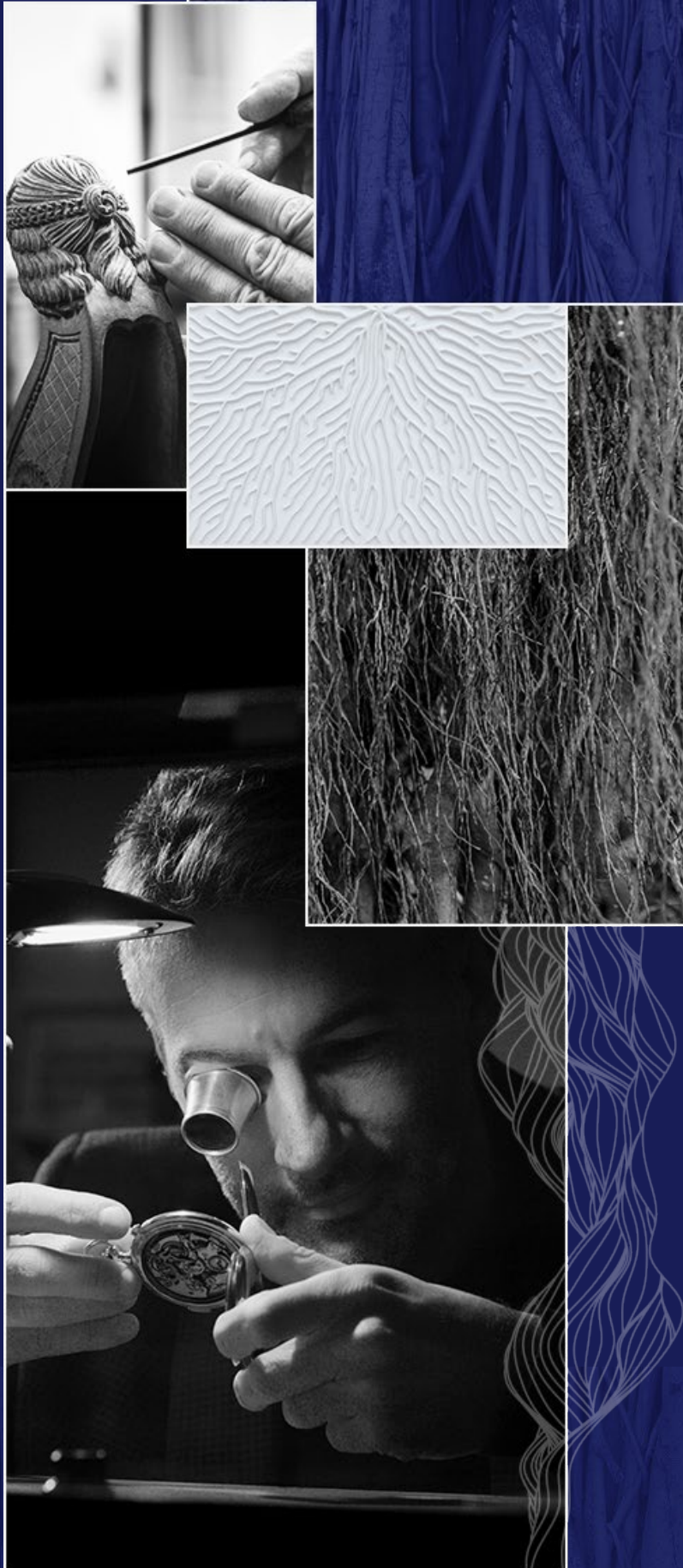


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Indian Beauty & Personal Care Market

