

CASE STUDY
SECTION

CASE STUDY 1

The Fate of Technology-Based Start-Up Post Covid: A Case of Nykaa And Zomato

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Introduction

Start-ups have become the critical drivers of economic growth and job creation, innovation, and the development of new dimensions for the markets. As a rule, start-up firms account for about 20% of employment but create half of all new jobs, and these firms make significant contributions to productivity growth.

In the wake of the COVID-19 pandemic, start-ups have continued to impact economies substantially. The pandemic has prompted some innovative start-ups to respond fast and flexibly, and some have played a significant role. Over COVID19, countries have started shifting their work culture to work from home, digitized education, health care, and banking. Start-ups have taken advantage of these new circumstances by launching a variety of digital health services, which include COVID-19 trackers, remote patient monitoring, and remote consultations, introducing "no-contact" food delivery and developing artificial intelligence solutions for research and science, remote working tools, or online learning and

entertainment, some of which they have provided free of charge.

As a consequence of the new norms directed by governmental bodies across the globe, consumers have noticeable behavioural changes. With online shopping, social distance, and less desire to travel to congested-high density areas, the new normal might not be as bad as people envisage. In some of these sectors, the new normal may provide new opportunities. The entire market that was untouched before is now open for business. As we discussed, some start-ups are already working upon the scenario mentioned earlier. Considering all this, start-ups are already working on the design mentioned above.

E-commerce & delivery-based services

Due to the social distance being the new normal in upcoming months or even years, and people refraining from gathering in markets, grocery stores, and public places, E-commerce and Delivery are experiencing a boom. Moreover, to cope with COVID-19, such

methods offer a safe and distanced way to obtain essential and non-essential commodities. Thus, the industry is to see a surge in customer-retail operations.

Due to the arrival of the technological revolution and interface management systems, this industry was already on a growth trajectory. Despite that, the recent events have just catalysed the entire game to new heights. People who previously avoided online ordering utilities, services, and commodities are now adapting to purchasing their necessities online.

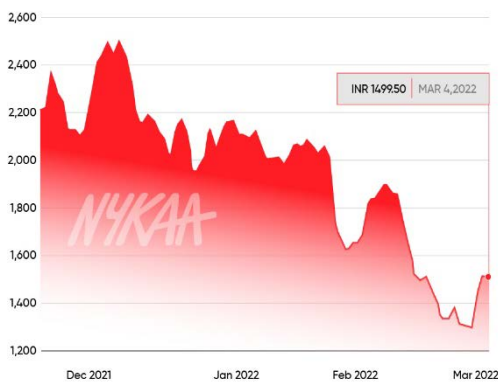
New-Age Companies Slump After IPO Rage

In last year's IPOs, these new-age tech stocks gained much attention from investors. Some complicated business models and high valuations, which many felt were unjustifiable, did not discourage investors. The shares were purchased by institutional investors, domestic and foreign, and retail investors. The majority of IPOs received healthy oversubscriptions. On

the day these internet-based companies were listed, the shares prices surged, further reflecting the investors' enthusiasm.

The reversal has been no less dramatic. For instance, Nykaa, which surged to INR 2,001 on BSE and achieved a market cap of INR 1 Lakh Cr on its debut on November 11, 2021, was trading at INR 1,504 on March 4, 2022. The recently listed new-age tech stocks like Nykaa and Zomato have dropped by approximately 50% since their listing.

Even at the time of IPOs, many market pundits had dismissed the hype and hoopla around these offerings. However, the wild swings in share prices have again raised pertinent questions about new-age tech stocks. As a result, their business models, short-term and long-term prospects, and roles are being questioned, along with VC and private equity valuations.



Source: NSE, Inc42 Plus Analysis

Case Discussion

1. Analyse the case of Nykaa and Zomato and put forward your analysis related to the fate of technology-based Start-Up Post Covid.
2. Discuss the investor's interest in new-age tech stocks in the future.
3. Do you think the rising interest rate in the US will impact new-age tech stocks in India?

