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Fireside Chat

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Keynote Speaker: Falguni Nayar
Founder & CEO
Nykaa

Moderator: Marie-Josée Kravis
Vice Chair and Senior Fellow, Hudson Institute
Chair Emerita, The Economic Club of New York

Introduction

Chair Emerita Marie-Josée Kravis

Good morning. I guess it really is good morning for you, Falguni. It's just a little past midnight in India. Good morning to everyone. I'm Marie-Josée Kravis, and I'm Chair Emerita of the Economic Club of New York. This next session will be a conversation which I'm delighted to be moderating and it's really my honor to introduce my friend and our guest today, Falguni Nayar. Falguni founded Nykaa in 2012 with the vision of building a multi-brand omnichannel beauty-focused retail business. By empowering consumer choices and enabling brands to reach the breadth and depth of the country, Nykaa has emerged as India's leading beauty retailer playing a critical role in developing the beauty market in India.

After graduating from IIM Ahmedabad, Falguni started her career in consulting with A.F. Ferguson and Company. She then spent 18 years at Kotac Mahindra bank, at the helm of several businesses and she was the Managing Director at Kotak Mahindra Investment Bank and Director of Kotak Securities, the bank's institutional equities division.

Falguni is the recipient of several prestigious awards and accolades. The recognition of her achievements and the crucial role she plays in transforming the beauty and

wellness e-commerce sector in India.

I'm going to add as a personal comment that Falguni is not only a remarkable business person, she is also a committed, engaged, attentive mother of two, wonderful, now also business executives. And a really supportive friend. Every time I've been to India.

Falguni has been there to teach me so much about her country and to spend time, that she doesn't have, really assisting anybody who wants to learn about India and spends time there.

Conversation with Falguni Nayar

Falguni, thank you, for joining us in the middle of the night for you, and congratulations on the success of Nykaa. But having been there almost at its birth, I'd like you to perhaps to take us through your vision and your decision to leave a remarkable career in the investment banking industry in India. A leading career that you had and deciding to form your own business and take this entrepreneurial risk, because it was a huge risk at the time. And just take us through how you were able to get this going.

FALGUNI NAYAR: Thank you very much, Marie-Josée, for the kind words of introduction. I have truly enjoyed our friendship and I've found our interactions both with you and Henry fantastic. And I always learn from both of you. It has been an amazing

friendship and I've learned a lot.

I think I will go back and tell the whole group about how it all began. I think, I've been a long career banker. And as a banker I have come across a lot of entrepreneurs. And I was quite fascinated by their ability to have a vision and see into the future and want to believe in that future and work at making it happen.

It always used to be against a lot of naysayers who always felt that you know I remember those early days when someone in India would say we want to build a Disney-like studio and people would say, how are you going to build a Disney-like studio in India. And that person went on to build a studio and sold it to Disney later.

Or when someone wanted to build a port or a multiplex business and everybody said in India, no one will pay this kind of money to watch movies and I think I always felt that I wanted to similarly look ahead and think of an industry that I can build in the country.

As I looked around I found that the beauty industry was not doing well at all. I think every beauty brand was leaving the country. Lancôme left India. And most of the people used to say that there is no demand for beauty in India. I felt, the U.S. was a great market for beauty, so was Korea and Japan. I said, why is India not able to build this industry. And I felt it was because of geographic diversity of India. Where it's a large

country, and beauty is a very, you know, we call it, it's a long tail industry. There are lots and lots of products. And in an early niche industry, it could be hard to do well there.

So I went about offering beauty through online. I was inspired by what Amazon was doing in the U.S. and I think that is an idea I'm going to pursue. And I remember I kept telling my husband that I'm going to do this and he kept saying, how are you going to do this. And I think Henry and Marie-Josée gave him good advice that if she wants to do it, let her do it. And I think that's where the journey started. So I have a big thank you for both you and Henry, Marie-Josée.

CHAIR EMERITA MARIE JOSÉE KRAVIS: The journey started maybe in that way, but it's not easy to start a business. And one of the issues that women in the U.S. bring up very much is access to capital, and mentorship, and support and so on. Do you find that in India that women have the same challenges or the same problems or they face the same skepticism as women here?

FALGUNI NAYAR: I have felt that I personally haven't felt a glass ceiling. And I have felt that I am a believer that women must want to dream for themselves and they must want to do, they must have a kind of lean-in kind of philosophy. They must want to lean in and take on more responsibility and commitment to their business and then things fall into place.

