is calculated from Dove, Olay, Braun and Vaseline search results 4. For the FMCG companies' % of online sales are calculated on overall company accounts due to unavailability of BPC specific data

Source(s): Company filings, Secondary research, Amazon.com and Instagram

# So, pure-play BPC players grow faster and have higher Gross Margins, leading to better valuations

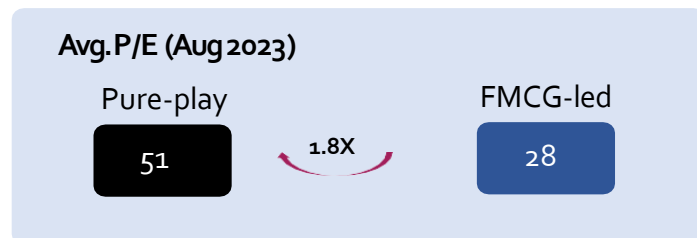
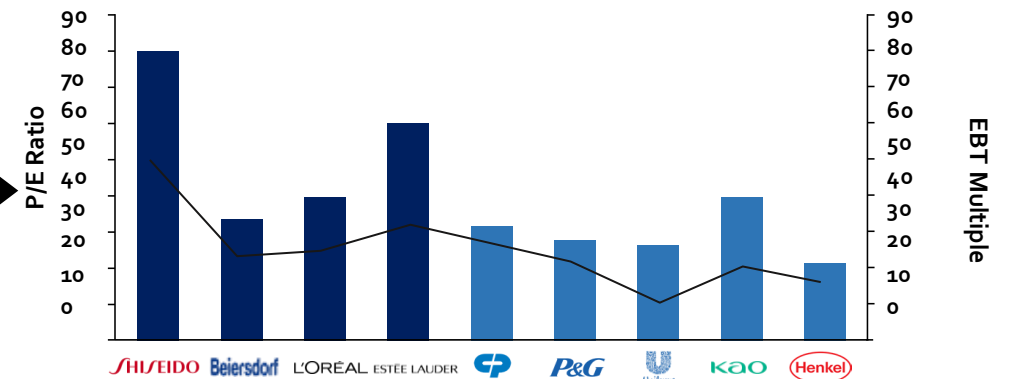


Pure-play BPC players have **High Growth and Better Gross Margins**, which enables them to **Invest in Growth**, while earning industry-comparable margins. Hence, they are **Valued Higher**

P/E Ratio and EBT multiples

P/E ratio as of August 2023, and EBT at the end of 2022

- P/E - Pure-play BPC companies
- P/E - FMCG-led BPC companies
- EBT multiple



Note(s): 1. Pure-play brands considered are L'Oréal Paris, Estee Lauder, Beiersdorf, Shiseido and Natura and co. 2. FMCG-led brands considered are Unilever, Procter and Gamble, Colgate Palmolive, Kao and Henkel 3. Pure-play brands considered are L'Oréal Paris, Estee Lauder, Beiersdorf and Shiseido

## US is fastest growing BPC region in e-commerce; online sales growth in the US is being driven by consumers' growing interest in transparency and ecologically sensitive lifestyles