CASE STUDY 2

Sugar Cosmetics: Leveraging Social Media Influencers

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According to a survey published by Harvard Business Review, **global yearly consumer expenditure by women is valued at \$20 trillion and is expected to reach USD 28 trillion in the next five years.** The worldwide cosmetics business is estimated to reach USD 428.9 billion by 2022. The Indian cosmetic industry is also growing very rapidly at a rate of 13-18 percent more than that of US or European markets, it is expected to touch USD 20 billion by 2025 at a compounded rate of 25 percent. The Indian cosmetics industry is USD 6.5 billion in compare to global market of USD 274 billion. Some of the reasons behind this rising demand are increasing awareness of beauty products, increasing demand for premium personal grooming products, changes in consumption patterns and improves purchasing power among women. Demand for cosmetic is growing at an exponential rate among the women in India increasing number of working women, improving purchasing power among the women, changing lifestyle pattern. Three gaps were found in Indian beauty market, first is e-commerce market is still which is in nascent stages, expected to grow in future, the customers wants gain digital experience. Some of the factors motivating the shift towards e-commerce platforms are simplicity, time-saving, more choice and the "real-time" experience are creating excitement among the young women especially. Second is

non-availability of beauty products matching Indian skin tones and the third is no beauty product are available in medium price range in Indian market.

Kaushik Mukherjee and Vineeta Singh founders of Sugar Cosmetics identified these vacant spaces in beauty market in India. Kaushik Mukherjee, the Co-Founder, and CEO of SUGAR Cosmetics is a BITS Pilani and IIM Ahmedabad alumnus, and a TEDx speaker and a marathon runner and an Ironman triathlete with Vineeta Singh, the Co-Founder and CEO of SUGAR Cosmetics, a TEDx Speaker and an alumni of IIT Madras and IIM Ahmedabad and an ultramarathon runner both decided to team together on an eCommerce project.

In 2012 by Kaushik Mukherjee and Vineeta Singh started cosmetic subscription service the "FAB BAG" for 599 INR every month, users would get a "surprise" beauty box including a mix of five goods from the categories of cosmetics, bath and body, skincare, haircare, and fragrances. These items were largely new and unknown brands that were sourced from abroad. This project allowed the team to create a database that the SUGAR wanted to position itself as a premium brand to mass consumers interested to upgrade and try something less costly. She was not earning much in this project, but she was studying the beauty market

of India, she was experimenting with foreign cosmetic products and taking feedback from the Indian customers. The customers were also giving their feedback openly; it helped her to understand the Indian beauty market. Soon 15,000 customers got associated with Vineeta through subscription.

She understood that neither the foreign products nor the Indian products are producing products keeping in mind the Indian customers. The global players are making the beauty products according to the skin tone of their customers. But the skin tones of Indian customers are different. Along with environment pollution level in India is high. The beauty products available in Indian market are mostly glossy, but she realized that matte finish beauty products are better for Indian market because they are long lasting and match with the skin tones of Indian customers, in compare to the glossy products. And they do not match with the requirement of the working women.

There are brands like Lakme, Maybelline with budget products in India while the premium brands like MAC, Sticks are expensive, thus there is no brands exist in middle range, the brand sugar was launched in India. They develop the product keeping in mind common women. She understood that celebrity endorsement not going to work in Indian market. Earlier, the cosmetics brands use to promote their products using film stars, celebrity endorsement was key to success, while the market scenario changed in new millennium, the customers are not going to buy celebrate endorsement, but they will check the product whether it is matching with their skin tone or not.