Personally, I haven't felt adversity in fundraising but you know I came from investment banking, I came from institutional working and I understood the language. And I think I could deal with fundraising more easily.

I can well see where the issues come about. I think the problem also sometimes lies in doubting the immense commitment to the business and I personally feel that one should not doubt the commitment.

I think this also happens as a professional, when you have a young women coming to work for you and she's going to go through this really early career as well as young parenthood. And one would start thinking, that, will she commit herself. And when you look at it, I think the exception or some amount of juggling that she needs to do is just for a few years. And if a society were to support that and workplaces were to support that, in the long run the quality of commitment and quality of work one can get out of women is fantastic. So I think there is a long-term view of women entrepreneurs or a long-term view of women professionals, if an organization or an investor is willing to take, then I think it can be a win/win.

CHAIR EMERITA MARIE JOSÉE KRAVIS: Talk to us about the online nature of your business. I was really struck, for example, that a good part of the online business in India, contrary to the U.S. and maybe Europe also, is a cash business. Where you have delivery and immediate cash payment and so on. Could you explain how that works?

Because I don't think that's well understood here.

FALGUNI NAYAR: Yeah. I think you are doing an excellent job telling your listeners about the nuances of Indian market. I think India is known to not have succeeded in the usage of credit cards because a lot of business in India is being done in cash for various reasons. Because there is a large amount of community that are self-employed professionals or they are small businessmen and a lot of their business happens in cash. It's changing slowly, but it used to be the case.

And as a result, everybody said online will never work because when you have to make the payment using a credit card in those early days and now of course digital manner of payment, customers will not accept it.

I think for that, the e-commerce industry came up with a very interesting way to deliver, it's called cash-on-delivery. Which means the customers can place an order, opt for cash-on-delivery and at the time of delivering the package, the courier boy collects the money and then he puts it into our bank accounts in each of the cities. So this was a very interesting way of doing business we came up with. And in early days almost 60% of our business used to happen through cash-on-delivery.

CHAIR EMERITA MARIE JOSÉE KRAVIS: I think here the reaction is, doesn't some of

that cash get lost or stolen. How does that system work?

FALGUNI NAYAR: So, it's just cash on collection. And then there is an accountability with the courier companies where they go and deposit in the banking system. It won't get lost. I think the point is, that yes, online businesses have a lot of fraud. But you know we are a digital company and we believe in digital data checks. So we actually monitor consumer history and the consumers who order more than three orders that they send back, or they don't accept delivery. Because the problem with cash-on-delivery is also that the customer may place an order and never accept it.

So there is a whole delivery leg that we spend on without any return. So I think what we do is we actually track consumer history and if they're misusing cash-on-delivery then we actually don't offer it to them and we will only offer them a prepaid option.

So the beauty in a technology world is technology empowers us to do so much at scale, so much complex (10:16) can be done very easily.

CHAIR EMERITA MARIE JOSÉE KRAVIS: So that is changing now, the payment process is becoming more technology driven?

FALGUNI NAYAR: Yeah, yeah, definitely. Payment process is technology driven, but

our technology looking backward can decide which customers to offer COD to and where to not offer COD so that there is no misuse.

CHAIR EMERITA MARIE JOSÉE KRAVIS: Let's talk about the product because you began with very few beauty lines, developed your own, Nykaa. Well Nykaa is the name of the company, but you also developed a house brand. How did you bring in all of these international brands and convince them?

FALGUNI NAYAR: I think it was early days when we launched the business, actually pre-Nykaa. Even the biggest beauty brands in the country, Estée Lauder as well as L'Oréal were not retailing online. They were only retailing through physical retail and what was sold online were just some small domestic brands, Indian brands. I think Nykaa wanted to change it and I actually went and convinced a lot of companies to list it online.

I didn't realize, but my past and my credibility that I had built as a banker came into help that. And I could convince a lot of big companies from L'Oréal or Estée Lauder to retail beauty online with us on very good principles of authenticity and you know, we were protecting them for counterfeit products. Because counterfeit is very big in the beauty industry all over the world. And we decided to do inventory-led business so that we protect it from that.

But soon we realized that our Indian customers wanted beyond that. So we actually started traveling the world. We went to Korea, we went to Japan, we went to Middle East, we convinced brands like Huda, Charlotte tilbury, the entire bunch of Korean brands to come and offer their products into the country.

We came up with a great market for those brands and for Indian customers, it became very exciting market. Because some of the best global products were available in the country. Now we are embarking on a similar journey in fashion where, again, we are bringing brands liked NA-KD from Sweden, we are bringing Missguided from Europe into India. And Indian consumers are benefitting from getting global products.