Brief Overview - BPC Industry in India

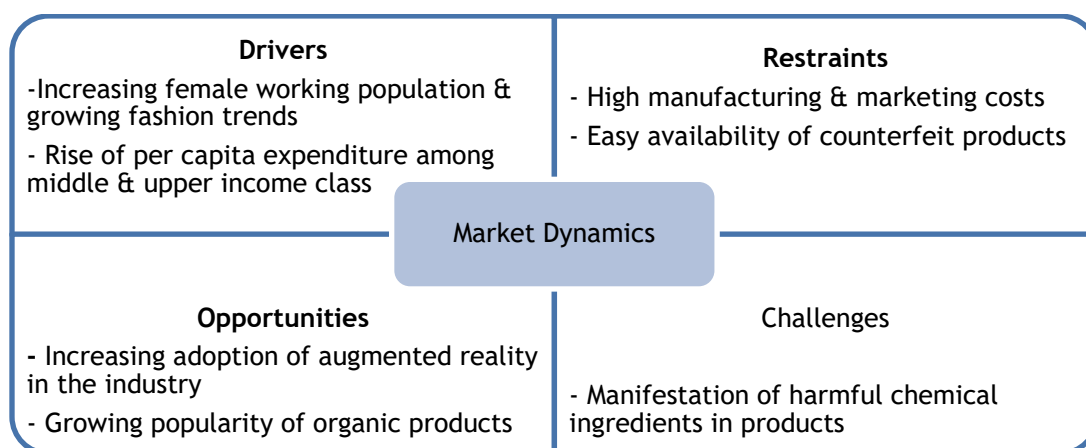
Indian Beauty & Personal Care ('BPC') market is thriving and one of the fastest growing consumer markets in India, driven primarily by the skin care and cosmetics segments. It is the 8th largest in the world, as reported by a Euromonitor International Study.

The Indian beauty and personal care market size reached US\$ 26.3 Bn in 2022 and is expected to reach US\$ 38.0 Bn by 2028, demonstrating a compounded annual growth rate ('CAGR') of 6.45% for the said period. Global Beauty & Personal Care market is expected to become a US\$ 725+ market by 2025.

Trends from all over the world are spreading and altering the daily beauty and care routine. The generational shift with young consumers entering the market is the main reason for this strong growth, combined with social media and ecommerce, which have a lasting effect on buying behavior when it comes to beauty products.

The market is driven by factors such as rising disposable income, growing awareness of personal grooming, growing middle-class population and a rising demand for high-quality personal care products. Additionally, the growth of e-commerce and the entry of international beauty brands into the Indian market have also contributed to the growth of the beauty and personal care market in India. The market is expected to continue to grow in the coming years, driven by factors such as a focus on health and wellness, a growing e-commerce sector, and the increasing popularity of natural and organic beauty products. Key players in the Indian beauty and personal care market include domestic and international companies, with well-established brands and new entrants entering the market regularly. The market is highly competitive, with companies competing on factors such as product quality, pricing, and marketing. The industry also faces challenges such as high import duties on beauty products and the presence of counterfeit products.

BPC typically enjoys extremely high gross margins ranging from 65-80%. Due to the nature of outsourced manufacturing, it is generally an asset light, capex light business thereby allowing room for more experimentation.





Growth Drivers for the Indian market

BPC in India was heavily dominated by the unorganized channel, which primarily included local grocery shops and departmental stores. Over the years, the share of the unorganized BPC market reduced as Indian consumers became more evolved in their BPC shopping habits. Some major growth drivers for the Indian market are:

A. Growing BPC spend by youth:

Consumers in the 25-35 years age group are the most active BPC buyers. Buying behavior of these consumers is different and they have a relatively sophisticated make-up and skin care regime. They tend to buy based on the latest trends and are open to experimenting with newer product categories. They also develop an emotional connection with the brand and awareness about newer categories, brands and products.

B. BPC spend growing from non-metro cities:

BPC spending from Tier 2+ cities are projected to grow faster than metro and Tier 1 cities as a large population base is increasing their per capita BPC spend. Due to factors like rising disposable income, increasing female workforce participation, increasing popularity and growing influence of social media and lifestyle changes, there has been an increase in aspirational spending on BPC products especially in the non-metro cities.

