

OVERVIEW

MARKET LANDSCAPE: BEAUTY E-COMMERCE IN INDIA

Projected Market Size (2027)	USD 44 Billion
Current Market Size (2023)	USD 32 Billion
CAGR (2023–2027)	25%
Online-First time Buyers	60%
Annual Growth of Online Beauty Sales	21.50%
Online Beauty Shoppers in India	178 Million
Average Return Rate for Beauty Products	18%
Shoppers Checking Return Policies Before Buying	42%
Consumers Concerned About Damaged Products	67%



NYKAA'S STATISTICS IN BEAUTY E-COMMERCE

- 70 million monthly active users (FY2024)
- Over 50% of revenue from Tier 2/3 India
- 92% of Nykaa's shoppers cite "easy returns" as a key loyalty driver.

NYKAA

MARKET POSITIONING

- Market share: 35% of Indian beauty e-commerce
- Annual revenue: ₹3,774 crores (FY 2022-23)
- Monthly active users: 18.6 million
- App downloads: 30+ million
- High-Value Shoppers: Top 5% users drive 35% of Nykaa's revenue but have 3x higher churn post-returns

Source

PROBLEM STATEMENT

Transform Nykaa's post-purchase flow into a moment of delight and trust-building, eliminate anxiety around delivery, returns, and product support, especially for high-value beauty and personal care items.

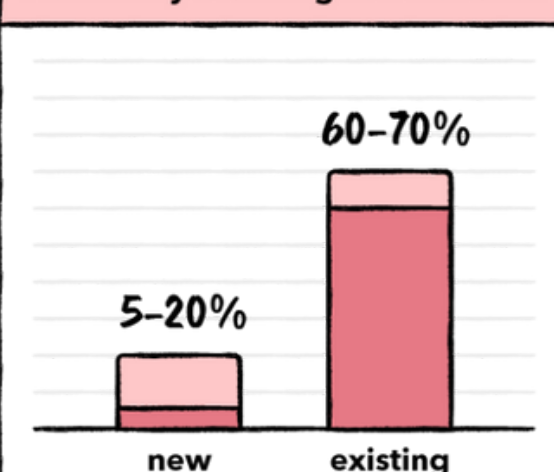
About Nykaa

Nykaa is India's leading beauty and lifestyle e-commerce platform, offering 2,500+ brands across categories like skincare, makeup, wellness, luxury, and personal care.

ASSUMPTION

We have infinite tech bandwidth.

Probability of selling to a customer



33%

more likely to switch companies after
JUST ONE bad customer service interaction

81%

coming back chance of the customers
that have a great experience with you

Source

COMPETITIVE ANALYSIS

Platform	Mark-etshare	Strengths	Return Process
	35–37%	Product authenticity, Luxe trust	Manual verification system
	8–10%	WhatsApp support, Easy returns, Quick refunds	Easy returns system
	6–8%	Tier 2–3 penetration, price advantage	Manual verification system
	3–4%	Premium curation, Tata brand trust	Premium verification process
	1–2%	Premium brand, luxury packaging	Hybrid online-offline returns

USER RESEARCH

PRIMARY RESEARCH RESULTS

A survey of 35 responses and 4 interviews revealed the following insights:

KEY DEMOGRAPHICS:

- Gender Distribution: Female: (63%)
- Age Distribution: 66% are in the age range of 18 -35 years
- Major Locations: Tier 1 cities
- Key Job profiles: Students, working professionals, homemakers
- Major Order Value stats:
 - ₹2,001-₹5,000: (34%)
 - Above ₹5,000: (9%)
- Mobile app users dominate the customer base (51%)
- 17% of total returned or exchanged products
- 9% contacted customer service
- 10% noted that representatives lacked the authority to resolve issues
- Customers who contacted support had an average overall experience rating of 3.0/5
- High Loyalty Rate: 74.3% of customers indicated they will "Definitely" or "Probably" purchase from Nykaa again, showing strong customer retention potential.



[Survery link](#)

NYKAA APP'S REVIEWS FROM PLAYSTORE

A Aegis Xyston
★ ★ ★ ★ ★ 04/10/24
In the beginning this app was very good but now **customer support** is deteriorating. The CS agent will not even speak to you properly and hang up on you. And no, I won't be sending any email. At least have some stringent rules in place for late/missed/wrong deliveries. At least have the decency to take an initiative and send a mail from your end and take the trouble to find out what went wrong. It's all there in the Order History.
70 people found this helpful

S Sachin Gupta
★ ★ ★ ★ ★ 24/01/25
The delivery system is highly inefficient, often taking 2-3 weeks to deliver items, which is far beyond the expected timeframe. Additionally, the **customer support** service is equally disappointing, providing little to no assistance in resolving issues.
10 people found this helpful

S Sneha khatwani
★ ★ ★ ★ ★ 28/02/25
Very poor experience with return of material. I have been trying to return a material for close to 10 days now but still not able to return. Poor **customer support**, no Coordination with delivery person, technical glitches.
43 people found this helpful

TARGET USER SEGMENT

Women aged 18-35 purchasing high-value beauty and personal care products (₹2,000+), predominantly in urban areas, with disposable income and high expectations for service quality.