CHAIR EMERITA MARIE JOSÉE KRAVIS: How did you balance this broadening, international broadening, with also the need and the desire for Indian women to have Indian brands and more traditional kind of products. Is that through Nykaa itself?

FALGUNI Nayar: No, Nykaa Cosmetics is a global brand originating mainly out of Europe, mainly Germany and Italy. However, I think skin care is where the Indian products are very popular. You're aware that we have a lot of natural ingredients like saffron or turmeric or many urea-based products which have always been used in our country and in our tradition and women have always enjoyed using those.

So what we did was we, of course, many of these products we offer in our line, called Nykaa Natural, and of course there are many other Indian companies offering similar products. But we combined the Indian science or Indian ingredients with global science. And we actually made Korean sheet masks with Indian ingredients.

So instead of going firstly in masks or some other Korean products which are popular like ginseng, which Indians don't know what ginseng is. I think what we did was, we give them Korean sheet mask but with Indian ingredients, like turmeric and saffron and yogurt and all of the products that they're familiar with and they've used all of their lives. And that was really...

CHAIR EMERITA MARIE JOSÉE KRAVIS: So, tell us, what was the biggest challenge in terms of establishing the brand because starting from zero and having, yes, of course all of these brands on your platform, was important, but Nykaa itself had to develop a very strong brand recognition. What was your biggest challenge in getting there?

FALGUNI NAYAR: So I think, I started thinking very hard about how to build a brand and how to get virility and how to really get trust. You know, I think brands cannot trust. And I do remember that the symbol of trust in India at least, and it must be in the west also, but is a Banyan Tree. A Banyan tree is old and more than 100 years old with long branches that touch, the branches touch the roots, and I said, how am I going to get

trust in such a short time.

But I think what we did was we paid a lot of attention toward what brands stood for. We do believe that many of our customers, which are Millennials and Gen Z, they are very authentic and they really want brand to live by, you know, how we have values, as a human being. I think they want brands to have values and they want brands to be very authentic and transparent and demonstrate their values in every respect.

I think Nykaa came up with, well first we had name Nykaa stood for something. The word Nykaa means an actress and that was our message to Indian women that led the spotlight of your life beyond you. You should be the primary actor in your life and your life should not be about others.

And it was our message to women to want to dream for themselves and pursue, and they should have the freedom to pursue their dreams. I think this message is something that our customers really related to. They had seen their moms, mothers, for too long, compromise their ambition and their careers for balancing the family. And they were not ready to live their lives that way.

And they wanted the courage and they wanted, basically they were unapologetic about what they wanted for themselves and they really related to Nykaa's message.

I think, without us knowing, you know, we started realizing that Nykaa meant a lot to our customers and we started getting this whole virility and what we call as brand love which was just immense.

And we're just amazed at the amount of brand love that we get from our customers and from the community in general, because Nykaa has always stood for authenticity and you know what we stand for.

And another message we give to women was that we understood Indian women. They wanted to be beautiful and use beauty products mainly for themselves, and not to really, please a man or a woman. They didn't want to be objects of attention. But they wanted to do it for themselves.

With that kind of definition of beauty it was very empowering and it broke all of the traditional barriers and ways of looking at it. There was a time when people would say, oh don't wear red lipstick, it connotes some negative positioning. But I think with us, it was like she can wear whatever color of the lipstick she wants.

CHAIR EMERITA MARIE JOSÉE KRAVIS: It's very interesting. As you're speaking a question came up on the chat saying, what role would the beauty industry play in the empowerment of women and I think you've answered a big part of that.

FALGUNI NAYAR: Yeah. That's true. And also, you know, also, I mean, even with fashion, you know, inclusivity, body positivity and all of that you know, and I think women want that because I think it's about letting them be who they are and letting them experience. I mean, there is no perfect model. There's no perfect, I mean, the industry is moving way, the whole world is moving away from those thinking. And I think everything is, each one to oneself and my life is my life, and I'm who I am, and beauty and fashion empowering me to be who I am.

CHAIR EMERITA MARIE JOSÉE KRAVIS: One of the issues that comes up in the beauty industry has to do with packaging and so on. And mostly because of this focus on climate change and the environmental impact and so on. Is that something that's central to Nykaa's thinking also?