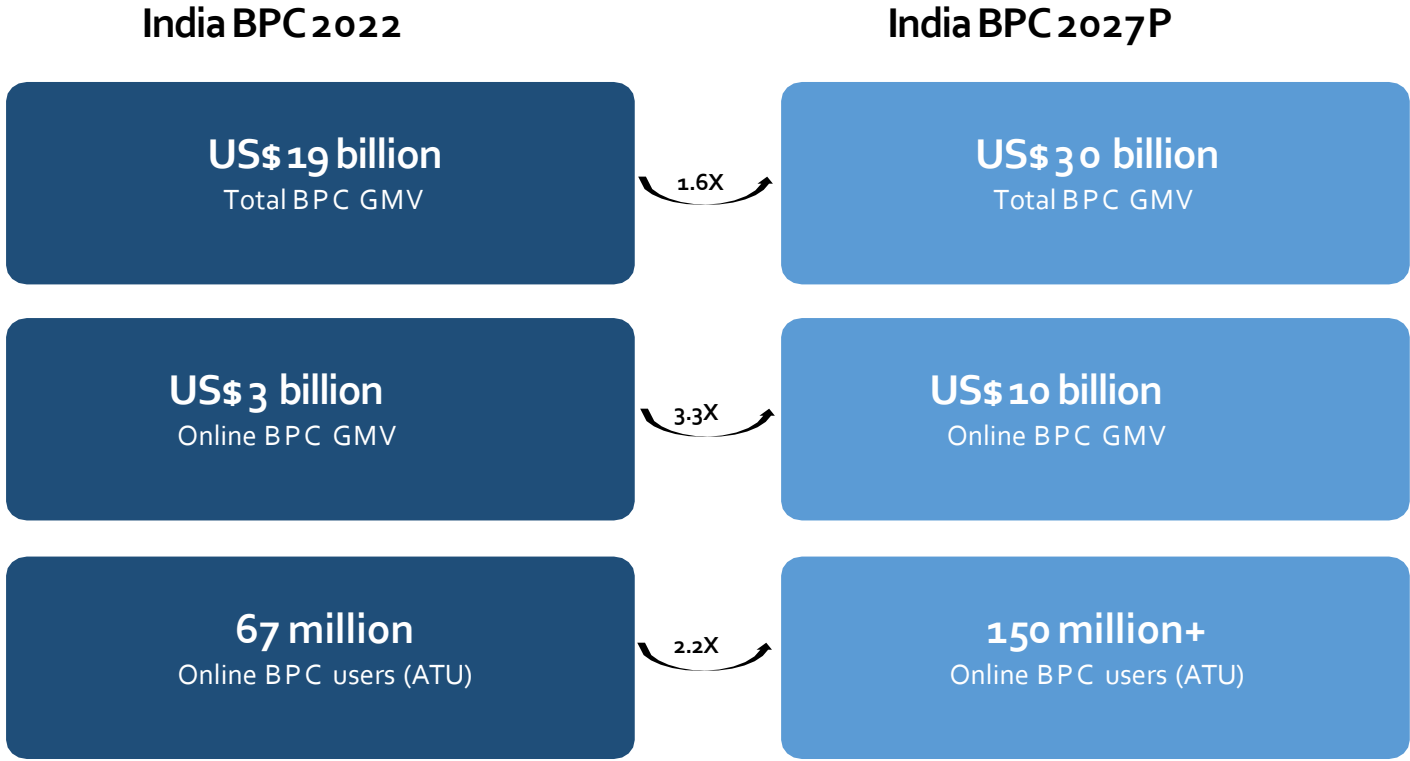
Fastest Growing BPC Care Brands by E-Commerce Sales  
2022 Q1-Q3 / 2023 Q1-Q3

Brand (Home Market)	Company	YoY E-commerce Sales Growth % (Retail rsp excl VAT, current prices)
Native (US)	Native	267%
KanS (China)	Shanghai Chicmax Cosmetics Co Ltd	267%
Drunk Elephant (US)	Shiseido Co Ltd	244%
Afk (China)	AFK Cosmetic Co Ltd	189%
Rare Beauty (US)	Rare Beauty	180%
COSRX (South Korea)	COSRX Official	152%
Dr. Squatch (US)	Dr. Squatch LLC	145%
Mielle (US)	Mielle Organics LLC	142%
Meiking (China)	Nanjing Fendai Cosmetics Co Ltd	139%
Color Wow (US)	Federici Brands LLC	115%

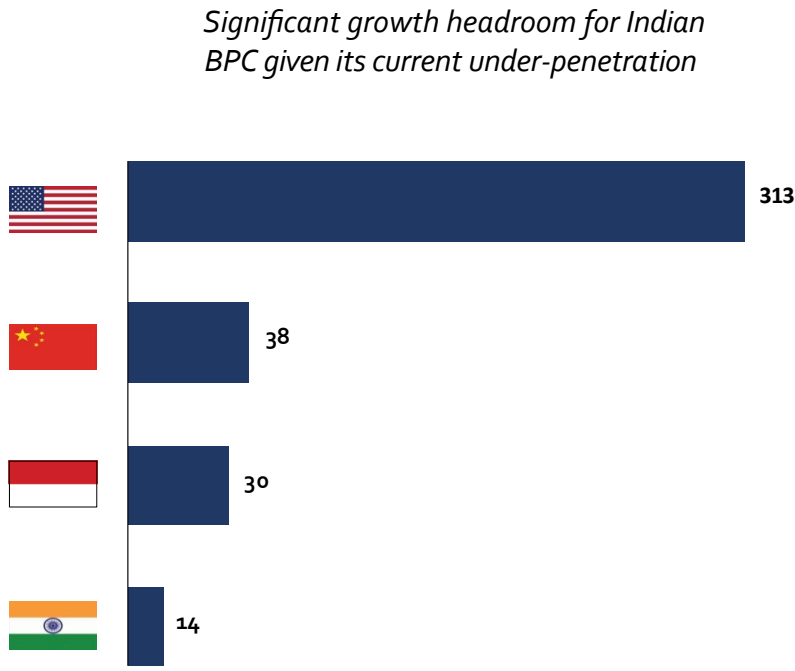
- ▶ Examining the top-growing BPC e-commerce companies in each of the Passport's covered markets: US is important, as seen by the e-commerce system; 6 of the top 10 brands during the first 9 months of 2023 are US-based
- ▶ Online sales growth in the US is being driven by consumers' growing interest in transparency and ecologically sensitive lifestyles which is evident in the success of firms like Native, Rare Beauty, and Dr. Squatch, which provide simple and safe ingredients along with their vegan/anti-cruelty credentials
- ▶ The APAC region is home to the remaining 4 brands. In the first 3 quarters of 2023, all saw triple-digit year-over-year revenue increase by utilizing cutting-edge digital marketing techniques to draw in youthful, tech-savvy customers.

