Wellness and beauty

An ecosystem in the making

FICCI

EY

Building a better working world

Table of contents

Executive summary 06

Introduction to wellness and beauty 08

Market size and growth opportunities 14

Industry structure 18

Key drivers for the wellness and beauty industry 22

Key trends in the wellness and beauty industry 26

Wellness and medical tourism opportunities 34

Employment opportunities in the sector 38

Key challenges before the industry 42

Regulatory framework 44

Road ahead 46

Appendices 48

Foreword by FICCI

FICCI-EY report on wellness sector titled "Exploring the untapped potential", which was released in the year 2009, was one of the marquee reports on the Indian wellness sector. It came at an inflection point, where double digit growth of the sector was predicted for over a decade. These growth figures were achieved due to the increasing purchasing power of the Indian consumer and their demand for wellness services and goods. The report outlined the contours of the wellness industry for the first time, its potential for exponential growth and the emergence of the wellness economy. When we look back and analyze the 10-year growth trends predicted in the report, it is gratifying to see the level of accuracy with which the study foresaw the road map for the wellness industry.

After a gap of 10 years, FICCI is delighted to partner with EY again to bring the latest report "Wellness and beauty: an ecosystem in the making," which focuses on future trends and opportunities this segment holds. The report outlines the market size and opportunities, including the sub-segments such as alternate therapies, fitness and slimming, salons, spas, aesthetic dermatology and nutraceuticals. It also presents an overview of the key drivers of growth for the wellness and beauty industry as well as current trends and opportunities in wellness tourism.

The report also highlights the employment opportunities offered by the wellness and beauty sector, giving an overview of the various government schemes with a focus on skill development and employment generation. In addition to this, it also details some of the key efforts of various government and private institutions in developing a formal wellness ecosystem.

FICCI, through its wellness committee, has been proactively working on the various policy and regulatory issues being faced by the industry, which still remain fragmented and informal. The committee interacts with its various stakeholders, both from government and private sector and presents its view on the key challenges of existing policy and regulations. The committee has also presented a road map to overcome these challenges.

We hope that this report will mark another milestone in the evolution of the wellness and beauty economy in India and will be beneficial to all the stakeholders.

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Director, VLCC Health Care Limited

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Foreword by EY

Dear reader,

It gives us immense pleasure to bring to you the FICCI-EY knowledge publication on the wellness and beauty industry in India – "Wellness and beauty: an ecosystem in the making."

Increasing consumer awareness and acceptance of wellness and beauty as an integral part of everyday life is changing the face of wellness and beauty industry. It is no longer only a privilege of upper class living in the metro cities. With rising personal disposable income, rapid urbanization and a desire to have a better lifestyle, we are seeing a strong demand from the middle class in tier-II and tier-III cities.

The sector is witnessing early signs of digital disruption with the entry of new technology-led start-ups which are offering innovative products and services. Traditional players are upskilling their game by imbibing new-age technologies like Artificial intelligence (AI), Machine Learning, data analytics and augmented reality (AR) in their products and services, customer engagement and regular operations.

Although Indian and foreign players are foraying into the industry, the potential still remains largely untapped. This is attributable to the largely unorganized and unregulated nature of the industry. However, as we see government taking steps to align the ecosystem, we believe that the industry will have a more robust system to tap the potential and ensure sustainable growth.

We are grateful to FICCI for giving us this opportunity to collaborate and be a part of this crucial report.

At EY, we are driven by our purpose of "Building a better working world." We firmly believe that often the genesis of a creative solution is asking the right questions. We hope this report will bring together various stakeholders to debate and address the key issues faced by the industry.

Pinakiranjan Mishra
Partner & Sector Leader
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Executive summary

Wellness and beauty industry has experienced an impressive growth story in recent years owing to the young demography, incremental disposable income and an overall shift of conscience towards a healthier lifestyle. Being a sunrise industry, each of its segments hold an immense potential. Low penetration levels and surging demand from non-metro cities has exposed the industry to untapped growth avenues. The upward momentum is expected to continue with regulatory modulation, higher investment and robust demand. The entry of bigger players is propelling this highly unorganized industry towards formalization. It is also making consumers more confident to incorporate wellness products and services into their changing lifestyles.

The growth is not just restricted to the core segments of wellness and beauty, but is spilling over to various peripheral industries like insurance, apparel and footwear, tourism, fast moving consumer goods (FMCG), hospitality and pharma. Consequently, these industries are evaluating opportunities to collaborate and invest in the wellness and beauty industry.

Established FMCG players are introducing new product lines like herbal, ayurvedic, organic, etc. with a focus on the overall wellness. Fitness apparel companies are partnering with gyms to offer signature workout and meal plans. Health insurance plans are including wellness coaches to provide guidance on fitness regime, nutrition, lifestyle changes and the like. Hotels are allying with spas to offer complementary services. The traditional industry boundaries are increasingly getting blurred with cross selling and portfolio expansion. Salons are expanding into fitness through gyms and entering hospitality sector by opening spas in luxury hotels. The conventional businesses are facing disruption with emergence of technology-led start-ups, which are offering innovative products and services. However, the disruption is working in the favour of the consumers as they have more choices than before at their disposal.

Source: EY analysis

Introduction to wellness and beauty

Defining wellness: According to the National Accreditation Board for Hospital & Healthcare providers (NABH), wellness is defined as "a state of healthy balance of the mind and body that results in the overall well-being". It is a holistic integration of seven dimensions - physical, emotional, intellectual, social, spiritual, environmental and occupational wellbeing of an individual. However, from consumer products and retail perspective, physical wellness has always been the most salient aspect, which focuses on external appearance and corporal health. From an industry standpoint, it can be grouped into the following three key segments - **nutraceuticals, alternative therapies and fitness and slimming.**

1. Nutraceuticals

Nutraceuticals can be simply defined as functional products which provide additional health benefits. A level deeper, they can be classified into three sub-categories - functional food, functional beverages and health supplements.

Source: EY analysis

Functional food

Functional food includes products which provide health benefits beyond the scope of basic nutrition, when consumed at efficacious levels as part of a regular diet. They help in reducing the risk of chronic diseases or optimizing the overall health. Such foods cover products that have been actively fortified with health ingredients during their production. For example, soy milk is called "functional" only if additional ingredient (e.g., omega-3) has been added. Some other examples are omega-3 enriched eggs, oats, fatty fish, fortified margarines, iodized salt, soy and probiotic yoghurt. However, products where nutrients are added to compensate for the nutrients that are lost during processing, are excluded from this category. For instance, rice is fortified with vitamins and minerals that are lost during milling and polishing.

Functional beverages

Functional beverages are non-alcoholic drinks whose ingredients provide specific health benefits, beyond general hydration. Traditionally, beverages have been fortified with vitamins, minerals, amino acids and antioxidants. However, nowadays drinks containing natural and organic ingredients such as herbs, fruits and vegetables have also gained popularity among the health-conscious people. Some examples of functional beverages include performance and sports drinks, ready-to-drink tea, enhanced water, energy drinks and fruit drinks.

Health supplements

Health supplements are the products that provide nutrients, which are missing or are not consumed in sufficient quantities in a person's regular diet. They are available in multiple forms such as food, powder, pills, liquid, capsules or tablets. Some major categories of health supplements are vitamins and minerals, herbal supplements and protein supplements.

2. Alternative therapies

Alternative therapies are the healing methodologies which differ from the usual line or conventional medical practice (Allopathy). These therapies have existed in India since ages but have seen a steep rise in popularity recently, due to increased awareness on treatments and methods, cost effectiveness and absence of potential side effects. In November 2014, Indian government established **the Ministry of AYUSH** (Ayurveda, Yoga and Naturopathy, Unani, Siddha, Sowa-Rigpa and Homoeopathy) to ensure optimal development and propagation of these alternative health care systems.

Ayurveda

Ayurveda is an ancient Indian healing practice which is believed to be in existence for more than 5000 years. It aims to maintain the structural and functional entities of our body in a state of equilibrium using balanced diet, therapeutic procedures, medicines and lifestyle management. It is also referred to as "Ashtanga Ayurveda" as it further spreads into the following eight specialities:

- Kayachikitsa (internal medicine)
- Kaumar Bhritya (Paediatrics)
- Graha Chikitsa (Psychiatry)
- Shalakya (eye, ear, nose, throat (ENT) and Dentistry)
- Shalya Tantra (surgery)
- Agada-Tantra (toxicology)
- Rasayana (immuno-modulation and gerentology)
- Vajikarna (science of fertility and healthy progeny)

Yoga

Yoga is a discipline of healthy living which focuses on bringing harmony between body and mind. It is one of the most popular forms of alternative systems being adopted worldwide because of its therapeutic credentials in prevention of diseases and management of lifestyle-related disorders. Several studies have proved the therapeutic benefits of yoga in stress management, heart health, chronic pain, migraine and other ailments. Regular practise of yoga is believed to benefit both mental and physical health.

Naturopathy

Naturopathy believes in the concept of unity of disease and cure. It propagates that root cause of all the diseases is an accumulation of morbid matter in the body and the remedy is elimination of those toxins. Naturopathy does not prescribe medicines, but believes that human body is a self-healing machine. It accepts prayers as a modality of treatment, along with balanced diet and lifestyle counselling.

Unani

the Unani system is based on the humoral theory, i.e., the presence of blood, phlegm, yellow bile and black bile in every person. It focusses on the balance of all these natural humours for maintaining good health. Its offers four types of treatments, namely, preventive, promotive, curative and rehabilitative.