C. Rise in spend on specialized BPC categories:

Specialized category of the BPC market which includes products addressing latent consumer needs, comprising of discretionary and evolved sub-categories like make-up, fragrances, men's grooming, wellness and women hygiene has been growing significantly faster than the generic category. This growth was driven by increased disposable income, increased spending and decision-making power for women, increasing popularity of global brands and trends. The impact of social media and beauty-focused influencers is leading to greater awareness of such specialized products and trends, particularly for the younger generation of consumers, thus driving the increased purchase frequency.

D. Growth of men's segment:

Earlier, spending on BPC by men was significantly lower than that of women. However, in recent years, men have demonstrated a keen interest in BPC categories beyond shaving, like shower gels, face wash, body lotions, etc. and have become more aware and conscious of their looks and hygiene. The number of brands focused on men have also come up. As a result, BPC spend by men in India is expected to continue growing faster than the market.

E. Emergence of a sizable prestige BPC segment:

Prestige BPC segment refers to the BPC products sold by brands positioning themselves in the non-mass category. Aided by increased disposable income, rise in aspirational BPC buying and improved access, there has been a rapid increase in the adoption of prestige brands in the recent years. The prestige segment has grown at a much faster rate than the mass segment and overall BPC market. The segment has witnessed the entry of multiple national and international brands with unique value proposition, such as organic ingredients, which is adding to its rapid growth.



F. Rising popularity of online content-led discovery:

Online content has become the primary lever of BPC purchase decisions, thereby facilitating discovery and understanding of BPC products and brands. This is providing a significant push to the market as the Generation Z and Millennial consumers, the most active BPC buyers, are also the active consumers of online content on social media platforms. The live e-commerce market, comprising of influencers, merchants selling directly to consumers on the platform via video live streaming, is likely to become an important enabler of discovery in the BPC category.

Traditional vs New-age companies



Traditional legacy brands gradually building products for markets it previously failed to address



New-age brands have flourished on the back of product & price white space, business model innovation and growth capital

Emerging Industry Trends

With rising awareness around environmental issues such as climate change and plastic waste, consumers are seen making more mindful choices, which has increased the demand for eco-friendly and sustainable packaging in the Indian BPC market. This is helping consumers support sustainability in India by reducing plastic in packaging, using natural ingredients and thereby minimizing the impact. The changing perceptions and growing awareness about natural ingredients/chemical-free products are making waves in the retail space. Some of the key trends that will drive growth of the BPC market:

A. Rise of Direct to Consumer ('DTC') brands

Supply chain challenges advanced by the pandemic forced many established brands to start DTC operations and reach consumers directly. The DTC route has now become a necessity and is the reason why many BPC brands are now either building their own DTC capabilities (like an e-store) or acquiring successful players. As per a latest study, 80+ DTC brands have been launched in the BPC space in the last 5 years catering to white spaces in the market and this is projected to grow further in the times to come. Driven by the steep increase in e-commerce adoption, the online BPC market in India expanded significantly in the last few years. Ecommerce is a lucrative opportunity for brands as well as consumers, while the former can enjoy margins as high as 60-70%, the latter, especially those located in tier 2-4 cities, can easily access a wide range of BPC products.



B. Preference for clean/ natural beauty:

Natural beauty and personal care is ~40% of the total BPC market and is growing at 1.5x the overall market. This is driven by increasing consumer awareness about harmful chemicals like parabens, sulphates, etc. and a preference for natural ingredients with ayurvedic benefits like onion in shampoos or aloe vera in skin care products. As a result, brands that claim to be vegan, cruelty-free, toxin-free, paraben-free, sulphate-free are gaining popularity.