# Indian BPC will be a US\$ 31 Bn opportunity by 2027 (~5% of global opportunity)

Indian BPC market overview As depicted



BPC spend per capita – Global benchmarks US\$, 2022

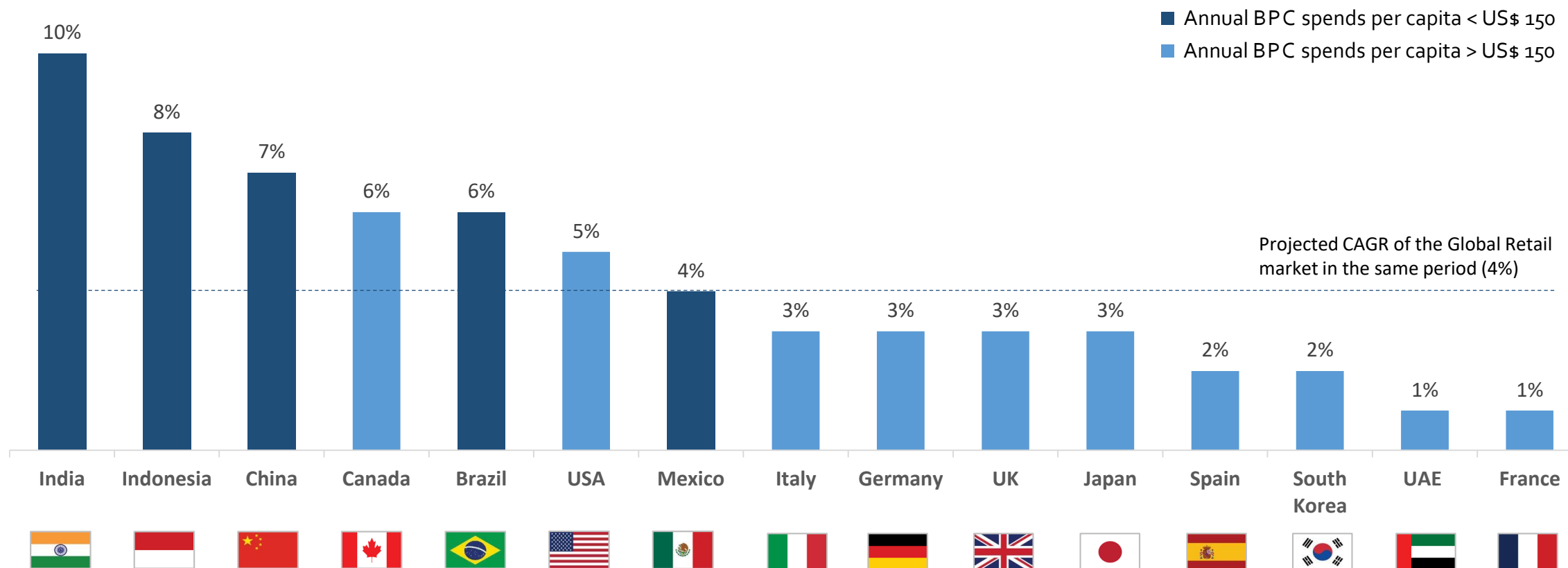


Globally, the Beauty and Personal Care (BPC) sector is highly appealing. In terms of profitability and growth, it leads the field. There have been significant changes in consumer behavior during the past ten years. The newest trends are being embraced by consumers more and more. They anticipate that BPC products will be tailored to their needs and will successfully address their unique issues. Furthermore, there are many more touchpoints where customers are present now due to the influence of social media and the online economy. Many brands are entering the market in this setting of rapidly evolving technology and an extremely appealing consumer.