ACTORS

- Customers
- Beauty brands
- Logistics delivery partners
- Warehouse teams
- Operations team
- Customer Support team
- Tech team

1 ON 1 INTERVIEWS

- "I get anxious after buying expensive serums - what if it leaks or arrives after my event?" - Shruti, 28
- "Returns feel like a blame game - I need to prove the product was defective" - Vikram, 31

USER PERSONA

SHREYA, 22

DEMOGRAPHIC

- Occupation: Software Engineer
- Location: Mumbai
- Tech Savviness: High - Comfortable with digital services



USER BEHAVIOUR

- Purchase Frequency: Monthly premium beauty products
- Typical Purchases: High-end skincare, luxury makeup, premium haircare
- Average Order Value: ₹3,500+
- Device Preference: Mobile app
- Time Spent Researching: Extensive research before purchase

PAIN POINTS

- Anxiety about product authenticity
- Limited visibility into delivery process
- Complex return process if product doesn't meet expectations

USER NEEDS

- Detailed tracking with real-time updates
- Personalized product usage guidance
- Seamless returns if needed

POST PURCHASE ENGAGEMENT JOURNEY



SECONDARY RESEARCH PAIN POINTS

- Authenticity Concerns: [Source](#)
 - Uncertainty about product genuineness
- Limited Tracking Visibility:
 - Basic shipping updates without detailed information
- Complex Return Process:
 - Multiple steps and documentation requirements
- Limited Product Guidance:
 - Insufficient instructions for optimal product usage
- Disconnected Experience:
 - Gap between online purchase and received item

KEY HYPOTHESIS

- Instant, No-Questions-Asked Returns:
 - for High-Value Items Increase Trust & Repurchase Rates
- Real-Time, Proactive Delivery:
 - Updates Reduce Post-Purchase Anxiety
- Self-service Support:
 - Lowers Post-Purchase Doubts

PROBLEM SOLVING

Problem Space: What is Post-Purchase Experience?

A system designed to manage customer touchpoints after purchase completion, including order confirmation, shipping, delivery, product usage, and returns/exchanges, ensuring satisfaction and building trust for future purchases.

DEFINING THE PROBLEM

By addressing post-purchase concerns before they escalate, brands can:

- TRANSFORM potential regret into confidence
- INCREASE repeat purchase rates
- IMPROVE long-term customer loyalty.

JOB TO BE DONE (JTBD)

"When I receive a beauty product that doesn't meet my expectations, help me effortlessly verify and return it so I can quickly resume my beauty journey with ASSURANCE."

REFRAMING THE PROBLEM STATEMENT

"How might we transform the post-purchase experience from a point of friction into a moment of trust, delight, and brand loyalty — TO CREATE a zero-hassle return flow that not only boosts customer retention but also unlocks higher lifetime value and operational excellence?"

CURRENT GAPS

- Burden of proof
 - (Multiple photos/videos required)
- Lack of instant resolution
 - 22% churn post-return
- Manual verification bottlenecks
 - (24-48 hour approval time)



WHY SOLVE THIS NOW?

- MARKET GROWTH SCOPE:
 - Indian beauty e-commerce industry is growing at CAGR of 25%
- POST-PANDEMIC SHIFT:
 - Increased online beauty shopping with higher expectations for digital experiences
- RISING PREMIUM SEGMENT:
 - Growing demand for luxury beauty products with higher post-purchase expectations
- COMPETITIVE EDGE:
 - Opportunity to create distinction in increasingly crowded beauty e-commerce space

PROPOSED SOLUTIONS

SOLUTION 1

Nykaa Glowbot - Emotionally Intelligent AI Chatbot

- TECH: NLP with sentiment analysis and adaptive response generation.
- FUNCTIONALITY: Detects customer mood during post-purchase interactions and tailors support to de-escalate frustrations.