Siddha

the Siddha system of medicine emphasizes on the physiological attributes of the diseases including patient age, habits, diet, etc. for its treatment. This system uses metals and minerals like mercury, silver, arsenic, lead and sulphur as medication to cure various diseases. Its strength is believed to lie in providing especially effective therapy in the case of psoriasis, rheumatic disorders, chronic liver disorders and peptic ulcer, including various kinds of dermatological ailments.

Sowa-Rigpa -

Sowa-Rigpa is amongst the oldest health traditions of the world. The basic theory of Sowa-Rigpa focusses on the body and mind as the locus of treatment. This system highlights the importance of five cosmological physical elements (Prithvi, Jal, Agni, Vayu and Akash) in the formation of the human body, the nature of disorders and the remedial measures. It is considered effective in managing chronic diseases like asthma, bronchitis, arthritis, etc.

Homeopathy

Homeopathy is one of the more popular and accepted classes of alternative medicine. It is based on the philosophy that both the cure and the ailment come from the same situation. The substance which causes a disease in high doses, gives a medicinal effect when consumed in small doses. Homoeopathic medicines are prepared from natural substances such as plant products, minerals and animal sources. They are considered useful for treatment of allergies, autoimmune disorders and viral infections.

3. Fitness and slimming

According to the US-based "Centres for Disease Control and Prevention (CDC)", physical fitness is defined as "the ability to carry out daily tasks with vigor and alertness, without undue fatigue and with ample energy to enjoy leisure-time pursuits and respond to emergencies." Fitness has always been an integral part of the Indian culture, as evidenced by the existence of village akhadas, yoga and Ayurveda practices in the country. However, with changing lifestyles and increased western influence, the pursuit of fitness has also become modern. Physical fitness can now largely be grouped into physical activity (exercise) and nutrition (healthy food). While gymnasium and fitness centers have become synonymous with exercise and active fitness, consulting dieticians and nutritionists have gained popularity for maintenance of right nutrition levels.

Defining beauty: the term beauty is very subjective and defined differently by different people. It can have many facets to it such as physical, social, cultural, emotional, etc. However, one thing that is common across all the facets is that it is a perceived experience of pleasure or satisfaction. Thus, the beauty industry in India can be defined as a gamut of all those services and products which focus on enhancing the aesthetics or appeal of an individual to make him/her look and smell better. Salons, spas (rejuvenation) and aesthetic dermatology are three key segments of the beauty services industry.

Salons - a salon is usually defined as an establishment that offers beauty services such as facials, haircuts, waxing, shaving, bleaching, hair straightening, hair colouring, manicures and pedicures, among others. Depending on the kind of service that each salon offers, it can be classified into different types:

Additionally, salons can also be categorized on the basis of its customer base, namely barbershops (only for men), women salon (only for women), kids' salon (only for kids) and unisex salon (for both men and women).

Spas - according to the International Spa Association (ISPA) – "Spas are places devoted to overall well-being of an individual through a variety of professional services, which encourage the renewal of mind, body and spirit." They help in body relaxation, rejuvenation, stress relief, pain management, fitness and maintenance of good hygiene. Spas offer an array of services including facials, massages, hair spa, medical treatments, yoga, etc. They can be grouped into different categories on the basis of services or experiences offered:

Types of salons

Hair salon: Offers basic hair services such as hair cuts, perms, colors, shampoo, conditioning, curling, etc. Also provides hair care treatment for problems such as hair loss and scalp issues.

Nail salon: Specializes in nail care services such as manicures, pedicures and nail enhancements.

Facial and skin care salon: Offers services such as bleaching, threading, make-ups and facials. Also provides treatment for specific skin needs such as removal of pigmentations/scars and acne treatment.

Tanning salon: Offers services for artificial tanning (such as spray tanning and ultraviolet bed tanning) and skin beautification.

Waxing salon: Provides diverse waxing services to both men and women.

Source: EY analysis

Types of spas

Club spa: Spas offering professionally administered services and located within a larger gym or health club.

Day spa: Offers services like massages, sea salt scrubs and mud wraps. Unlike destination spa or resort spa, customers don't spend nights here.

Destination spa: Facility to guide spa-goers to develop healthy lifestyles (can include nutritious meal, fitness class, etc.).

Medical spa: Facility with full-time licensed health care professional on-site. E.g., Dental spa, which combines traditional dental treatment with spa.

Cruise ship spa: Spa aboard a cruise ship which provides fitness and wellness services and spa cuisine menu choices.

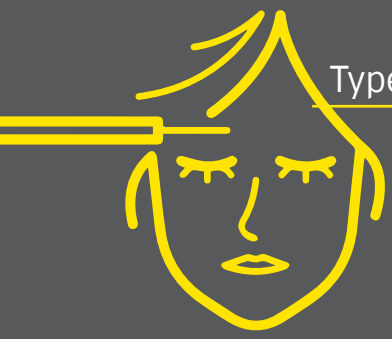
Mobile spa: Spa which provides services at home or wherever the customer is located.

Resort/hotel spa: Spas located within a resort or hotel, offering spa, fitness and wellness services.

Mineral springs spa: Spa which offers on-site source of natural mineral and thermal or seawater for hydrotherapy treatments.

Source: EY analysis

Aesthetic dermatology - aesthetic dermatology, also known as cosmetic dermatology, is a field of science that deals with the treatments or procedures aimed to improve physical appearance and looks of an individual by reducing or eliminating imperfections. Most of these imperfections are related to skin, face, nails, scalp and hair. Some of the common cosmetic procedures offered include wrinkle fillers, chemical peels, enhancements, microdermabrasion, liposuction and laser resurfacing. Depending on the type of procedure conducted, the services can be divided into two heads – surgical and non-surgical procedures.



Types of **cosmetic procedures**

Surgical procedures

- Face and head
- Breast
- Body and extremities

Non-surgical procedures`

- Injectable
- Facial rejuvenation
- Other non-surgical (hair removal, tattoo removal, etc.)

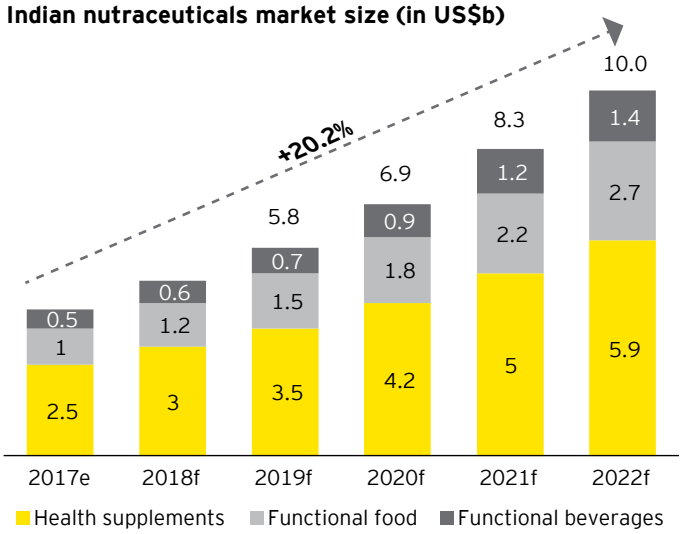
Source: International Society of Aesthetic Plastic Surgery (ISAPS)

Market size and growth opportunities

Nutraceuticals - the nutraceuticals sector was estimated at US$4b in 2017. It is predicted to grow at a CAGR of 20.2% and reach US$10.01b by 2022.

- Health supplements occupies the majority share (~63%) within the nutraceuticals market. It is expected to grow at a rate of 18.7% to reach US$5.9b by 2022, up from US$2.5b in 2017
- The functional food and beverage segment was valued at US$1.5b in 2017 and is anticipated to reach US$4.1b by 2022, growing at a CAGR of 22.3%. Within this the functional food sub-segment was valued at ~US$1.0b and is expected to grow at 21.2% to reach US$2.6b by 2022. While, the functional beverages sub-segment was valued at US$0.5b and is expected to reach US$1.4b, at a CAGR of 25%, making it one of the fastest growing sections of the nutraceuticals market.

Indian nutraceuticals market size (in US$b)



Source: MRSS; f stands for forecast

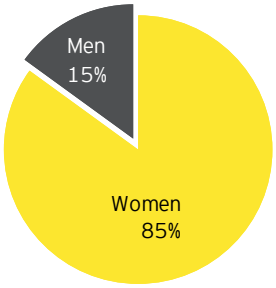
The functional food and beverage segment is still in its infancy stage in India, catering mostly to the urban population. However, the growth of young population coupled with rising income and growing inclination towards a healthy lifestyle has led to a strong growth in the segment. Prolific increase in the variety of sugar-free, zero fat and gluten free version of regular consumables, signify the massive growth opportunities in this area. Big beverages players like Coca-Cola have already started diversifying to these segments. The company ventured into the functional beverages segment with the launch of "Aquarius Glucocharge" and "Minute Maid Vitingo" in May 2018.

Alternate therapies - the AYUSH industry is estimated to have an annual turnover of around US$1.7b[1]. The products market is worth US$0.6b with over-the-counter products such as digestives, health food and pain balms constituting almost 75% of the segment. This offers a promising opportunity in the manufacturing of AYUSH prescribed drugs. The government is also creating opportunities through initiatives like "Make in India" and establishment of the Ministry of AYUSH to enable higher investment and growth for this industry. Big FMCG and pharmaceutical companies already have a noticeable presence in the segment with ayurvedic, natural and herbal products and services. In order to tap the market potential, several e-commerce start-ups like "NirogStreet" and "svaasth.com" have come up, which connect healers with seekers to provide preventive and holistic treatments. They also spread awareness by creating well researched content.