The success mantra of sugar cosmetic is its products, a solution of all the problems and it show results in few days. Initially they launch two products new items like eyeliner and a

kohl pencil from a reputable German producer it was launched in 2016, it did not work in India market, but it was successful in UK and USA market. The reasons behind the success of Sugar cosmetics in the UK and the USA markets are customers are used to purchasing products online, and they do not have any problem with sugar cosmetics because it was made in Germany. In a little while, Indian customers also get influenced by the foreign connections of the sugar brand, subscribers started consuming Sugar cosmetics. 'Made in Germany' ensuring a good start for Sugar cosmetics, when the industry was dominated by gloss cosmetic products. Sugar cosmetic decide to develop a matte version items which the clients could use every day turned out to be a hit. Their design partner, Opposite was given the task to create "thumb-stopping packaging." They develop a strong, graphic approach that incorporates low-poly drawings, aware that the challenger brand needs to appear and feel unique from the prevalent minimal and largely black style. They started giving tough challenge to top ten rivals in Indian market are Purple, Lakme, Maybelline, Lotus Herbals, Blue Heaven Cosmetics, Nykaa, Plum, Marico, NewU, Emami.

Sugar Cosmetics emerge as India's fastest-growing premium cosmetic brand, with a cult following among millennial. Sugar cosmetics were positioned as a choice of brave independent women who refuse to be categorized into stereotypes, thanks to its clutter-breaking attitude, unique low-poly packaging, and chart-topping products. The brand's bestselling products are Lipsticks, Eye Liner, Foundation, Nail paints and Skin care products.

In 2015, SUGAR opened a Shopify store, which it continues to operate. They released an app in November 2019 that has over 800,000 downloads and a 4.6-star rating on Android and iOS. The majority of the internet acquisition

approach is still concentrated on social advertisements.

SUGAR debuted on Nykaa, the beauty website, in 2016 when it had a far smaller number of businesses than it does now. By 2017, Nykaa accounted for roughly 80% of the brand's income, and the team admits they weren't sure whether to be "glad or frightened." In any case, it was evident that distribution needed to be scaled. They go from Nykaa to other online platforms like Flipkart and Amazon. Sugar

Cosmetics operates on a hybrid mode, currently brand has a presence in more than 10,000 sales outlets in more than 130 locations. Sugar Cosmetics' operating income increased by 82 percent in FY20, from Rs 57.14 crore in FY19 to over Rs 104 crore. Notably, overseas purchasers accounted for 15.4 percent of its revenues, or Rs 16 crore. During FY20, it generated a further Rs 1.4 crore from its financial assets, backed by the faith of marquee investors and the passion of millions of beauty aficionados.

Sugar Cosmetics - Funding and Investments

Date	Round	Amount	Lead Investors
Oct 21, 2020	Series C	\$21M	A91 Partners, Elevation Capital, India Quotient, Stride Ventures
Mar 8, 2019	Series B	\$12M	A91 Partners, Anicut Capital, India Quotient
Jun 1, 2017	Series A	\$2.5M	India Quotient, RB Investments Pte. Ltd.

The mission statement stated that, "**We believe in every interpretation of beauty. Bold to subdued, quirky to crazy, every day to glam goddess! We aim to celebrate every aspect of you, no matter what your style is. So, go ahead and pick your faves.**" The tag line of the brand is "**Independent women bold and free**". In addition, the brand chooses Tapsi Pannu as an Influencer, Tapsi Pannu is a self-made woman and many people get influenced by her, the choose to go by aspirational positioning. They prefer to choose social media for positioning Sugar cosmetics. According to Vineeta, the customers spend more time on their smartphones than in retail stores, so they choose to do posting educational content, tutorial marketing, with reputed Influencers. They develop lots of informative content in Youtube and they develop the SOS in such a manner the

customers land up into their website and get engage with their content on social media. The company leveraged this as a chance to boost its social media presence. "We used to get around 100 million monthly impressions before lockdown, but that number has already risen to almost 240 million. We recently passed one million Instagram followers, and our own app has over 800,000 downloads," Vineeta revealed.

In FY22, Sugar Cosmetics intends to increase its offline standalone locations. The brand, which was created in 2015, currently manages 70 outlets on its own, with aspirations to increase that number to 100 by December. The brand intends to use to extend and enhance its retail base to improve its retail marketing and visual merchandising experience.

Questions:

1. How the Business Model of Sugar Cosmetics is different from other players?
2. Discuss the role of Social Influencers in developing the Brand Image?
3. Is Hybrid Revenue Model a good idea for Sugar Cosmetics?



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