SOLUTION 2



NYKaa Zero-Proof ZENreturns - AI Damage Assessment Engine

- TECH: An AI-powered, zero-friction return process for Nykaa post purchase that uses computer vision to analyze a single image of a damaged product and auto-approve the return if confidence > 90%.
- FUNCTIONALITY: Instantly validates return/refund requests without manual proof submission, reducing customer effort.

SOLUTION 3

Nykaa MirrorCheck - AR Try-On Returns

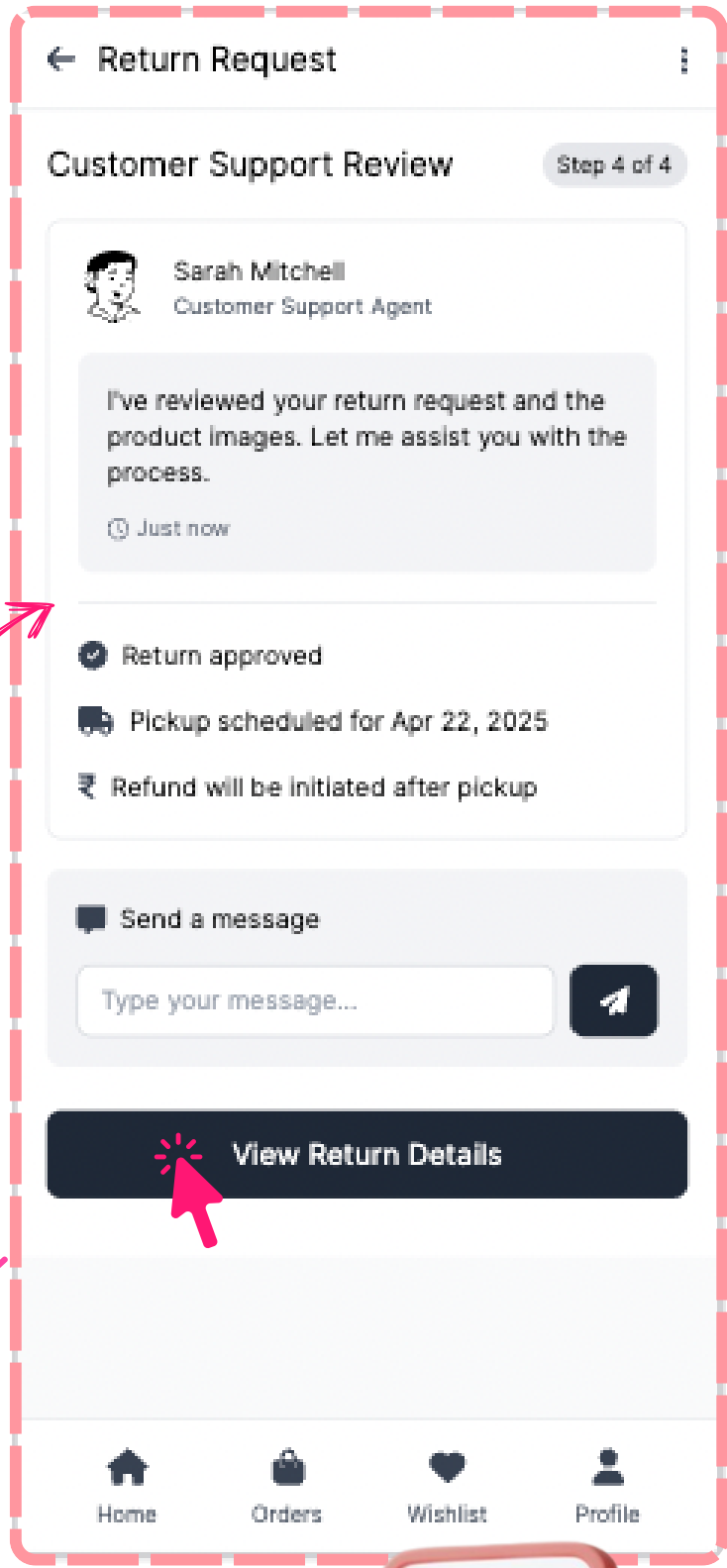
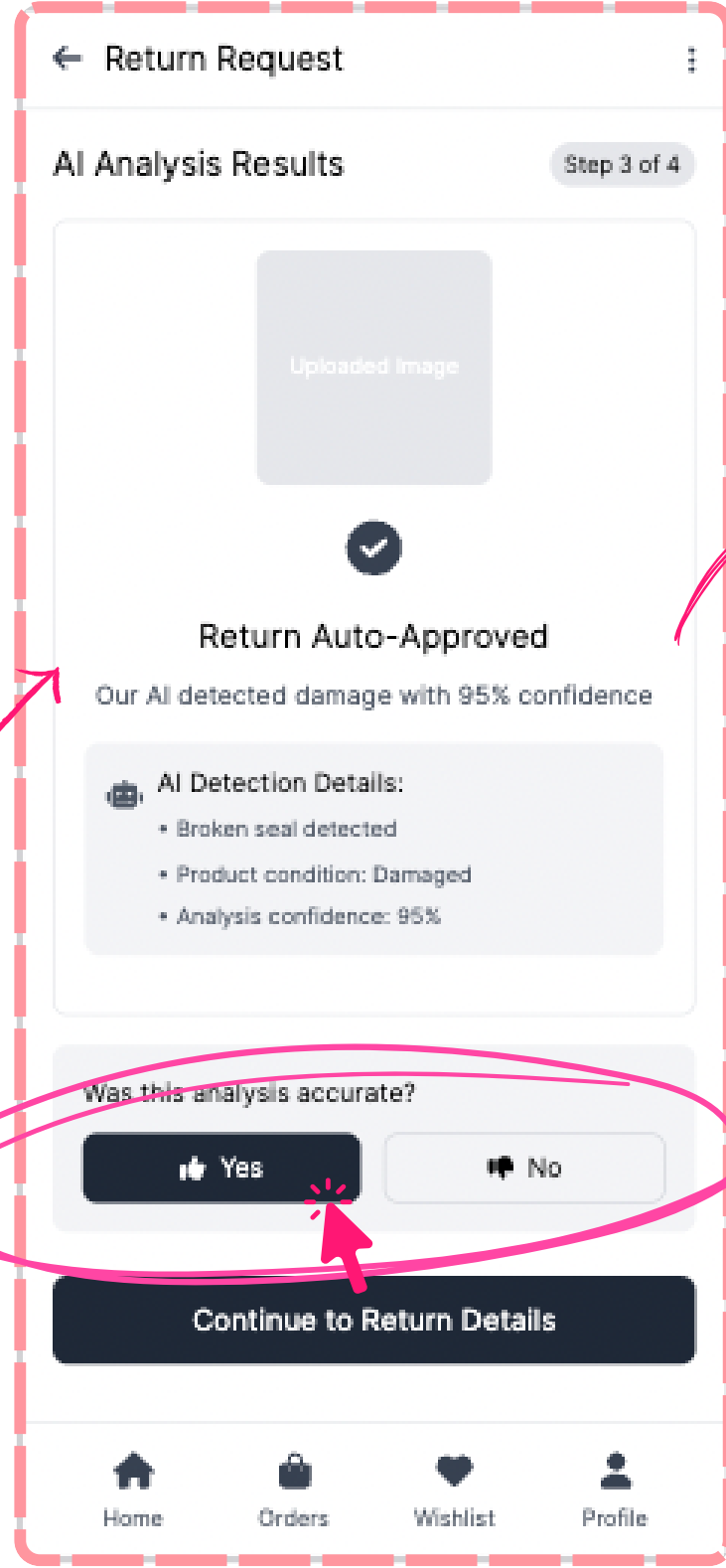
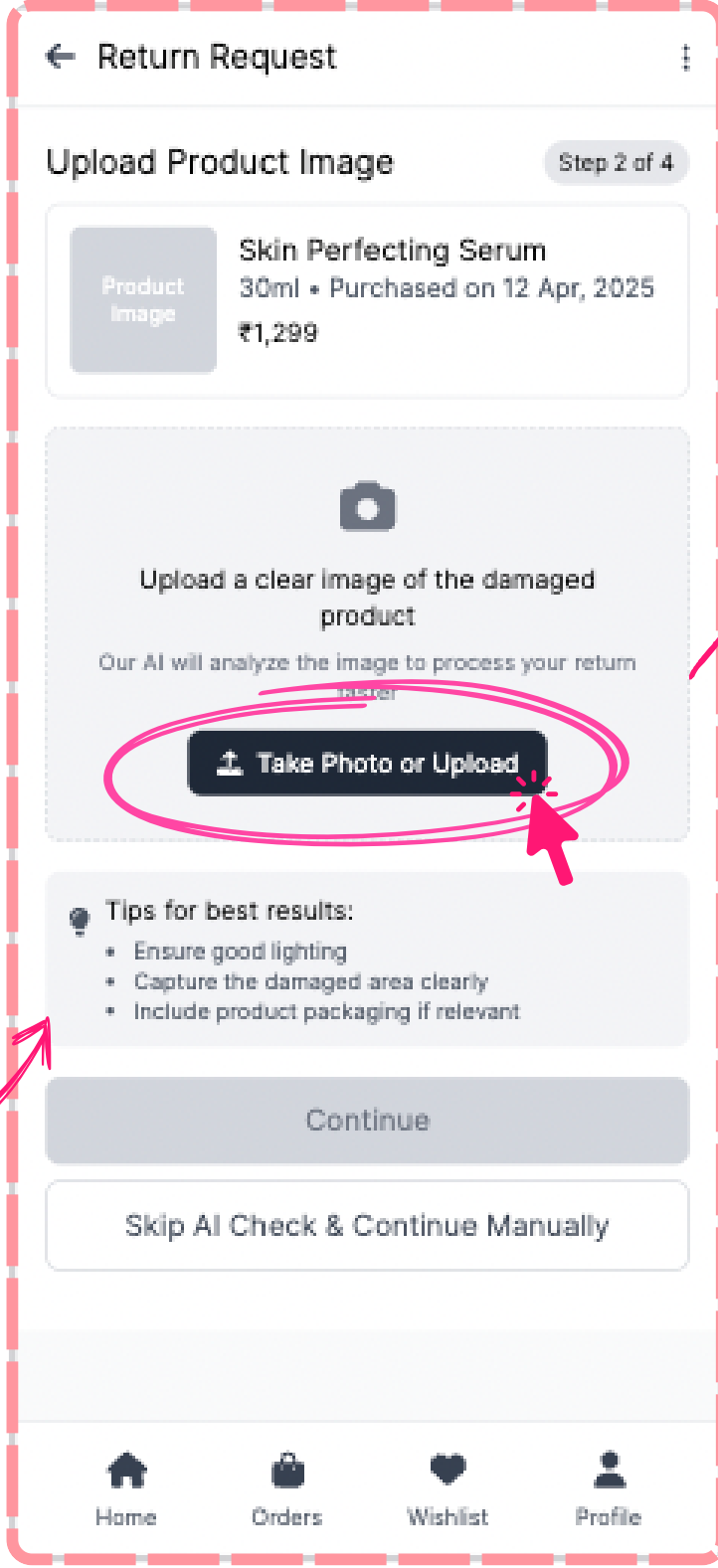
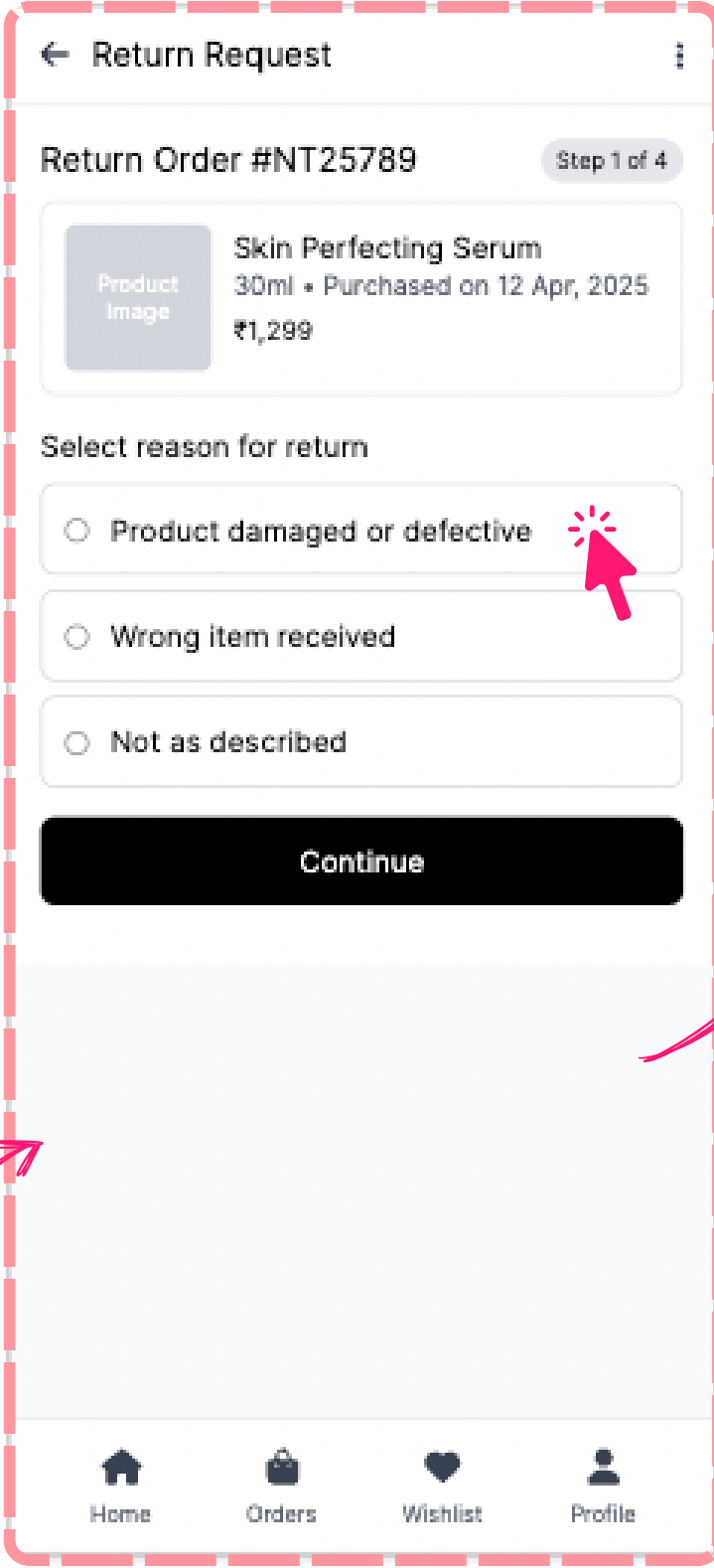