Fitness and slimming – the overall fitness market was estimated around US$14b[2] in 2017. The growth in this industry is primarily driven by the increasing focus on personal health and well-being. With a shift in urban lifestyle towards sedentary, there is a renewed focus on fitness to avoid lifestyle-related diseases and deal with stress. Seeking professional guidance for fitness and slimming are no longer considered a luxury, but an elementary part of a healthy lifestyle. This change in consumer behavior and preferences will continue to provide an impetus to the industry.

Salon industry - the salon industry in India was estimated to be around US$3.8b[3] in 2017–18, growing at a CAGR of 27%–30% in past two years. It is roughly 30% of the overall wellness and beauty market. There are six to seven millions salons in India, with women contributing to more than 85% to the total industry revenues. However, with men becoming more focused on their looks, the number of unisex salons are also growing strongly.

Indian salon industry revenue*



Source: Technavio;*As of May 2018

For a long period, salons in India were considered only for basic hygiene-based needs such as haircuts, shaving, hair removal, etc. and people were reluctant to try other experience-based services such as facials, manicure and pedicure. Visitors perceived these services as expensive and only in the reach of higher economic group. However, in recent years, multiple factors such as rising personal disposable income, preference for a quality lifestyle, increasing focus on physical appearance and inclination for personalized services have changed that notion. Individuals are gaining inspiration from international lifestyle and celebrities to look good and feel good. Grooming and beauty services have become a part of one's lifestyle leading to a growing demand of experiential services. For example, between 2014 and 2018, the average number of services availed by a customer has increased from 1.8 to 5 at the India outlets of Truefitt & Hill, a premium international male grooming chain.

[1] Converted at exchange rate as on 15 November 2018 (US$1 = INR71.7355), Source OANDA.com

[2] Converted at average exchange rate for 2017 (US$1 = INR67.809), Source IRS (US)

[3] Converted at average exchange rate for 2017 (US$1 = INR67.809), Source IRS (US)

Spa market - the spa industry in India is in a nascent stage but growing rapidly due to increasing wellness tourism, improving living standards and growing awareness about the importance of maintaining physical and mental health. Currently, India is the third fastest growing spa market after America and Europe. According to the Spa Association of India, spa industry in India was valued at US$1.7b in 2017.

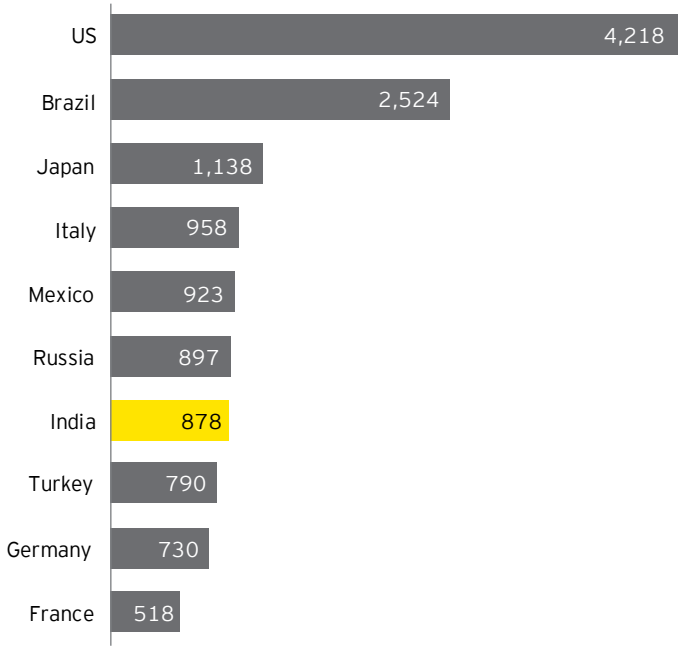
India was among the the **top 20 spa** markets globally in 2015, with **4,734** number of spas employing **55,862 people.**

Source: Global Wellness Institute

"Destination resort spas" capture around 50% to the total India spa market, followed by "day spas", which are gaining popularity as spas move from niche to mass market.

Aesthetic dermatology – the aesthetic dermatology industry is growing rapidly in India, driven by positive macroeconomic factors, rising aspirations to achieve perfect body and face, increased medical tourism, availability of quality services and improved healthcare infrastructure. In 2017, the Indian cosmetic treatment market (comprising of skin care and hair care treatments) was valued at around US$0.5b[4]. Of this, skin care occupied the maximum share (60%).

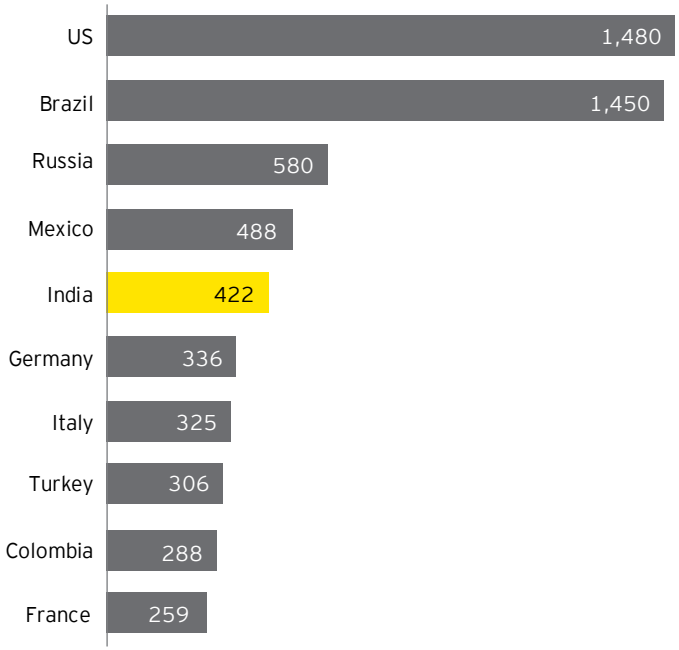
Top 10 countries by total cosmetic procedures, 2016 (in thousands)



Source: ISAPS

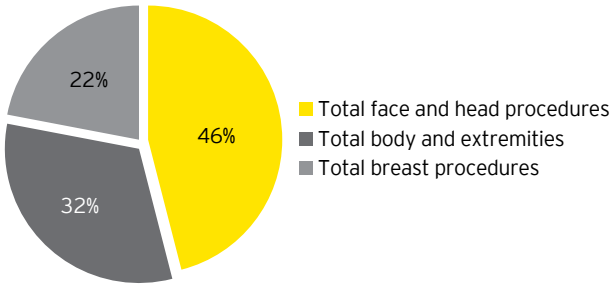
In terms of surgical procedures, India was ranked 5th with total face and head procedures having **~46% share**

Top 10 countries by surgical procedures, 2016 (in thousands)



Source: ISAPS

Indian surgical procedures industry, 2016

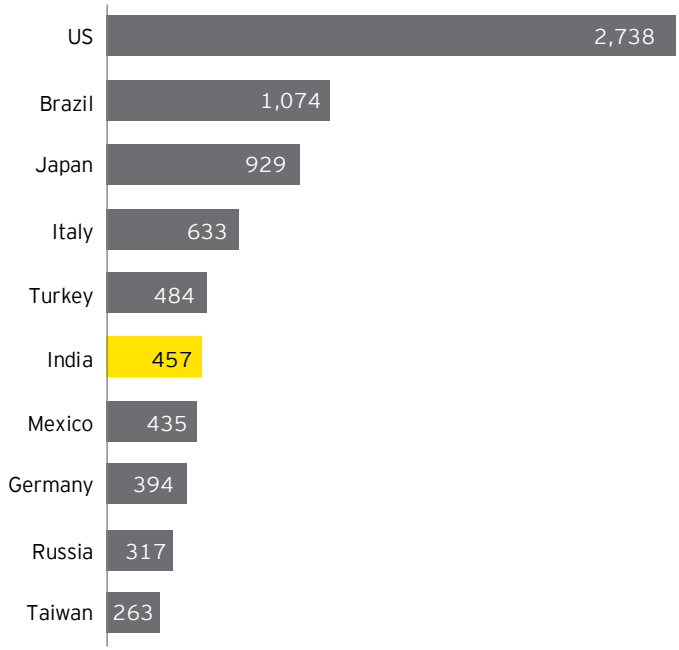


Source: ISAPS

[4] Converted at average exchange rate for 2017 (US$1 = INR67.809), Source IRS (US)

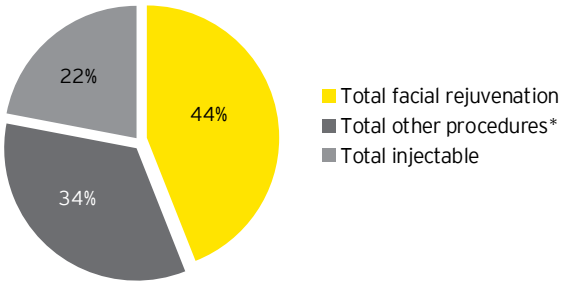
In terms of non-surgical procedures, India was ranked 6th with total facial rejuvenation having **~44% share**

Top 10 countries by non-surgical procedures, 2016 (in thousands)



Source: ISAPS

Indian non-surgical procedures industry, 2016



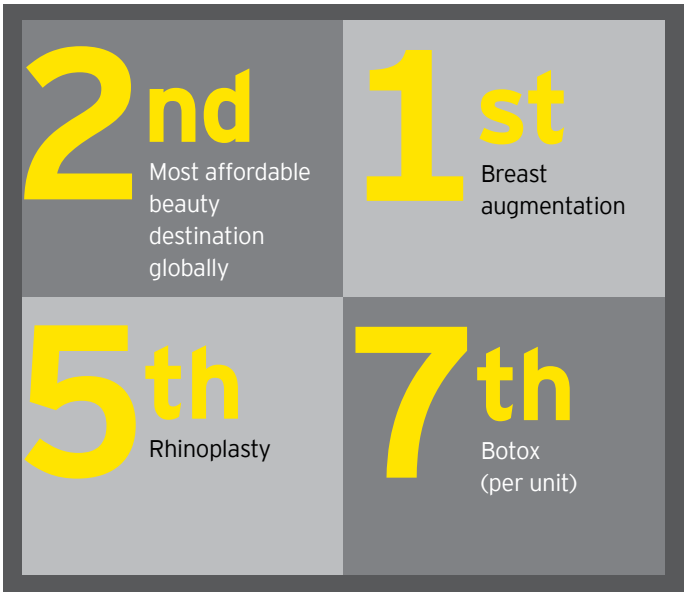
Source: ISAPS; *Total other procedures include cellulite treatment, hair removal, non-surgical fat reduction, tattoo removal, treatment of leg veins and sclerotherapy

The below table summarizes India's ranking and contribution in 2016 in common surgical and non-surgical procedures conducted.