# India is the fastest growing BPC market among the large economies

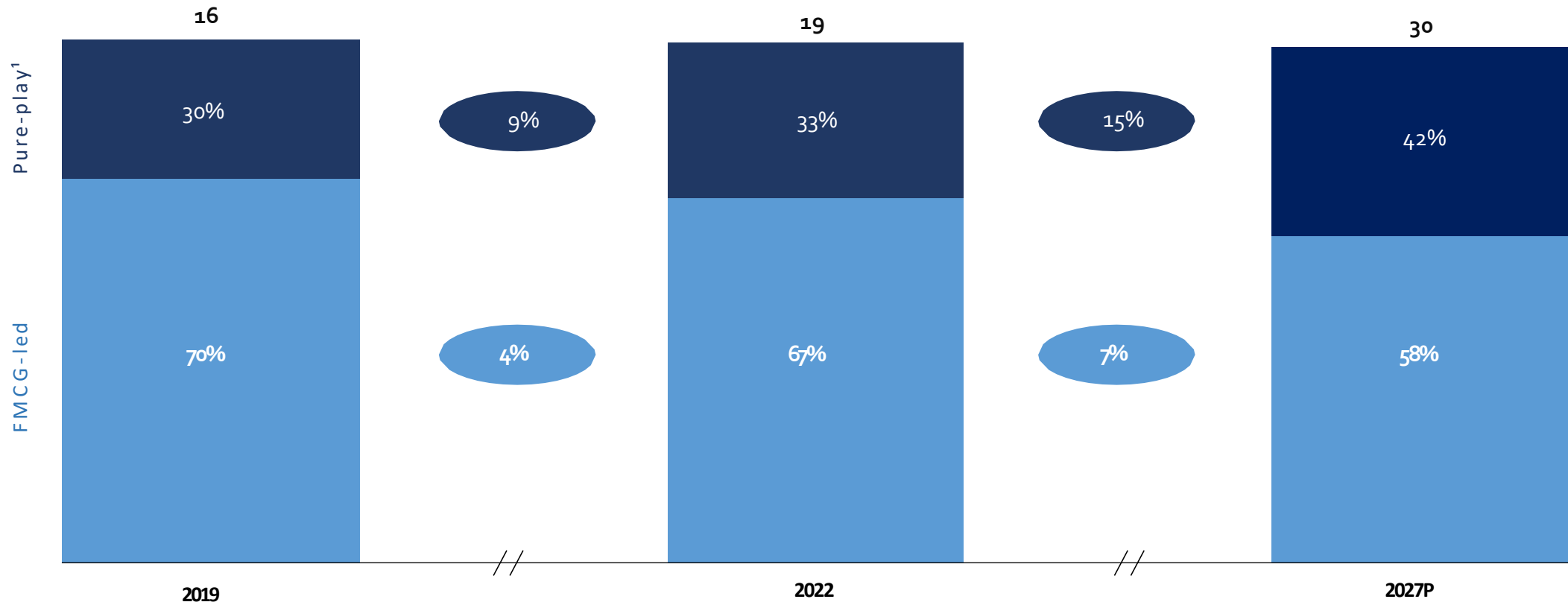
Projected growth rates (CAGRs) of BPC markets in the countries 2022-27<sup>P</sup>



# In line with global trends, Indian pure-play BPC brands are disrupting the market, growing 2x+ as fast as the FMCG-led players

Indian BPC market split by type of brands Market size in US\$ Bn, bubbles represent CAGR