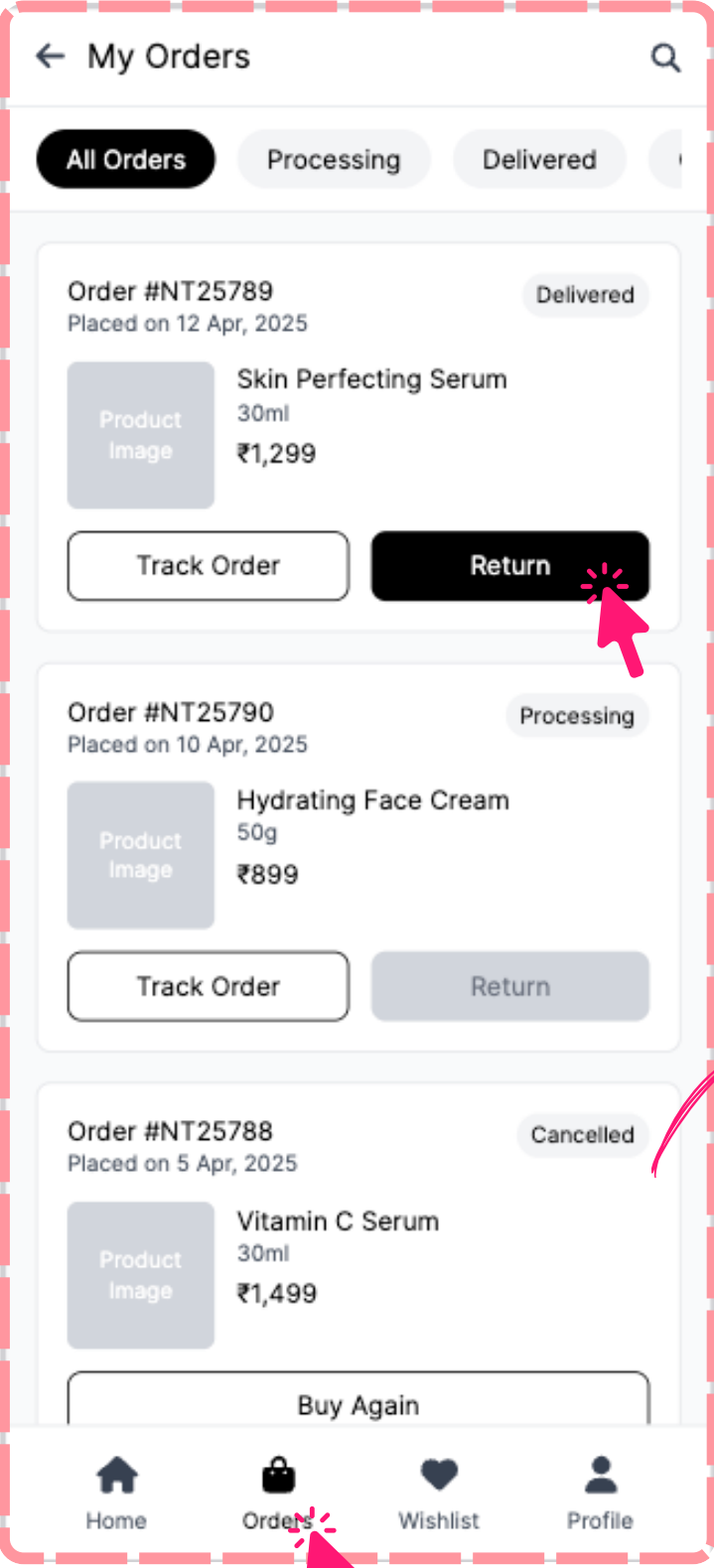
- TECH: Augmented Reality with 3D product visualization.
- FUNCTIONALITY: Lets customers virtually "try" products pre-return to confirm incompatibility, reducing unnecessary returns.