Cosmetic procedure	Type of procedure	India's ranking	Procedures conducted (in thousands	Percentage contribution globally
Chemical peel	Non-surgical	2nd	71.4	12.2%
Liposuction	Surgical	3rd	72.3	5.0%
Rhinoplasty	Surgical	3rd	54.2	6.9%
Hair removal	Non-surgical	3rd	105.6	9.2%
Photo rejuvenation	Non-surgical	3rd	42.7	6.8%
Abdominoplasty	Surgical	4th	32.7	4.3%
Breast augmentation	Surgical	11th	32.9	2.0%
Eyelid surgery	Surgical	12th	25.8	1.9%
Botulinum toxin	Non-surgical	13th	58.8	1.2%
Hyaluronic acid	Non-surgical	15th	40.1	1.2%

Source: ISAPS

In terms of affordability, India was ranked 2nd most affordable beauty market globally in 2017.



Source: Linio

Industry structure

The Indian wellness and beauty industry is largely unorganized and fragmented. However, it is swiftly moving towards consolidation and formalization with the entry of large organized players.

Nutraceuticals:

pharmaceuticals and FMCG companies control the majority of the nutraceutical segment, with select few companies that specialize only in nutraceutical products. While the pharma companies are the major players in the health supplements market, FMCG companies rule the functional food and beverage segment. The nutraceuticals market is inhibited by both domestic and international players alike. The health supplements market is led by Amway India with a 33.8% market share, followed by Pfizer. In the fortified or functional packaged food segment, Cargill India enjoys a leading retail value share of 20%, whereas GlaxoSmithKline dominates the fortified/functional beverages market with a retail value share of 64%.

Fitness and slimming:

the fitness industry has traditionally been dominated by mom-and-pop outlets, but is recently witnessing an influx of global players and home-grown start-ups which are making way for the much-awaited consolidation. The organized fitness industry stands at ~28% of the total industry size and is expected to grow at a CAGR of ~25% for the next three to five years. However, Talwalkars Better Value Fitness leads the organized segment with a market share of ~41% by the number of outlets, followed by Gold's Gym having a 24% share. An exponential growth of the digital economy has given birth to a host of start-ups that leverage technology to provide specialized products and services and enhance consumers' experiences. Such tech frontiers are poised to challenge the conventional players and change the landscape of the industry.

Alternate therapies:

alternate therapies is predominantly an unorganized industry with micro, small and medium enterprises powering more than 80% of the segment. It is getting more organized with ventures from larger players and increased support from the government. The product offerings under AYUSH sector is made by FMCG giants like Dabur, Patanjali, etc. Whereas, there are a few organized players like Dr. Batra's and VLCC in the service delivery space.

The beauty service industry is also largely unorganized with a number of small, local and regional players operating salon, spas and clinics. There are a number of independent practitioners as well as cosmetic surgeons, beauty consultant, hair stylists, make-up artists and nail artists. The salon industry is highly fragmented with unorganized players capturing ~75% of the market share. As the industry is growing, more organized players (both domestic and international) are likely to enter the market. The share of organized players is expected to rise from current 25% to 30% in the near future.

Operating model

In the organized salon and spa market, most players follow the franchising model, which is growing at a rate of 30%-35% annually. Additionally, players are reducing the company owned operations (COCO) due to huge investments in terms of time and money. Unilever's Lakme Salons has a network of around 400 salons of which, only 50 are owned by the company. Similarly, Naturals had around 50 COCO-based salons in 2013 which has now reduced to just five. The company currently has a network of 645 salons, 99% of which are franchise-operated. Jawed Habib also has around 650 outlets across India and all of them are franchised.

Retail formats

Most beauty services players (especially salon companies) are launching multiple retail formats to cater to different customer segments.

Looks Salon

Has around four to five retail formats such as:

- Looks Prive (only in five-star hotels)
- Looks Noir (offers specialized hair services for luxury segment)
- The Barber Shop (only for men)

It is also working towards adding 15-20 more concepts and formats such as library in salon

Naturals Salon

Has four formats:

- Naturals Ayurveda (spanning over 2,500 sq. ft.)
- Naturals Unisex (1,200 sq. ft. - 1,500 sq. ft.)
- Naturals W (women-only salon, less than 800 sq. ft.)
- Naturals Lounge (luxurious studio, salon and spa, 2,500 sq. ft.)

Lakmé Salon

Has the following formats:

- Absolute (premium format, 2000 sq. ft.)
- Lakme Salon (general format, 800 sq. ft. -1,200 sq. ft.)
- Lakme Fast N Fab (for high footfall locations, provides quick services, 400 sq. ft. - 600 sq. ft.)

Source: Pressreader

Key players in the industry

	Domestic	International
Salon	▸ Jawed Habib Hair & Beauty Ltd. ▸ Lakmé Salon	▸ Jean-Claude Biguine (JCB) ▸ Truefitt & Hill
Spa	▸ O2 Spa ▸ Jiva Spa	▸ Aura Thai Spa
Aesthetic dermatology	▸ Kaya Clinic ▸ VLCC	▸ DHI Group (DHI India) ▸ Advanced Hair Studio
Alternate therapies	▸ Dr Batra's ▸ Dabur	▸ NA
Functional food and beverage	▸ Dabur ▸ Amul	▸ Yakult ▸ Kellogg's
Dietary supplements	▸ Himalaya ▸ Dabur	▸ Amway ▸ GSK
Fitness and slimming	▸ Talwalkars ▸ Cult.fit	▸ Gold's Gym ▸ Anytime Fitness

Source: EY analysis

Key drivers for the wellness and beauty industry

Increase in lifestyle-related ailments

Medical advancement has increased life expectancy, but change in lifestyle has introduced a whole new set of diseases. Obesity, diabetes, heart ailments, cirrhosis etc. have become a common consequence of our fast-paced and sedentary lifestyle. According to the World Health Organization, India has the highest number of diabetics at 50.8m, which is expected to increase to 73.5m by 2025. India also inhabits 25m people suffering from cardiovascular diseases. Exponential increase in the occurrence of these chronic diseases has brought preventive healthcare into mainstream. The need to maintain a healthy lifestyle is the main anchor behind the growth of the Indian wellness industry.

Rising cost of curative healthcare

Indians are spending a substantial amount of money to foot their healthcare bills. According to National Sample Survey Office (NSSO) health survey 2013–2014, the annual health expenditure of more than 14% of the households, exceeded their annual per capita consumption expenditure. The mounting financial burden of healthcare is also substantiated by the share of out-of-pocket (OOP) health expenses, which refers to the direct payments made by households to healthcare providers at the time of service use. According to the National Health Accounts (NHA), OOP spending accounted for 62.6% of the total health spend in India for the year 2014–2015.

Inadequate health insurance coverage and increasing cost of medical care has led to a shift in Indian mind-set towards preventive healthcare. It is driving the consumers to important lifestyle changes such as undertaking physical activities, regular health check-ups, consulting a dietician and use of health tracking equipment like Fitbit, Misfit, etc. With ubiquitous adoption of healthy lifestyle practices, the wellness industry is expected to grow by leaps and bounds.

Government support

The Government of India (GoI) has taken several steps to stimulate growth in the wellness industry. It is making continuous efforts to ease the business environment and attract investment from both domestic as well as international players. Introduction of Make in India, Insolvency and Bankruptcy Code (IBC) and Goods and Services Tax (GST), have been pivotal in improving India's ranking in World Bank's ease of doing business index by 30 ranks. It succeeded in lobbying the UN to declare 21 June as "International Yoga Day". The government has also initiated certain targeted measures like tourism promotion, tax exemption on yoga and setting up wellness centres under "Ayushman Bharat" program. These centers will provide comprehensive health care, including free essential drugs and diagnostic services. Additionally, the Ministry of AYUSH aims at promoting alternate medicine systems by conducting awareness workshops, investing in skill development programs and releasing research papers.

Government's mHealth initiatives such as mCessation and mDiabetes aim to encourage people to quit tobacco and manage diabetes, respectively. In addition, multiple mobile apps, like the Swasthya Bharat App and national level portals like the National Health Portal, which provide general information on health and diseases have also been launched recently. A supportive regulatory regime is expected to attract perennial growth in the industry.