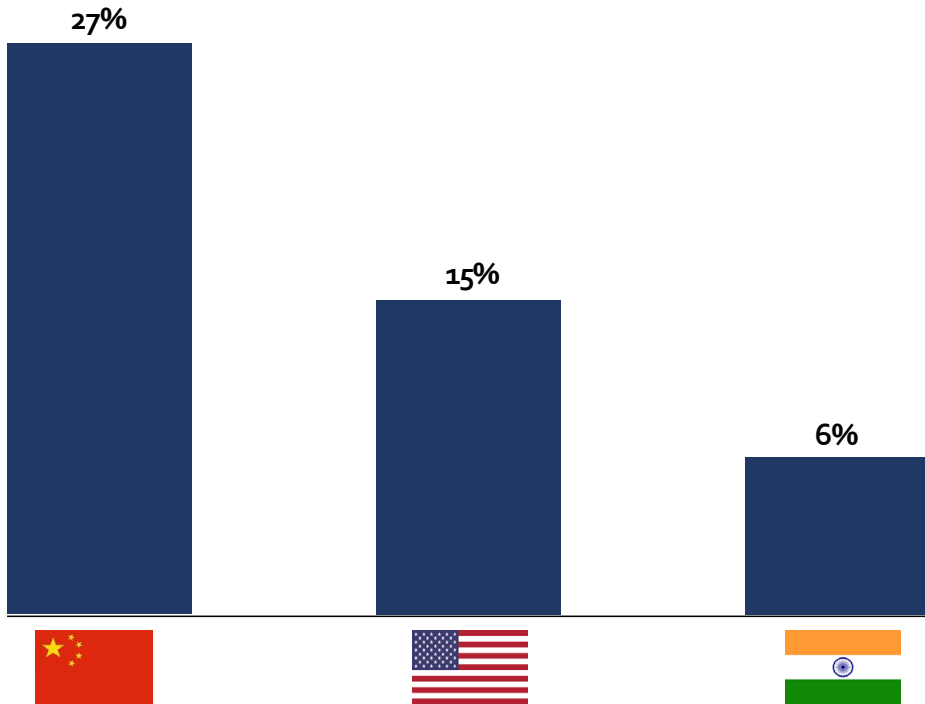
As the market evolves and grows ahead, the growing success of pure-play BPC brands will lead to creation of multiple hundred-million-dollar+ pure-play BPC brands in India



# To align with the Indian context, pure-play brands are increasing their offline presence to cater to broader consumer shopping habits

Despite its advantages, eCommerce is yet evolving in India...

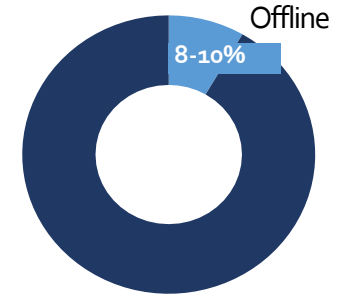
Ecommerce penetration (as % of overall retail) by country %, 2022



...Hence, new-age pure-play BPC players are increasing their offline presence



Offline channel contribution to GMV (FY23)

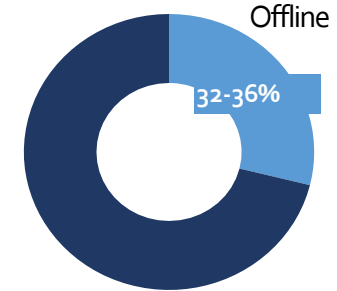


50+ Luxe Stores

50+ On-trend Stores



Offline channel contribution to GMV (H1 FY23)



1lakh+ General Trade stores

30+ Modern retail channel

35+ EBOs

# L'Oréal, Nykaa and Honasa are some of the flagbearers of the pure-play Indian BPC players



L'Oréal is one of the front-runners of the Indian BPC landscape, having almost INR 3000 Cr. of revenues in 2016, where BPC was still very nascent

15 Brands

- Mass market
- Hair & salons
- Selective distribution

The brand has a marked presence in the salon market



Loreal recently brought in Redken to India and plans to boost its premium salon presence in the country



BPC Revenue	# of visits	AOV
INR 4,482 Cr	937 Mn	INR 1,857



As of March 2023, Nykaa has partnered with **3400+** international & domestic brands including multiple brand launches

### Leveraging innovative ways to enhance customer engagement



Nykaa has been very successful in engaging with customers across channels. It effectively uses its platform and collaborates with various influencers to create stream about product reviews, tutorials, etc.



Revenue CAGR	Adjusted EBITDA
193% (FY20-22)	+ve in FY21

- Honasa's brand building playbook**
- Helps in scaling the newer brands Enables
  - catering consumers with different needs and paying capacities



### Honasa is a pioneer in effectively using a vast network of influencers

Mamaearth has created a highly engaging community of more than **3000+ influencers**, who help in increasing brand awareness along with several celebrity engagements

# Multiple brands & products with low differentiation along with lack of proper guidance are some of the key pain points

## CONSUMER PAIN POINTS

## EMERGING IMPLICATION

### LACK OF BRAND DIFFERENTIATION

- Multiple brands have similar brand positioning; Promoting similar products under different brand names; lack of differentiation makes customers feel overwhelmed.
- Similar brands & price points confuse customers about which brand is the best value for money.