C. Bringing consumers closer to the brands:

There has been a widespread impact on consumer preferences, and it has accelerated the ongoing shift to digitalization. The industry is now relying on new-age technologies such as Artificial Intelligence (AI), Virtual Reality (VR), Augmented Reality (AR), etc. to meet the growing and diversifying demands of the consumers as well as offering digital experiences. Tech deployment is indeed helping the sector improve the quality of the products and enhance the process of product recommendation, thereby improving the overall experiences of consumers with the brands.

D. Digital diagnostics/ e-trials:

Shoppers are no longer looking for 'one-size fits all' approach. They now prefer customized products tailored to their skin type. Driven by this demand for personalization, brands are turning to AI and AR. AI driven skin/ hair diagnostics, as well as AR based makeup, tailored products/ regimes for every shopper. Brands are also using AI platforms for diagnostics. For instance, these technologies virtually identify common skin concerns such as oiliness, wrinkles, redness, dark circles, etc., and help brands offer customized skin care products to customers. Additionally, AR based apps are helping brands replicate this experience at home by helping customers experiment with a plethora of products in makeup and hair color looks.

Brands switching to sustainability

Consumers are becoming increasingly aware of issues surrounding sustainability. Consistent media attention on topics such as plastic pollution has put the environment at the forefront of consumer's minds. Consumers are more empowered than ever, which means they are doing their homework ahead of the purchase. Thus, brands that create green, recyclable, ethical products will stand out. Brands that take the lead in educating consumers about sustainability will be best placed to benefit from the increased demand for eco-friendly products.

Sustainability in the BPC industry can be attempted in two aspects - the formulations and the packaging. With formulations, a lot of R&D is needed to make sure no animal-based ingredients or carcinogenic chemicals are being used, which can be replaced with plant-based versions or other suitable substitutes. With packaging it gets more complicated owing to the extensive use of plastics, which can be replaced with glass, paper, or other suitable alternatives.

Key players in the Indian BPC market are highlighting the benefits of natural ingredients to respond to consumers' growing interest in sustainability by launching all-natural products, reducing waste and introducing recycling initiatives. 37% of product launches between 2018-21 had an 'all natural' or 'ethical - recycling claim'. However, there is still a gap between intentions and actions as consumers are not willing to compromise on value for sustainability alone in their beauty purchases.



Many leading beauty and personal care brands certainly have sustainability objectives and goals. However, many people want to see practical, tangible evidence of change rather than the usual corporate statements. This is of vital importance, especially as younger consumers become more alert to 'greenwashing' or over-inflated sustainability claims. Ultimately, ethical manufacturing needs to filter down to the products in a meaningful way. When people think of ethical beauty, they often think of sustainable packaging - but this is only one part of the puzzle. Ethical manufacturing implies a totally transparent supply chain, with ethical practices applied at every touchpoint, from sourcing to collaborations with growers.

It is essential that the BPC industry fully embraces ethical manufacturing. This isn't only to meet consumer demands - it's also to play an active role in preserving the planet for generations to come. To achieve this, brands need to scrutinize every aspect of their supply chain: where did the raw materials for this product come from? Was it cultivated sustainably? Was the manufacturer fairly paid? How sustainable is the production facility? Is the product biodegradable? This creates a complex set of challenges, which may involve some serious overhauls - but with the right partners, brands can work together to make beauty more sustainable, ethical, and caring.

Road ahead

The increasing focus on personal health and hygiene represents one of the major factors influencing the demand for beauty and personal care products in India. Moreover, the Government along with private organizations, is undertaking several initiatives to spread awareness about the importance of feminine and personal hygiene. These initiatives are positively influencing the sales of beauty and personal care products in the country.

Furthermore, the rising beauty consciousness among individuals, the influence of social media, and inflating income levels are increasing the preference for customized, organic, and premium product variants, thus offering lucrative growth opportunities to the leading market players operating in the country.

The BPC segment in India is expected to grow and proliferate in the times ahead. As the sector grows, there will be several structural shifts that will influence the shape of demand and impact growth strategies in the sector.

Sources:

Report

News Articles

WCA Proprietary Analysis



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