Buoyant investment landscape

Technology led start-ups have emerged as the key area for the investors community at large. The wellness and beauty industry has been positively impacted by this momentum. The number of start-ups in health-tech space grew by 28% from 250 in 2016 to 320 in the first half of 2017. The segment attracted a funding of US$160m in FY18, a hike of 129% against US$70m in FY17. In July 2018, US-based venture capital firm RoundGlass Partners doubled its investment in Gympik.com, an online marketplace for discovering fitness centers and gyms. Additionally, peripheral industries like apparel, personal care and consumer services are also pouring in money to ride the growth wave. In April 2018, FMCG major Marico announced an acquisition of 22.5% share of Revofit, a fitness and holistic wellness platform. The optimistic investor sentiment is laying down a conducive environment for the growth of the industry.

Increasing grooming awareness among men

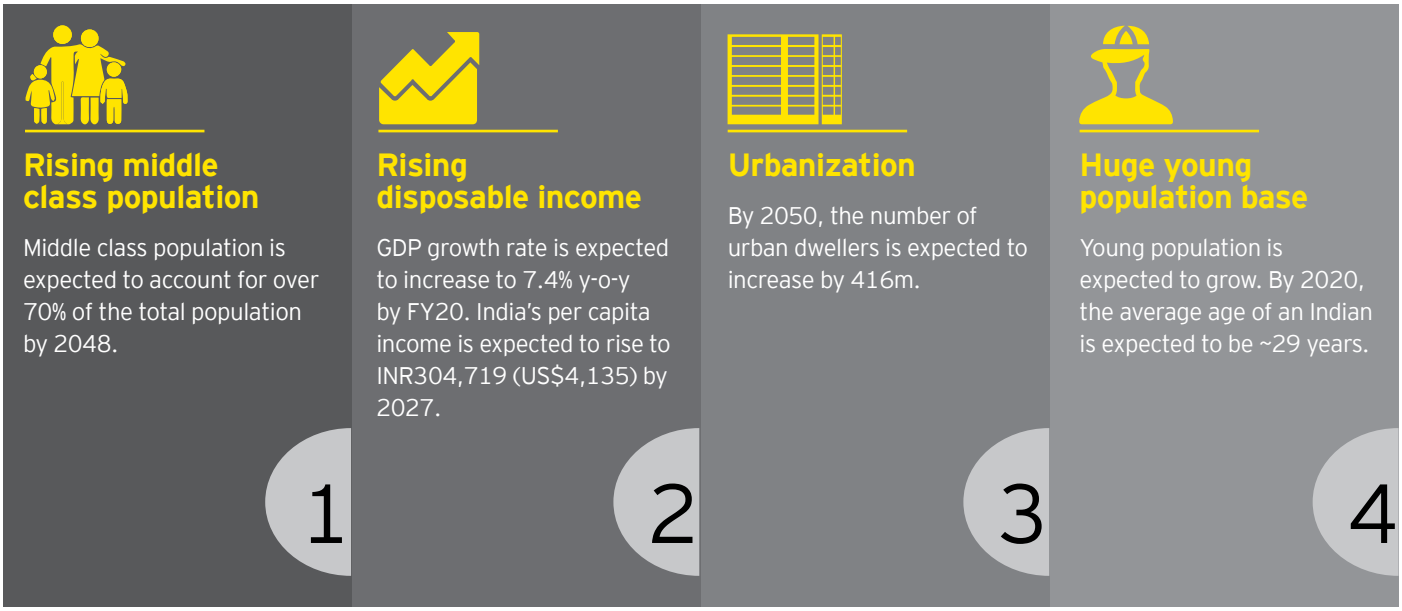
Traditionally, the beauty industry has been perceived as being largely women-centric. However, with the changing mind-sets and the rise of metro sexuality concept, the number of male customers has been steadily rising and are expected to grow stronger in the coming years. As per Euromonitor, the retail sales value of male grooming products has grown by 40% over 2012–17 and is valued at US$1.4b in 2017. It is expected to reach US$2b by 2021.

Companies are therefore investing to capture this huge untapped market. Lloyds Luxuries is focusing on country's niche men's luxury space through "Truefitt & Hill", which is more than 200-years-old UK-based men's salon chain. The brand offers a diverse range of "royal" and "classic" grooming services for men, including shave, haircut, head-and-face-massage, manicure, pedicure, waxing, threading, etc. One of their key offerings is a 45 minutes royal shave which includes a five-step process of scrubbing, shaving, moisturising, massaging and foaming using a hot towel.

Men are now availing more services such as pedicure, manicure, hair spas, colour, peel-off masks, etc. Frequency of men visiting a salon earlier was usually once in 30–45 days. As they are now availing more services in our salon, the frequency has increased to once in 10–15 days. Our organization is not sales-driven, it is quality-driven. We go out of the way to make sure that our customers are delighted before they leave.

– Istayak Ansari,
Co-Founder and Director, Lloyds Luxuries (Truefitt & Hill).

Key macroeconomic growth drivers



Source: International Monetary Fund, United Nations, UN-Habitat, PRICE Ice 360° survey

Rising middle class population

The middle-class population accounts for 19% of the total population in India and is expected to reach 70% by 2048. In absolute terms, it is forecasted to be around 1.25b by 2048, up from the present 270m. As middle class grows and more people move up the hierarchy, the demand for beauty products and services would rise strongly. Leading players are already targeting this opportunity by introducing or acquiring new formats such as on-demand at-home services which have become affordable and convenient, making it accessible to the middle class. For e.g., VLCC recently acquired VanityCube, an on-demand at-home beauty services start-up to enter this space.

Rising disposable income

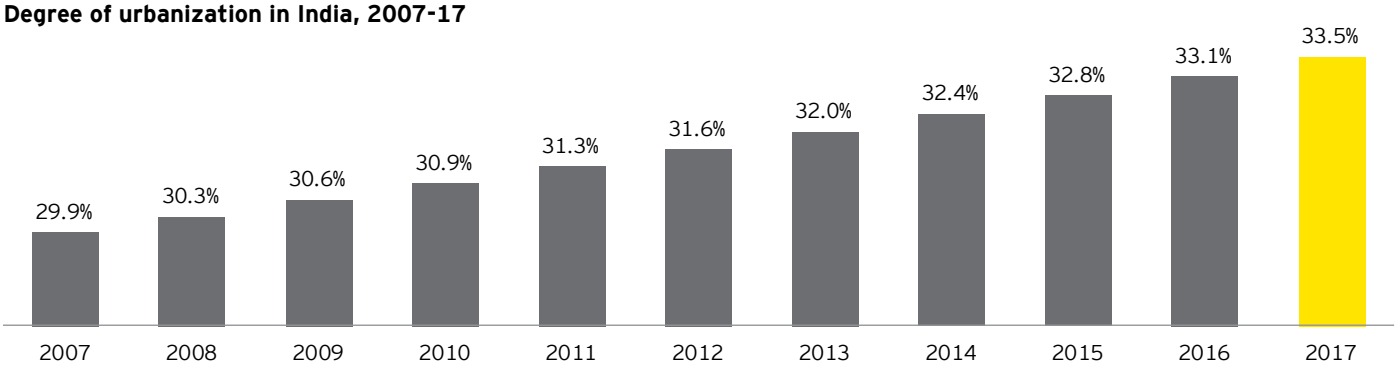
According to the International Monetary Fund, the GDP in India grew at around 7.3% in FY18 and is expected to grow at the same rate in FY19. In FY20, it is estimated to grow at 7.4%. Simultaneously, as per the Ministry of Statistics and Programme Implementation (MoSPI) the per capita income in India has grown at a CAGR of 10.8% over FY14–FY18 to reach US$1,573[5]. It is expected to reach US$4,135 by 2027. The increased purchasing power will also empower customers to spend more on wellness and beauty services as they will opt to look and feel good driven by a preference for better lifestyle.

Urbanization

According to the World Bank estimates, around 33.5% of the population in India lives in urban areas. It contributes to more than 60% of the GDP. The nation is expected to add 416m more urban dwellers by 2050 (UN forecast). Urban population forms a major consumption base for the beauty industry and companies have a strong focus to capitalize it. For e.g., Lakmé introduced Fast-N-Fab unisex salons in key metro cities, which are small 400-600 sq. ft. salons located in high-traffic locations like corporate parks, high streets and mall to provides quick services on-the-go.

[5] Converted at exchange rate as on 15 November 2018 (US$1 = INR71.7355), Source OANDA.com

Degree of urbanization in India, 2007-17



Source: World Bank; *Degree of urbanization refers to the percentage of total Indian population living in urban areas

Huge young population base

In 2018, more than 50% (around 600m) of the total population in India is under 25 years of age and more than 65% of the population is under 35 years of age. The young population base is rising rapidly and by 2020, the average age of an Indian is expected to be around 29 years, compared to 48 for Japan and 37 for China. There is a growing trend among youth to stay fit and look presentable, which is expected to drive growth for the industry. Beauty services companies are therefore increasingly targeting the teenagers to expand their sales. For instance, Lakmé recently introduced "students' card" in its salons, leading to rise in footfall. Additionally, many players are opening up kids-only salon to provide the required ambience and services to cater to the needs of younger demographics. Starfish Salon, Flick Kids and Kiddyzappy in Mumbai and Diva & Dudes in Bengaluru are some recent examples.

