

Indian luxury beauty market to double by 2028, according to LUXASIA and Kearney study

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The Indian luxury beauty market is expected to double its 2023 market size to reach \$1.6bn by 2028 and quadruple to \$4bn by 2035, according to a report by omnichannel brand-builder in the Asia Pacific LUXASIA and management consulting firm Kearney .

With an expected CAGR of 14%, India is one of the fastest-growing markets in both Asia and the world. This is fueled by the country's GDP growth, a growing middle-class and increasingly luxury-conscious consumers seeking to trade-up.

Although the luxury beauty market in India is relatively small compared to its population, it is set to follow the high-growth trajectory that China has experienced over the past 15 years. Kearney and LUXASIA say the expected growth surge in luxury beauty will stem from India's vast and increasingly well-informed consumer base, young aspirational population and rising disposable income.

By 2030, middle-class consumers primarily aged 15 to 45 who tend to be more aspirational spenders than savers, and trade up from mass and masstige segments to luxury products, are expected to comprise almost half of India's population.

India vs mature Asian and Western markets

India's luxury beauty landscape currently consists of around 90% international brands and 10% local brands; however many international brands have yet to enter the market. Conversely, in mature luxury beauty markets, such as Japan and South Korea, local brands tend to account for about 40% of the market.

In addition, mature markets in other countries are near saturation, with low single-digit market growth and intense competition, spurring international beauty brands to seek growth elsewhere.

The companies say that economic headwinds and the slowdown in consumer spending on beauty in China especially, one of the world's largest beauty markets, has resulted in international brands paying more attention to India.

Unlike many other Asian and Western markets, luxury beauty in India is still in its infancy, with only around a 4% share of the overall beauty and personal care market, meaning there is a lot of space for growth.

The unsaturated nature of the luxury beauty market in India means newer international brands founded in the past 10 to 15 years are able to consistently grow and gain market share. In addition, local brands tend to be more niche, focusing on Ayurvedic or herbal formulations, meaning they don't directly compete with the science-based formulations of luxury international brands.

Increased demand

Kearney and LUXASIA say luxury beauty's low degree of penetration lends India the opportunity to scale by capitalizing on the rising affluence of its middle class and the increased demand from young aspirational spenders.

Affluence is predicted to surge over the next five to 10 years with the number of high-income households forecast to triple, resulting in more demand for luxury beauty products. Spending is therefore forecast to increase across all categories.

India is also perceived as a viable clearance market for developed markets' overstocked products, even those close to obsolescence, which are predominately being sold through unauthorized sellers on e-commerce sites at discounted prices. The companies say the commercial viability of such platforms indicates a strong underlying demand for luxury beauty products, even for international brands that don't have a presence in India.

Channel mix

In India's luxury beauty market, offline stores are the dominant channel for first purchases, where customer service and product trials are important, particularly for fragrances and make-up. Specialty stores, such as beauty multi-brand retailers Sephora and Nykaa, account for 25% of the luxury beauty market. Boutiques or standalone brand stores have 20% of the market. The overall offline channel accounts for 70% of the luxury beauty market.

Simultaneously, the entry of online beauty retailers such as Nykaa has increased accessibility to the market, attracting new customers who may have lacked access to luxury beauty products, particularly in cities with a small offline footprint. The online channel has also grown consumer education and awareness, heightening brand awareness, improving overall brand experience and increasing demand. The e-commerce channel accounts for around 30% of the overall market and is forecast to grow at a CAGR of about 27% from 2023 to 2028. Brand must therefore prioritize an omnichannel approach.

Category mix

Fragrance is the largest luxury beauty category in India with a 43% share, fueled by impulse shopping, gifting and the high contribution of men, however there has been a gender shift in fragrance purchases with an increasing share of women. Despite this, the dominance of fragrance is likely to evolve to show more contributions from color cosmetics and skincare.

Skincare is underdeveloped (28%) compared to other Southeast Asian markets, where the market share is over 50%. However, it is expected to become the fastest-growing category due to the increasing availability of luxury skincare brands and growing consumer education about skin health and skincare routines. Skincare is expected to see a surge in growth of 24% CAGR over the next five years. It is described as an extremely lucrative segment with high loyalty and is predicted to see a large number of entrants in the next one to three years. This is expected to fuel the sophistication of the Indian luxury beauty consumer.

Color cosmetics will also see ongoing strong growth, driven by a growing young working population with a rising share of women, which will lead to increased frequency and usage of make-up. Luxury make-up is projected to see a high growth rate of 18%.

The brand landscape for color cosmetics and skincare is fairly consolidated, with the top 10 brands accounting for a share of over 60%. As these categories continue to see rapid growth, more players will be inclined to enter the market, resulting in a more competitive environment. Fragmentation is more pronounced in the fragrance market due to the presence of multiple early-mover brands brought in by distributors and retailers. Niche fragrances are expected to grow in popularity as the average Indian luxury beauty consumer becomes more sophisticated.

Celebrity-led brands

Another trend is the rise of celebrity-led beauty brands, such as Hyphen by Kriti Sanon, Anomaly Haircare by Priyanka Chopra and Katrina Kaif's brand Kay Beauty. The latter is among the most successful beauty brands, with an annual revenue run-rate of \$18m within four years of launch. However, these brands could soon face competition from international brands.

The time is now

Kearney and LUXASIA say it is vital for brands to enter India now to establish their name, gain the loyalty of Indian consumers and benefit from the growth potential. Several international brands have already entered India in recent years to reap the advantages of being an early-mover.

However, entering the market is not without its challenges. India is a complex market – a “land of many Indias,” the companies say. India’s vast geography and ethnic diversity means the country is characterized by divergent consumer preferences, not seen in other Asian countries.

Consumer demand in India tends to be geographically fragmented, with the top 10 states accounting for around 75% of demand. However, for luxury beauty, distribution across 35 cities is required to cover around 80% of the market.

To succeed, brands must develop various regional or city-specific strategies as opposed to depending on a generic or single-market strategy. In addition, brands must navigate operational and regulatory complexities such as product registration and importation while optimizing their supply chain setups.

The companies say brands must address three strategic pillars: product-offering customization, targeted regional marketing strategies and omnichannel distribution optimization through strategic partnerships. The companies add that the last point is vital for unlocking value quickly, such as leveraging a nationwide sales team, including training, deploying and managing a dedicated network of beauty consultants across a range of omnichannel environments.

Satyaki Banerjee, Group COO, LUXASIA, who is also the overall commercial leader for numerous markets including India, said: “Despite the complexity and heterogeneity intrinsic to India, it is an extremely vibrant and attractive market for luxury beauty. Growth is expected to come with a sharp inflection point and not gradually over time. Brands need to be present in-market prior to these sudden spikes. It is imperative that brands play the ‘long game’ and invest into an understanding of Indian consumers, as well as the dynamic omnichannel ecosystem in the market. This effort needs to start today. Given the evolving market structure, complexity and information asymmetry, gains are most effectively multiplied by collaborating with the right partner on this journey.”

Other data



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