### LOW AVAILABILITY

- D2C brands are channeling their presence on online platforms whereas offline stores strengthening their presence offline
- Low focus on multichannel brand presence (mix of online & offline) resulting in low touchpoints for customers looking for a holistic shopping experience.

### UNMET DEMANDS

- Often, skin issues faced by Gen Z, millennials, Gen X & baby boomers go unmet due to the absence of effective products.
- Expensive treatments & low efficacy of already existing products mixed with improper guidance leaves skin issues like acne, fine lines & dark circles untreated.

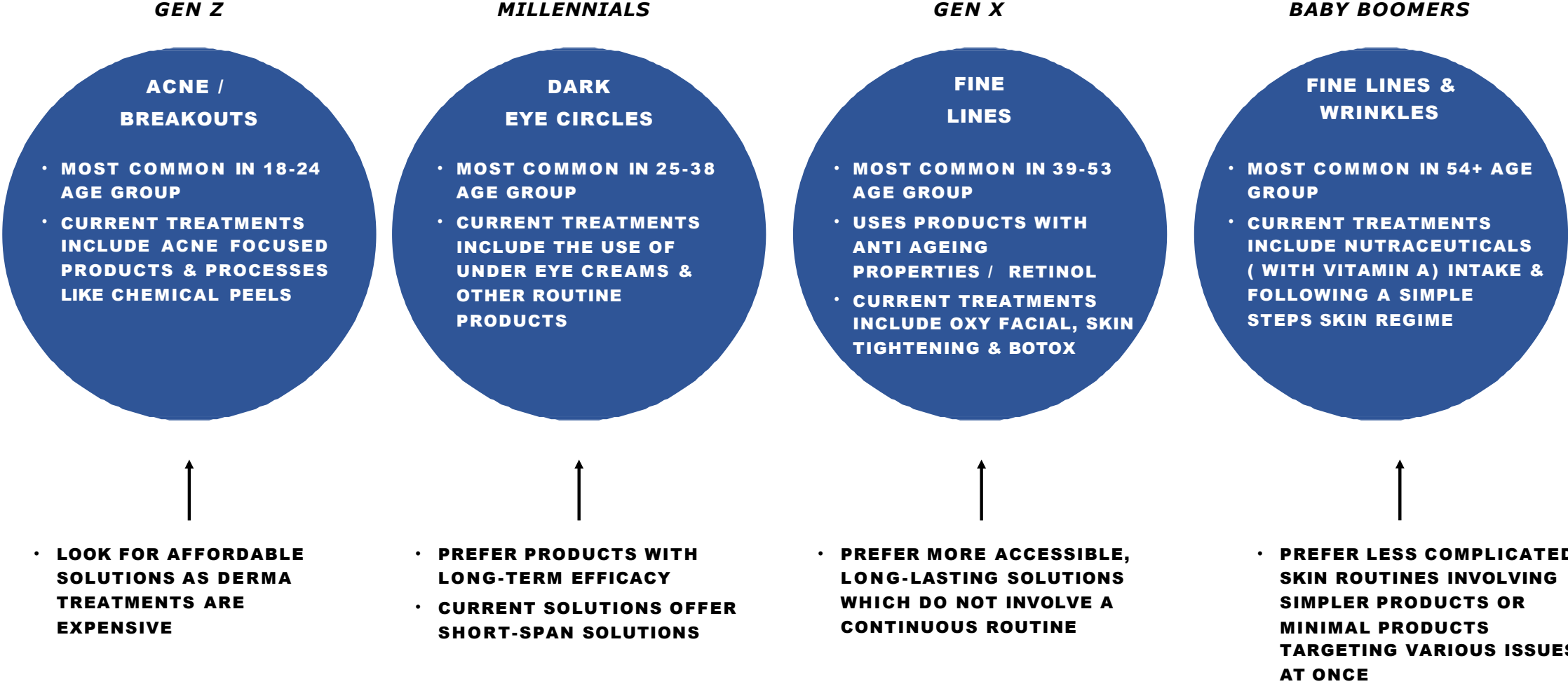
### DYNAMIC TRENDS

- Fast paced innovation in the BPC industry leads to frequent changes in beauty trends, thereby making it difficult for customers to keep up with the same.
- Due to changing trends, customers switch their current brand in haste without letting it show results.