> *We are focusing on building services that are affordable and accessible to the younger population. For instance, a lot of youngsters are travelling globally for education and hair removal service in India at a good price can save them from the hassle and cost of doing waxing in salons in these countries, which can be prohibitive in terms of cost.*
>
> **– Rajiv Nair**
> Group CEO, Kaya Clinic

Key trends in the wellness and beauty industry

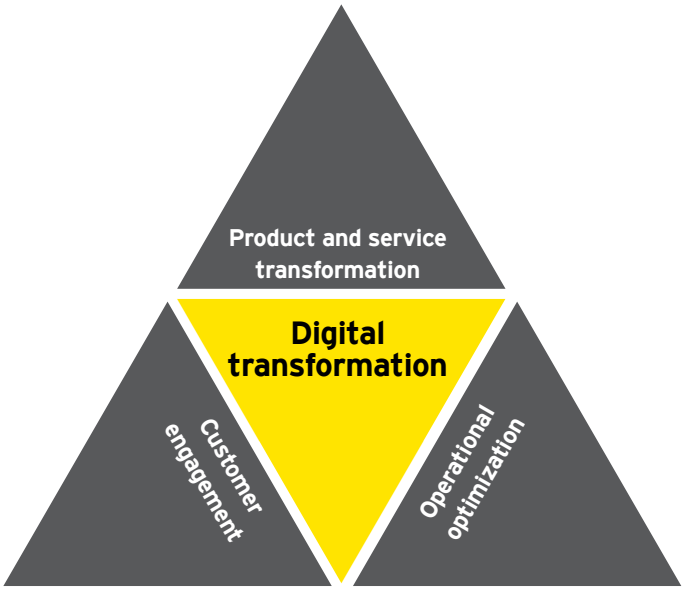
Digital disruption

The wellness and beauty industry is achieving a new milestone every day towards becoming a digitally mature industry. While beauty segment has just kick-started with its digital journey, wellness has covered a relatively longer distance. Emergence of various technology led start-ups has further accelerated the digital transformation process. The digital strategy of any company comprises of three key pillars:

1. Customer engagement: this includes extensive usage of digital platforms such as apps and social media to constantly engage with the customers. This helps companies to interact with its customers in real-time and evolve as per their expectations and feedback. Social media has become a strong platform for companies to build and strengthen their brand value.

2. Operational optimization: this includes adoption of latest technologies to enhance operational efficiency by saving time and money. Supply chain digitization, online data storage, virtual monitoring and tracking are some of the key focus areas today.

3. Product and service transformation: this includes introduction of innovative products and services, driven by disruptive technologies. It allows companies to create an edge through differentiation, thereby building brand value in the market.



Source: EY analysis

The wellness and beauty industry is making a significant progress on all the three pillars through rapid adoption and deployment of new-age technologies like Artificial Intelligence (AI), Machine Learning, data analytics and augmented reality. Initiatives taken by some of the leading players across the industry:

> *Earlier while 95% of the total marketing spend was in traditional media, the same (95%) is now in online media with a very little presence in print and television media.*
>
> **– Sandeep Ahuja**
> Director VLCC Health Care Limited

> *We are keeping ourselves upto speed with the digital revolution by using it strongly for branding, communication, patient engagement and patient convenience. We believe that going forward, the best results will be achieved by combining the click model (e-health) with the brick model (network of physical clinics).*
>
> **– Dr. Akshay Batra**
> Vice Chairman and Managing Director, Dr. Batra's

Social media presence	Digital tracking	Usage of AI/machine learning
▸ Dr Batra's has a YouTube channel, blog and Instagram page with crisp content aimed at increasing awareness about benefits of homeopathy, including patient testimonials. ▸ Gold's Gym has 0.7m (Jan 2019) followers on its Facebook page and showcases latest offers, fitness tips, contests and challenges. ▸ O2 Spa addresses issues (related to massages, hair care, makeup, etc.) via blog posts and uploads exclusive images of its existing and new spa outlets in the country.	▸ Anytime Fitness uses artificial intelligence (AI) algorithms for identifying the customers who need follow-ups, membership renewal, visit reminders, etc. ▸ Kaya Clinic uses online reputation management tool and digital Net Promoter Score (NPS) to track customer satisfaction level and its online presence.	▸ HealthifyMe uses an AI-enabled nutritionist, Ria, for seamless assistance to its members on the app. It helps in tracking health goals such as calorie intake and workout regimens. ▸ Aggregator platform, Growfitter uses machine learning to power fitness recommendation system for its users.

Exclusive websites	Unified platform	Augmented reality (AR)
▸ Dabur has a dedicated website, mybeautynaturally.com, as part of its customer engagement program. It includes extensive content about its products, natural care, beauty tips and "how-to" videos.	▸ Kaya Clinic uses a standard ticketing tool, Fishtech, for complaint management. It has also invested in an IBM software to integrate data from various sources under a single platform. It aims to fully digitize the documentation process.	▸ L'Oréal Professional partnered with Modiface, a Toronto-based beauty AR company, to launch AR-based 3D real-time hair colour try-on service both on its "Style My Hair" app and in salons. It provides personalized real-time results to users.

Mobile apps	Warehouse management	Innovative offering
▸ VLCC is using mobile apps to engage customers through loyalty programs. It has acquired VanityCube to offer on-demand at-home services through their app. ▸ Kaya Clinic plans to make its app more intelligent by introducing AI-based chatbots that allow customer interaction during off-clinic hours (8:30 p.m.-10:00 a.m.). It receives 35% of customer requests during these hours. ▸ Be U Salon uses geo-fencing to create a virtual geographical boundary around an area. Using the GPS system, the app triggers a notification to the customer to visit the salon, whenever he/she is in that area.	▸ Amway uses warehouse management tools and software across its 28 warehouses in India to standardize operations and increase order fulfilment effectiveness.	▸ Kaya Clinic plans to launch a digital diary which would allow doctors to use selfies (taken under various light conditions) of patients to analyze possible treatment areas. It will also help them to view the digital journey of the treatment (compare outcome of the treatment over the period with before-treatment selfie) ▸ Lakmé Salon introduced digital pre-looks for brides to give them an idea about their bridal make-up look before availing the service. ▸ VLCC is among the front-runners in India to deploy cutting-edge technologies such as CoolSculpt and CoolTech for fat reduction.

Source: Primary research (interviews), company websites, Factiva and press releases

Even though early signs of disruption are already visible, the industry has a long way to go to emerge as a highly digitized territory, with reign of cutting-edge technologies.

Consumer convenience

The wellness and beauty industry is adopting various means to enhance convenience for customers amidst their fast-paced lives. The companies are experimenting with different delivery models to offer greater ease and attain higher acceptance. The following are some emerging models in the industry:

- **On-demand at-home services[6]:** Rising consumerism, penetration of smartphones and internet and increasing working-class population have created perfect opportunities for companies to explore on-demand at-home service model. The model creates a win-win situation by ensuring customer convenience and exhausting the excess capacity. Talwalkars Gym offer an option of having fitness trainers and portable electro-muscle simulator machines (EMS) at home if the customer cannot visit the gym. Similarly, the beauty companies are delivering a range of services from routine full body waxing, threading, etc. to the advanced services such as straightening, smoothening, hairstyle and make-up. Online aggregator, Housejoy, have introduced a unique 7 a.m. to 7 p.m. feature, which allows customers to avail beauty services during early mornings when most brick-and-mortar salons are closed.
- In 2017, on-demand at-home services market was estimated at US$2.7b, with the organized section of the industry forecast to grow at an annual rate of 18.6%, mainly driven by the entry of large number of start-ups. Home service aggregators like Housejoy have 30% of their revenues coming from beauty services (highest margin segment 30%-40%, with an average order value of US$21). Similarly, UrbanClap earned 20% revenues (highest) in 2017 from beauty services with ~65% monthly repeat orders and an average order value of US$21. On QuikrServices app, more than 30% of the monthly traffic pertains to beauty services.
- **Personalization:** Earlier all customers were offered a standard diet plan, workout regime, beauty treatment, etc. in the name of a comprehensive service. But now, in order to create a personal bond with the customer and retain them for a longer duration, the focus on customization has increased exponentially. Leading players are offering personalized products and services based on taste, preferences, lifestyle, body type and even genetics. The industry is experiencing a rapid expansion of personalized fitness studios across the country. These studios focus on the overall health by offering unconventional form of workouts such as high-intensity interval training, Zumba, pilates, etc. over the traditional cardio and weight-based training modules. For e.g., Bengaluru-based health-tech start-up, Cure.fit, offers group classes on kickboxing, crossfit, yoga, etc. that can be availed easily via online booking as per the availability and convenience of the customer.
- Customers are increasingly being offered personalized diet plans and food options. One of the most personalized nutrition recommendation in vogue these days is a DNA diet. It is a specialized diet as per one's genetic construction, which is rapidly making a mark among the upscale fitness enthusiasts. Preventive healthcare start-ups such as Xcode Life Sciences and MapMyGenome offers genetic testing and suggests clients to alter their mode of living, eating habits and exercises as per the clients' DNA findings. The industry has now evolved into an assistance-oriented service segment which requires greater customization and enhancement to fit the requirements of each user.