FEATURE PRIORTISATION ANALYSIS

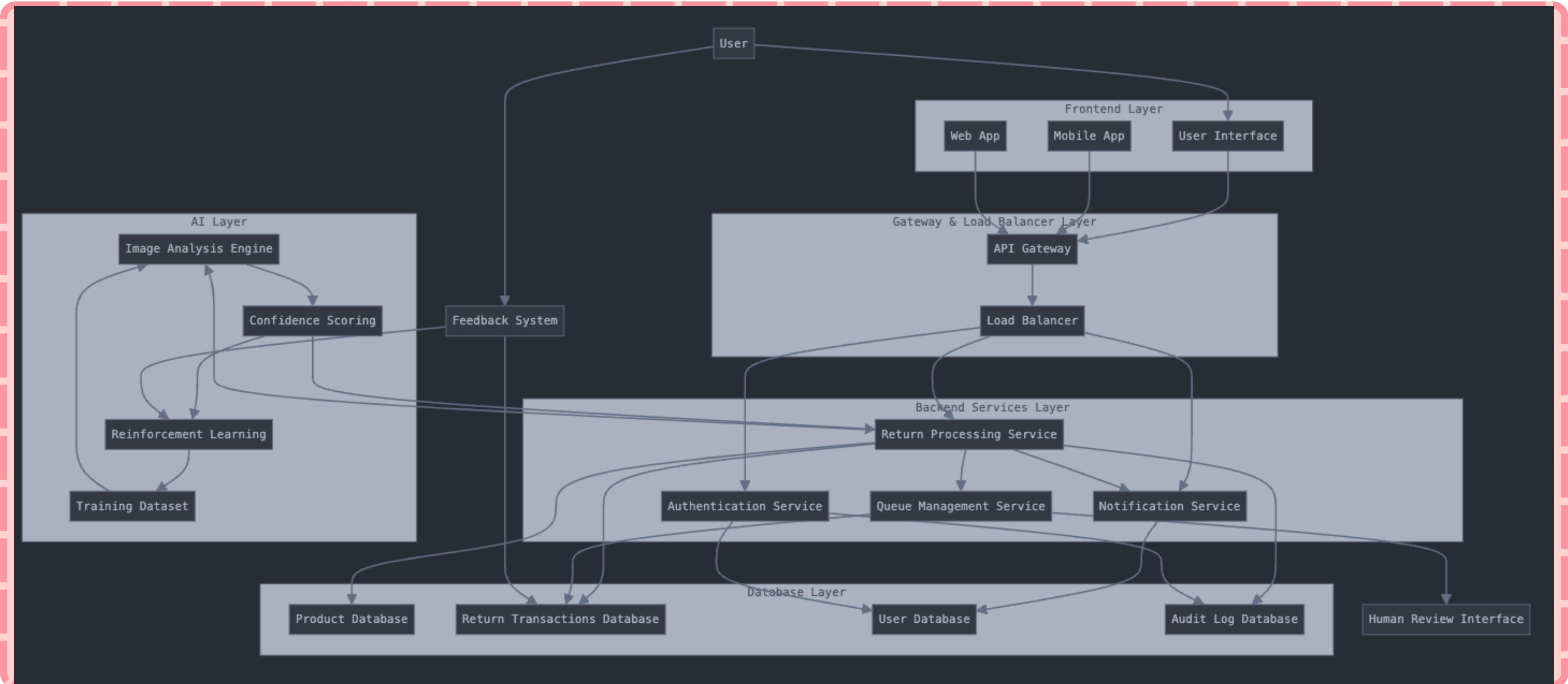
Feature	Reach	Impact	Confidence	Effort	RICE Score
AI Damage Assessment Engine	Very High (all returns)	Very High (trust & loyalty driver)	High	Medium	Very High
Emotionally Intelligent Chatbot	High	High (CSAT boost)	Medium	Medium	High
AR Try-On Returns	Medium	Medium (revenue boost, fun)	Medium	High	Medium

HOW ZERO-PROOF ZENRETURNS WORKS?