### LACK OF GUIDANCE

- Following lack of proper guidance, customers find it difficult to choose the right BPC products & skincare regime as per their skin type.
- Often, experimenting with different BPC products, leads to skin irritation & allergic reactions as customers may not be aware of the active ingredients used in a particular product.
- With influx of several BPC brands & products, proper guidance is necessary for customers.

**Gen Z primarily face acne issues & prefer affordable & result-driven products; 40+ women facing wrinkles are less experiential and look for simpler products**



Ageless category segment is dominated by indifferent or brand conscious customers; offline platforms are the preferred channel of purchase

## AGELESS CATEGORY

WOMEN OVER 40+ AGE BRACKET FORM THE AGELESS CATEGORY

## PURCHASE BEHAVIOUR

MORE FOCUS ON QUALITY OF PRODUCTS & CONVENIENCE OF USE

LOOK FOR PRODUCTS WHICH SIMPLIFY SKIN ROUTINES & CATER TO MULTIPLE SKIN ISSUES AT ONCE

PURCHASE DECISIONS DRIVEN BY BRAND REPUTATION, EXCLUSIVITY, ATTRACTIVE PACKAGING & CELEBRITY ENDORSEMENTS

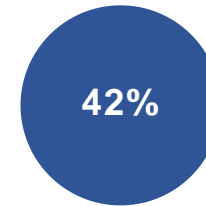
## CHANNEL PREFERENCE

OFFLINE: 56%

ONLINE: 28%

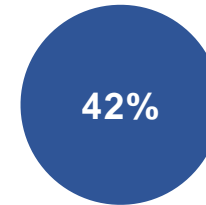
BOTH: 28%

## SOURCE OF AWARENESS



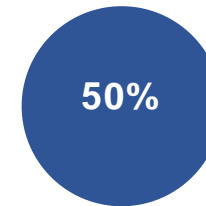
### BEAUTY TRENDS

RECOMMENDATIONS FROM FRIENDS AND FAMILY



### SKIN TREATMENTS

SKIN SPECIALISTS / DERMATOLOGISTS



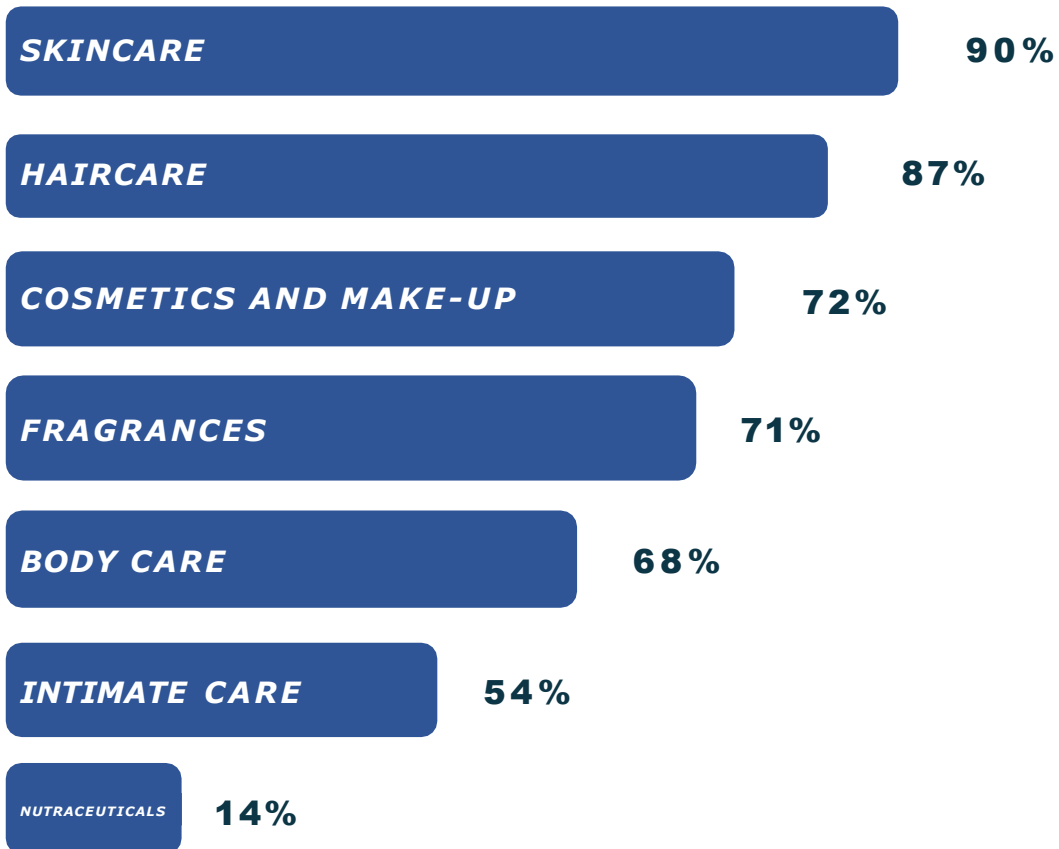
### BPC PRODUCTS

OWN INTERNET SEARCH FOR PROBLEM & SOLUTION

## Skincare & haircare are top used product categories followed by cosmetics; propensity to spend higher for cosmetics & nutraceuticals

### USAGE OF PRODUCT CATEGORIES

(%, N=450)



### KEY TRENDS

Serums & sunscreens are key emerging products in this segment

Informed & higher usage of haircare products post Covid

Higher adoption of cosmetics due to social media influence

Better inclination seen towards affordable fragrance options

Body moisturizers still dominate the body care segment

Prominently used by women

Commonly used by the 40+ age group



## Distribution Channel

# Online distribution channels expected to grow at CAGR of ~30%, fastest across all distribution channels, followed by health & beauty specialist & modern grocery retailer

BPC MARKET IN INDIA (BY DISTRIBUTION CHANNEL)

US\$ B, FY22-27P

	FY22	CAGR FY22-27P	FY27P	
E-commerce	1.3	30%	4.7	Online
Direct from website	0.9	29%	3.3	