Types of players operating in on-demand at-home beauty services market in India

Independent beauty services start-ups	Traditional players	At-home service aggregators
Large number of independent start-ups have entered this space since 2014-15.	Traditional beauty players are acquiring start-ups that have the required resources and expertise.	Companies that offer all home-based services are now focusing more on beauty services segment.
Examples include: ▸ MyGlamm ▸ Bulbul ▸ BigStylist ▸ Yes Madam ▸ GetLook ▸ Zyloon	**Examples include:** ▸ VLCC acquired VanityCube in April 2017. ▸ Jean-Claude Biguine (JCB) acquired The Home Salon in September 2016. ▸ Naturals Salons acquired Vyomo in April 2016 and rebranded it to Naturals@Home. ▸ Enrich Salons acquired Belita in July 2016.	**Examples include:** ▸ UrbanClap ▸ Quikr ▸ Housejoy

Source: EY analysis, The Economic Times, VCCircle and Livemint

> *Our gyms are 24*7 open, we give each customer a global access key, which can be used to access any of our gyms across the globe. This provides complete flexibility to our customers so that they do not miss their sessions even while travelling. We also provide a non-intimidating culture by providing private shower rooms to customers.*
>
> **– Vikas Jain**
> Managing Director, Anytime Fitness

[6] Converted at average exchange rate for 2017 (US$1 = INR67.809), Source IRS (US)

- **Pay-per-use services:** Several fitness centres like Fitternity and Fitpass allow their users to pay-per-use, instead of asking them to shed a hefty annual or semi-annual membership fees. This option is a boon for customers who are keen to adopt a fitness regime but are demotivated by the long commitment and fat price of annual memberships.
- **Subscription services[7]:** In 2018, "Be U Salons" launched country's first subscription-based model across its 85 branches in Delhi-NCR and Bengaluru to incentivize loyal customers and early adopters by providing full month's maintenance services at a subsidised price. The subscription offered two variants – Gold and Silver. Under the Gold variant, a customer can pay an annual fees of US$24 and avail free services worth US$7 each month. Whereas under the Silver variant, a customer can pay an annual subscription amount of US$13 and avail free services worth US$3 each month. The customer can visit any of its 85 salons. The company planned to on-board 300 subscribers per month and take it to 3,000 subscribers per month by the end of 2018. The target is to drive one-third of its revenues from subscribers.
- **Innovative pricing[8]:** Companies are introducing innovative pricing strategies to win consumers' trust. Online beauty services aggregator, Yes Madam, offers complete transparency by using mono (one-time use) doses of products and charges for per-minute service. This gives a fair idea to customers about the material cost used in a particular service. The packages are opened in front of the customers before they are used and the left overs are handed over to the customers for the future use. The cost of per minute service depends on the rating of the beautician on the app and other factors. For instance, a seven-star rated Yes Madam beautician is available for US$0.11 per minute and a five-star rated beautician is available for US$0.08 per minute. At peak hours (7am–9am and 7pm–9pm), customers may have to pay an extra amount of US$0.14 per minute to avail services. The customers can further reduce the cost by bringing their own materials and in that case they are charged only for the services.

Use of natural products

There is a growing trend to use natural or organic products in wellness and beauty industry. This has led to the emergence of large number of organic salons, spas and product launches. The industry witnessed the emergence of the following salons in the recent years:

- Relooking, a weight loss, slimming and beauty enhancing center for both men and women
- Bella Vita Organic Salon
- N.O.W (Natural Organic World) organic salon
- Orrganic Elemennt, an organic, vegan and cruelty free "spalon" (combination of spa and salon)

These players use only natural ingredients such as ayurvedic herbs, fruits, vegetables, plant extracts and pure essential oils to provide unique services like neem facials, oatmeal scrub and plush papaya body polish. The traditional players are also modifying their offerings to capitalize on the trend. For e.g., Lakmé Salon has upgraded its portfolio to include services such as organic facials, organic hair care or hair spa. NEU salon now provides natural services by using organic products from The Raw Nature Company (a botanical grooming solution for men), ILCSI (Hungary-based natural beauty range), KEUNE (natural hair colour) and Kerastase Aura Botanica (Paris-based natural hair care brand). VLCC diversified into Ayurveda-based products with ingredients such as chandan, kesar and tulsi in its face washes, facial kits as well as facial treatments. It also launched a range of skin-care, hair-care and baby-care products under a new "VLCC Ayurveda" sub-brand.

Riding on the growing wave of natural products and ingredients, several consumer goods companies have also expanded their portfolio to include natural or herbal range products. In March 2018, Amway introduced herbal products range under Nutrilite brand, which includes Nutrilite Tulsi, Nutrilite Brahmi, Nutrilite Ashwagandha, etc. and is expected to cross US$14m[9] of sales in 2018. HUL has also launched natural variants in its haircare care brands like Tresemme Botanique and Clinic Plus Ayurveda. Dabur launched a slew of new Ayurveda-based products such as gel toothpaste, cough and cold remedy, diabetes remedy, etc. To monetize their growing natural segment, Dabur expanded its area under cultivation for rare medicinal herbs by 25%, to over 5,000 acres in FY18. A shift in preference towards natural and organic has changed the industry dynamics by altering the product lines towards traditional and heritage formulations.

Expansion to non-metro cities

As the markets in metro cities reach saturation, the companies have started targeting the tier-II and tier-III cities for growth opportunities. In September 2017, Anytime Fitness announced its expansion plans in Ludhiana, Dehradun, Jamshedpur and Srinagar, with an estimated investment of US$1.4m[10]. Similarly, Homeopathy chain Dr Batra's Healthcare plans to add 22 new clinics across 11 new cities including, Shillong, Shimla, Bokaro, Nellore, Jorhat, Dibrugarh, Palakkad and Kollam. Also, the acceptance of salons and spas in tier-II and tier-III cities have recently gone up as people are willing to spend more on their looks and want to enjoy experience-based services. This trend has opened doors for all the leading salon companies.

- **Lakmé** already has 25% of their salons in tier-III cities and it plans to launch two outlets each week to have pan-India presence. Some of its upcoming salons are planned in Imphal (Manipur), Trivandrum (Kerala), Kadavanthra (Kerala) and Raichur (Karnataka). In October 2018, it opened its 400th salon in Gariahat, Kolkata.

[7] Converted at exchange rate as on 15 November 2018 (US$1 = INR71.7355), Source OANDA.com

[8] Converted at exchange rate as on 15 November 2018 (US$1 = INR71.7355), Source OANDA.com

[9] Converted at exchange rate as on 15 November 2018 (US$1 = INR71.7355), Source OANDA.com

[10] Converted at average exchange rate for 2017 (US$1 = INR67.809), Source IRS (US)

- **Naturals,** a well-established salon player in south India, is focusing on tier-II and tier-III markets in other regions. By 2020, it aims to open 3,000 more stores, thus creating jobs for 50,000 professionals.
- **Jawed Habib Hair & Beauty Limited** aims to expand to taluka level by converting existing salons in villages and allowing them to operate at their original names added next to the brand name.
- **VLCC** has over 220 wellness and beauty centers out of which nearly 40% are in tier-II and tier-III cities.
- **O2 Spa** aims to lease 30 villas in cities such as Ahmedabad, Indore, Ludhiana, Jalandhar, etc. to convert them into spas. It is estimated to be an US$2.8m[11] investment.

Corporate wellness

Corporate wellness refers to the workplace health promotion policy or initiatives towards improving the health and wellbeing of employees. These programs offer a plethora of services including gym within the office premises, free health check-ups, availability of healthy food, health clubs, insurance, etc. Apollo Life, Tata Consultancy Services, Larsen & Toubro Infotech, Wipro and Accenture are some of the employers offering comprehensive wellness programs to their employees. In August 2018, HealthifyMe and Mercer entered into a partnership for delivering corporate wellness programs in India. Castrol India also launched a unique program in association with Mumbai's "The Yoga Institute", to improve truckers' health by training them in yoga. A joint study by Kantar IMRB and Castrol India has found that over 50% of Indian truckers face occupational health issues such as obesity, back and joint pain, poor eyesight, breathing problems, etc. Corporate wellness is increasingly being recognized as a dual benefit tool, which ensures economic as well as social benefit of the society.

Mass engagement events

Social media has emerged as the main channel for driving promotions and influencing mass population towards a particular subject. The like, share and comment culture has written amazing growth stories for several brands, events and concepts.

There is also a new fad of initiating challenges which involve people performing a task, sharing their videos and further nominating others to repeat the same process. Union minister Rajyavardhan Rathore responded to the Prime Minister Narendra Modi's call for a "Fit India" movement, by initiating a social media fitness challenge. It went viral with a hashtag "#HumFitTohIndiaFit" and saw participation of prominent personalities such as Akshay Kumar, Virat Kohli, Hritik Roshan, Saina Nehwal, etc. Another mass event witnessed during 2018 was the 4th International Yoga Day. The main event was led by the Prime Minister along with 50,000 people in Dehradun. The day was celebrated enthusiastically across the country, with group sessions being conducted at various schools, universities, offices, and public places alike.

Companies too are leveraging the power of social media to not only reach consumers directly, but are also creating awareness around wellness. MuscleBlaze, a sports nutrition brand, launched a digital campaign called #TumNahiSamjhoge, in July 2017. A 2.2 minutes film was released on YouTube, which garnered more than five million views. Simultaneously, a "#TumNahiSamjhoge" contest was kick-started on social media urging people to share their fittest photo. The campaign received an encouraging response with over 9,000 images, 4,000 videos and 20m views.

Diversification

Companies are leveraging their existing resources, knowledge and network to tap the potential in adjacent industries or similar businesses.