FALGUNI NAYAR: Yeah. So, I think, like I said, the young Millennials are very, they're very authentic and they will be careful, the causes that they care for, they speak up. We used to actually put a lot of bubble wrap, not primarily used, but secondarily used bubble wrap and not divergent, but still they took objection to that, and they wanted us to reduce it, so we have moved to paper packaging. Increasingly our other containers in which the beauty products come. They tend to be plastic because glass is heavy and expensive and also capable of breakage.

So I think if I may say in the industry still predominately uses plastics. But India has come out with a new system where all of us who are in the business where we are using plastics, we have to do an equal amount of processing and reprocessing plastic as well as we have to facilitate movement of used plastics to kilns where it's used into manufacturing. So that there is no... I mean, we're not letting it go into landfills. We have to do it as a community. Like government is facilitating that we play our part into bringing that waste to certain processing centers.

CHAIR EMERITA MARIE JOSÉE KRAVIS: Now, you had a very exciting moment in 2021 and I'm not talking about the marriage of your children. I'm thinking of the IPO. And that was a huge step. How does it feel to be a public company? As successful as the IPO was.

FALGUNI NAYAR: The IPO was very successful and I'm happy, I mean, having been a banker who advised listing to everyone, it is something I really wanted for my company. For me, I give an anecdote that listing is something akin to college graduation for our children. Once they reach college graduation you feel now they can have a life of their own and there will be a little less responsibility on you.

So, as an entrepreneur who started this, I wanted to see Nykaa graduate to being a company that can have a long-term future and can have a journey of its own, over,

obviously, anyone who does brands wants them to survive for really, really long-term.

So I would like that.

And I think with IPO it's a step towards giving company independence to have its own future. For me, it was a very meaningful moment. I think the amount of love we got from investors was unique. I think they understood our business model and they understood the balance we were trying to achieve between growth and profitability.

I'm a believer that businesses have to be sustainable. If you don't make a business sustainable then a lot of capital is...if at the end of the capital, if you don't have a sustainable business model, then what good is it.

I think it was important to build business in a way that it reaches a sustainable part. And I think that's what we tried to do with Nykaa. I think the rest of the community recognized that and gave Nykaa in some ways, you can see, a thumbs up.

IPO and listing was a big moment for me and the whole company and the family. And we're really happy on that. Of course, I was warned that it will mean a lot of responsibility and from being very long-term oriented, it will bring focus onto quarter and quarter earnings performance. And being a newly listed company I can see that.

I think you have to explain performance quarter and quarter. You have to explain the performance year over year. You have to explain what was happening two years ago. So I think there is a lot of, and also it means having expectation. So there is a lot of complexity in running a listed company. And I'm feeling it, so yes.

CHAIR EMERITA MARIE JOSÉE KRAVIS: You mentioned profitability and sustainability. What's really interesting about your company is you were profitable very early on, many years before going public.

I am sure that explains part of the love the market expressed for your company when you did go public.

FALGUNI NAYAR: Yeah. But I think we were profitable and I think it was a conscious choice we made because India is such a big market that at any point in time only commerce companies actually can be profitable at any point in time. But because the market is so large, I think even now the beauty core penetration is only 80% of total market. And in fashion it's 12%. So there's a long way to go to increase the penetration of e-commerce.

So all of us can spend more money to acquire new customers and that cost would be, obviously, worth it in the long run. However, in this year it would result in a loss.

I think for Nykaa what I showed to the community was that yes, I understand that there are lots of customers and we can acquire them early, but if you acquire too many early, and then you don't keep a balance, you don't retain them. It's more important to acquire customers and retain them for the long run. And continue to engage with them through strong CRM programs.

I think that choice that we made to optimize rather than maximize is what market really valued.

CHAIR EMERITA MARIE JOSÉE KRAVIS: If you look at the future, and I don't mean the next quarter and I'm not asking you for a guidance, but just your vision for the future. Where do you see Nykaa five years from now?

FALGUNI NAYAR: So I think Nykaa is, obviously, a multi-brand retailer for beauty and fashion, both now. I think Nykaa would love to be in the wellness space, however, I'm very acutely aware that any execution that we do needs a lot of technology and we have to create platforms that really work well for the consumers. And that's where most of the investment and hard work is.

So, wellness clearly, we want to focus on. We're also building our house of brands in the sense that there are many brands we have already in beauty, like Nykaa Cosmetics,

Nykaa Naturals. We have a brand called Kay Beauty which is a celebrity brand with Katrina Kaif, an actress, a Bollywood actress.

We also are building a number of brands in fashion, like a lingerie brand called, NY-KD. And we've acquired more western wear brands, Indian wear brands. It's really exciting to build this up, like the family calls it the future Estée Lauder from India. I would love to do that.