- User uploads 1 clear image of the product ((e.g., broken seal, wrong shade).
 - AI compares it with Computer Vision against:
 - 50K+ product images (95% accuracy).
 - Past damage image sets (ML training set)
 - Return is instantly approved if confidence >90%
 - If unclear, escalates to human review within 30 mins
- AI Reinforcement Learning for Continuous Improvement:
 - After the resolution of an escalated case (either by AI auto-approval or human review), users are presented with a simple "Yes/No" option to indicate their satisfaction with the outcome.
 - This feedback is fed back into the AI model as reinforcement learning, allowing it to continuously learn, refine its accuracy, and improve future auto-approval rates.



SYSTEM DESIGN



Layer	Responsibilities	Tech Stack
Frontend	UI, image upload, real-time updates, feedback from users	React Native / Flutter
Gateway & Load Balancer	API routing, traffic distribution	API Gateway, NGINX, ELB
Backend Services	Business logic, API, queues	Node.js, Python, Redis, RabbitMQ
AI Layer	Image damage analysis via computer vision, learning loop, confidence scoring	TensorFlow, PyTorch, OpenCV, MLFlow, FAISS
Database & Storage	Product data, user logs, image storage	PostgreSQL, MongoDB, AWS S3, BigQuery, Redis

KEY METRICS

NORTH STAR METRIC

Customer Retention Rate (% of customers who make a second purchase within 90 days after a return)

- Trust Building:
 - By removing friction during a traditionally negative experience, customers develop deeper trust in the brand, leading to stronger loyalty
- Reduced Purchase Anxiety:
 - Customers feel more confident making future purchases knowing returns are hassle-free, eliminating a major barrier to repeat business

L2 METRIC

- Average Returns per Customer (monitoring for potential abuse)
- Reinforcement Learning Feedback Rate (% of users providing post-resolution feedback)
- AI Auto-Approval Accuracy (% of correctly approved returns vs. total auto-approvals)
- Return Process Completion Rate (% of initiated returns completed)



L1 METRIC

- Net Promoter Score (NPS) - measures customer loyalty by asking how likely they are to recommend new feature
- Return Resolution Time (avg. minutes from return initiation to approval)
- Customer Satisfaction Score for Returns Process (0-10 scale)

KEY VALUE PROPOSITION

- Brand Alignment:
 - Matches Nykaa's premium positioning ("Luxury deserves effortless care").
- Time Savings:
 - Average return approval time reduced from 24-48 hrs to <5 minutes
- Reduced Support Load:
 - 90% reduction in support tickets for return approvals
- Enhanced Data Collection:
 - Building proprietary dataset of product issues for quality improvements
- Brand Differentiation:
 - Industry-leading post-purchase experience

RISKS AND MITIGATIONS

Risk	Mitigation
Brand Resistance (If return rates spike)	Show brands how AI reduces fraud losses.
Customer Backlash (If AI rejects legitimate claims)	Escalation in <30 mins + “Talk to Human/Skip AI Check” button
False positives in damage detection	Human audit for 10% of auto-approved cases
High Operational Costs (If too many escalations for review)	Optimize AI thresholds (e.g., only escalate <5% cases).
User mistrust in AI outcomes	Transparent decision messaging + opt-in pilot at first

REVENUE IMPACT

- +15% projected increase in repeat purchase rate
- +25% estimated increase in average order value from returning customers
- -30% reduction in operational costs for returns processing
- +8% projected increase in Net Promoter Score leading to improved word-of-mouth referrals
- Potential for premium membership tier with guaranteed instant returns (+₹499/yr revenue per subscriber)

LAUNCH STRATEGY

PRE-LAUNCH

- Internal Beta: Test within Nykaa Luxe team
- Pilot Group: Opt-in for top 5% loyal shoppers
- A/B Testing: Traditional vs AI-powered return flow
- Model Fine-tuning: Based on early real-world images

LAUNCH

- Influencer Reels: "Returned this lipstick in 5 seconds. AI is the new girl boss."
- Email Blast to premium users: “Zero Proof. Zero Stress. You don’t need to beg for a return anymore.”
- Push Notifications: For every high-value order → “Got a problem? AI’s got this.”

POST-LAUNCH

- Reinforcement Loop: Real-time training from user feedback
- Weekly Dashboards: AI accuracy, feedback score, escalation trends
- Seasonal Campaigns: “Stress-Free Returns Week” with surprise coupons
- Support Staff Training: Resolve escalations aligned with AI decisions to maintain consistency

NYKAA has a unique emotional advantage in Indian beauty e-commerce. By launching Zero-Proof ZenReturns powered by AI, we’re not just fixing a problem—we’re making users feel trusted and valued, a key to loyalty in this space.