Chemists / pharmacies	1.7	2%	1.8	Non-grocery
Health & beauty store & others*	2.3	15%	4.9	
Traditional retailers	7.4	3%	8.6	Grocery
Modern retailers**	3.2	14%	6.1	
<b>Market size (US\$ B)</b>	<b>16.8</b>		<b>28.3</b>	

- Online distribution channels are expected to escalate at a CAGR of ~30%

- The growth of online channels is attributed to the surge in digital adoption along with the convenience offered by the online channel
- Wider product assortment, enticing discounts, and customization are other factors leading to the growth of this distribution channel

- Modern grocery retailers are expected to grow at a CAGR of ~15%

- Modern grocery retailers offer a one-stop shop option to customers while offering a wide range of products from trusted brands. These stores are also located in convenient locations, making it easier for consumers to access them

- Distribution of BPC products through health & beauty specialists is expected to grow at a CAGR of ~15%

- These specialists provide an immersive in-store experience with product demonstrations, trials, and expert advice, creating a personalized experience

# BPC market in Tier 2+ cities expected to grow at a faster rate of ~12%; Easier access to premium BPC brands on the back of omnichannel presence to drive segment growth

**BPC MARKET IN INDIA (CITY TIER-WISE)**  
US\$ B, FY22-27P

	FY22	CAGR FY22-27P	FY27P
TIER 2+	11.4	12%	20.4
METRO + TIER 1	5.4	8%	7.9
<b>MARKET SIZE (US\$ B)</b>	16.8		28.3

**BPC MARKET IN INDIA (BY PRICING)**  
US\$ B, FY22-27P

	FY22	CAGR FY22-27P	FY27P
MASS	15	10%	24.5
PREMIUM	1.8	16%	3.8
<b>MARKET SIZE (US\$ B)</b>	16.8		28.3

- Urbanization is leading to the dynamic evolution of lifestyle & awareness and accelerating the usage of BPC products with a CAGR of ~8% and ~12% respectively in Metro/Tier 1 and Tier 2+ cities.
- With the growth of e-commerce & increase in retail chains, products have become more accessible to customers.
- Social media ads and influencers are also creating an impact on customers in tier 2+ cities.
- Premium BPC brands are expanding their distribution channels in India at a CAGR of 16%, making their products more accessible to consumers through an omnichannel presence.
- E-commerce platforms & specialized retail stores in public places with a higher audience are making it easier for consumers to access premium BPC brands and products.
- The disposable income of customers is also rising enabling them to buy premium products.