CHAIR EMERITA MARIE JOSÉE KRAVIS: What about expanding internationally?

FALGUNI NAYAR: I keep saying to my investors that I know Indians better and I think our business model works because of our deep understanding of the Indian consumer. And I am, in a way, kind of afraid to embrace global markets, however, I think the feeling is that Indian tech platforms are very superior. And when you take them to additional markets, there will be some advantages.

We have decided to start with a focus on the Middle East, which is an easier and less of a market. And then maybe in the U.K. where there's a lot of linkages with India. So we will start with these two markets. They'll be more like experiments. And if they work then we will have bigger ambition, maybe.

CHAIR EMERITA MARIE JOSÉE KRAVIS: What are you most worried about? You told us your vision and where you want to take it. What do you think will be your biggest challenge?

FALGUNI NAYAR: I think today the biggest challenge is technology and the technology is evolving so fast. And really, we're growing so rapidly that it's like you really have to identify and ride those technology trends. I remember, very early in our journey when the APPs became popular. And I remember we used to be on a website and I decided that okay I will make a very inexpensive APP so that if it works, great, if it doesn't work I can reset money.

And now, we're talking about the metaverse, we're talking about NFTs. I mean, every day, you don't know what technology to believe. I'm not even talking about crypto. And we have to really understand because crypto doesn't affect Nykaa so much. But NFTs and also metaverse universe does affect them. What is our view on that? What is the investment that we're going to make? And just one has to hope that technology just doesn't move so fast that you get left behind.

CHAIR EMERITA MARIE JOSÉE KRAVIS: Do you accept crypto as payment?

FALGUNI NAYAR: No. We don't. I think the Indian government is guiding us on crypto

at the moment. And they have a conservative view. There is a lot of trading in crypto and all, but I think it has not become the currency of use.

CHAIR EMERITA MARIE JOSÉE KRAVIS: So unfortunately, Falguni, we could go on and on and on, but we're running out of time. And it's getting later and later for you.

Just in closing, you referred to Millennials so much and to young people, any words of advice that you would give them if they look at you, spotlight on you, as a successful entrepreneur who didn't let people dissuade her but pursued her dreams.

FALGUNI NAYAR: Well, you know, I think, I'm so sorry to say this, but I have to say it, that Millennials don't like to listen to advice. Even with my family, I've learned one thing, never to give advice.

I think the best thing you can do for Millennials is they learn by watching you. And I think your conduct and what you do and I think they learn from that. I think gone are those times when anybody wanted to listen to anyone and I don't advise. What I can say and I say that to a lot of entrepreneurs, not really to Millennials, that I think entrepreneurship is a long journey and it's like a roller coaster ride.

And please know that. Commit yourself for the longer term and enjoy it. But at the same

time, don't let the downs pull you down, and don't let the highs get to you. And I think if you can keep that semblance of working at it, and like, you know, lift up your spirit every day, even if the previous day was a lousy day. That's the only way to build a company.

CHAIR EMERITA MARIE JOSÉE KRAVIS: That's wonderful, Falguni, congratulations on what you've achieved and your humility in not giving advice is a real lesson to all of us. And I'm sure as people watch your conduct and watch what you've done and your commitment and your steadfastness, they will learn their own lessons.

Thank you so much and congratulations to you and your family because I know they're all involved with you and supportive of you. I hope to see you soon in person.

FALGUNI NAYAR: Yeah. We are looking forward to that, Marie-Josée. Thank you very much for hosting me here. Thank you, everybody, the Economic Club of New York and Barbara and everyone. It's been a real pleasure.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: Thank you. So this wraps up or second session of the day and our next session will start at 11:45 and we'll assess the differentiated impacts of the COVID-19 pandemic and offer insights into how the public and private sectors can apply an intersectional lens to advance gender equality. This panel includes Mary Kay Henry, the International President of the Service Employees

International Union. Gerard Wolf, Chairman of the Task Force on Sustainable Cities of MEDEF International and Vice Chairman of the Africa Committee. And Dawn Desjardins, Vice President and Deputy Chief Economist at Royal Bank of Canada, RBC, and moderated by the Economic Club of New York Trustee, Reshma Saujani, Founder of Girls who Code and Marshall Plan for Moms. So you all should have received the link to join and we look forward to seeing you after this short break in approximately 15 minutes.

If for some reason you do not have the link, please reach out to

events@econclubny.org. And thank you for joining us this morning.