- **Lloyds Luxuries,** the master franchisee of "Truefitt & Hill" in India is expanding into women's salon which will be located only in luxury hotels. The first salon is expected to open in Crown Plaza Hotel, Chennai. Apart from this, it is coming up with a new unisex spa chain "Arya". The company is also diversifying into fitness and slimming industry by opening UFC gyms. The first gym has been launched in Punjabi Bagh (Delhi) and the company aims to open more than 100 gyms across India by 2028.
- **VLCC** started as a fitness and slimming company and now cuts across multiple industries such as aesthetic dermatology, salons, spas and beauty products. Initially, the maximum revenue was derived from weight management, which has now shifted to beauty treatment and services. Among beauty services, aesthetic dermatology captured 16% of the share in 2017, up from 3%–4% in 2014. Later in 2016, it diversified into on-demand at-home salon services by acquiring VanityCube, an online beauty start-up. In 2017, it acquired the nutraceutical maker, Wellscience. The company has also forayed into men's grooming by launching Ayush men product range in January 2018.
- **Kaya Clinic,** a leading aesthetic dermatology company, recently rebranded itself to focus not just on skin care but also hair care segment. It is also expanding to body contouring segment in aesthetic dermatology.

[11] Converted at exchange rate as on 15 November 2018 (US$1 = INR71.7355), Source OANDA.com

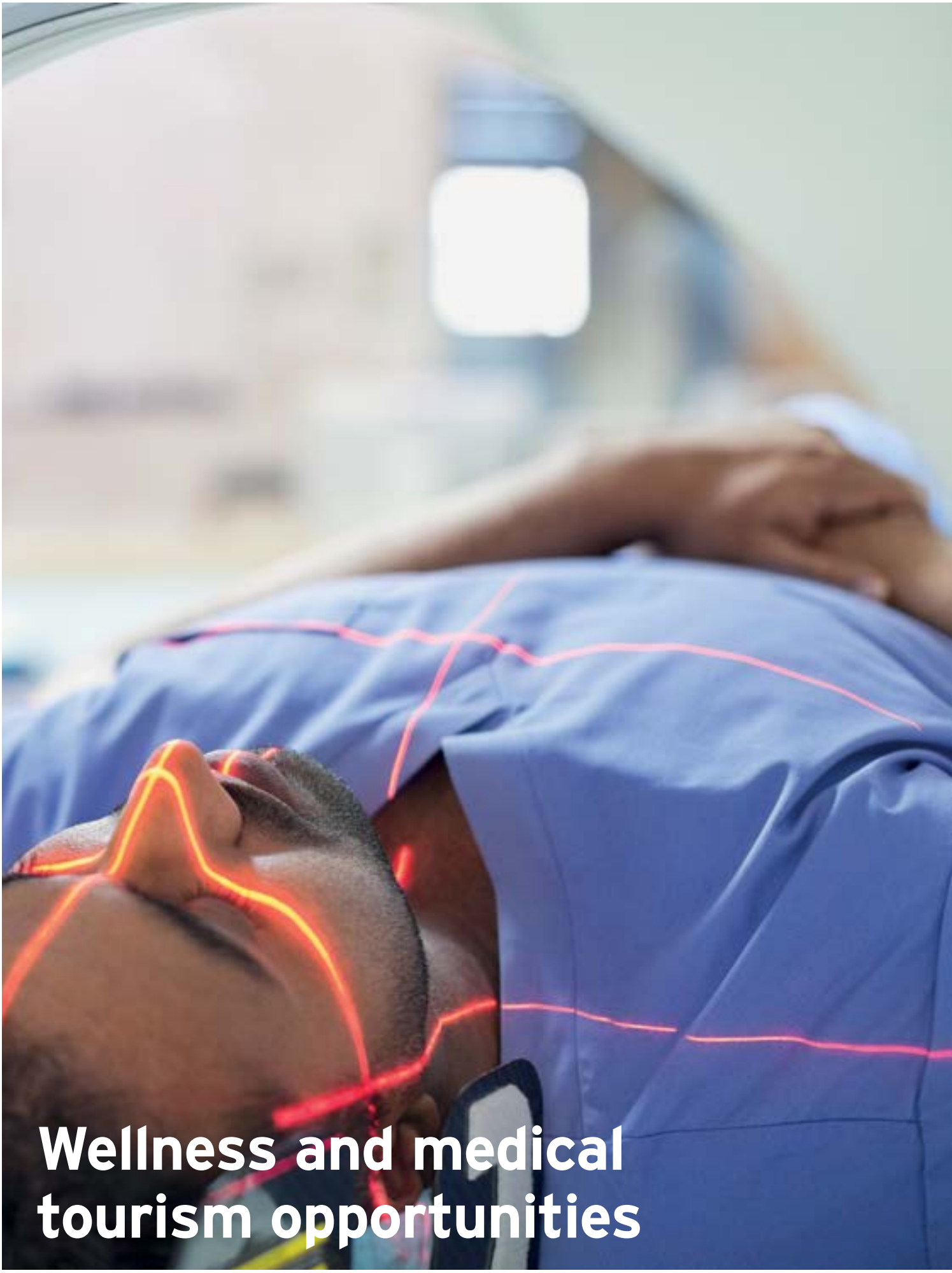
Rise of non-surgical procedures

There is a growing trend towards non-invasive or minimally invasive cosmetic procedures. In 2016, it captured 52% of the total cosmetic procedures market in India and around 82% of the plastic surgeons performed Botox procedures. Earlier these procedures were considered expensive and required a lot of recovery time. However, with technological advancements, these have become cost-effective, less time consuming and less painful. Further, more celebrities are opting for hair removal, photo rejuvenation, microdermabrasion, etc. which has motivated ordinary people to follow the trend as they want to copy their favourite personalities.

As per Beauty price index, India is among the top nations where non-surgical procedures such as Botox are available at an affordable price for e.g., Botox per unit is valued at US$7. Common non-surgical procedures performed in India in 2016:

Non-surgical procedure	Percentage contribution in total non-surgical procedures, 2016	Percentage contribution in total cosmetic procedures, 2016
Hair removal	23.1%	12.0%
Chemical peel	15.6%	8.1%
Botox	12.9%	6.7%
Photo rejuvenation	9.3%	4.9%
Microdermabrasion	9.0%	4.7%

Source: ISAPS



Wellness and medical tourism opportunities

India is fast becoming a hub of wellness and medical tourism driven by growing demands for services such as yoga, Ayurveda, siddha, naturopathy, spa treatments, etc. The growth is underlined by rising customer focus towards better health and overall well-being, better infrastructure, improved technology, low cost and government support. The country has developed an image of a favorable destination for gaining optimum health and serenity through spas and wellness centers. There is a lot of interest in the western countries about Indian system of medicine. Ayurveda and yoga has always been popular, but the potential hasn't been tapped yet. In 2017, global wellness tourism industry was valued at US$439b, accounting for 14% of the overall tourism market. India is among the top five destinations for wellness services, along with China, the US, Brazil, and Indonesia and second largest exporter of alternative medicines (AYUSH). In 2017, India was ranked 12th among the top 20 wellness tourism markets globally, up from 14th rank in 2015. The wellness tourism industry is estimated to be growing at an annual rate of 22%.

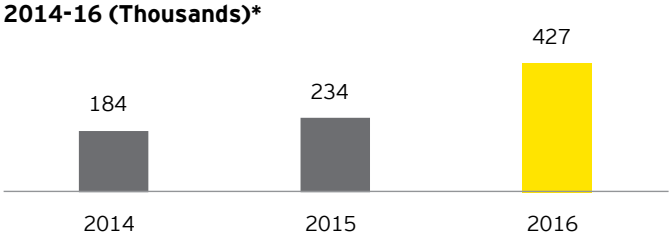
Every year India receives a huge number of patients from foreign countries because doctors and medical services can be availed here at a cheaper price. Cosmetic procedures like lasers, Botox and skin surgeries such as facelift and nose jobs, etc. are very costly in other countries and not covered in insurance. For instance, face lift in India costs 3.75 times cheaper as compared to the US.

Procedures	Treatment cost (in US$)	
	US	India
Rhinoplasty	8,000	4,000
Face lift	15,000	4,000
Liposuction	9,000	2,800
Tummy tuck	9,750	3,000

Source: American Medical Association

In terms of medical tourism, India was ranked 5th in 2016 and as of July 2018, it captures 18% of the global market. According to a FICCI-IMS report, over 500,000 foreign patients visit India for cosmetic surgery, heart surgery, knee transplant and dental care. In 2016, an average of 13.4% (median: 10%) of the total patients undergoing cosmetic procedures in the world were treated in India. Some other preferred destinations are the UAE, the US and Iraq. According to the Ministry of Tourism (MoT), the number of foreign tourist arrivals (FTAs) on medical visa increased at a CAGR of 52.2% during 2014–16 to reach 427,014 in 2016.

Number of FTAs on medical visa in India, 2014-16 (Thousands)*



Source: Public Information Bureau, *Includes patients for all healthcare treatments (not restricted to aesthetic dermatology)

Some of the most popular destinations in India that attract foreign visitors for wellness and medical tourism are:

Source: Times of India, IBEF,
The Hindu, Incredible India website, India Today and Attoi.org

1

- Ideal destination for luxury spa, yoga and meditation retreats.
- Home to 62 of the total 350 hot springs in India. The state government aims to develop five of these into wellness tourism destinations by 2019.
- The Prime Minister of India has emphasized on developing the state as a yoga center.

2

- Ideal destination for spas, health resorts, yoga retreats and fitness centers.
- It is expected to become a medical tourism hub in the coming years due to the presence of healthcare facilities, serenity in nature, infrastructure and biodiversity.
- In the BBIN (Bangladesh, Bhutan, India and Nepal) sub-region, the three nations source specialist health services predominantly from India.
- Guwahati (Assam) is emerging as a popular destination for healthcare services due to its linguistic advantage, weather conditions and nature.

3

- Ideal destination for medical treatments including cosmetic surgeries.
- The Maharashtra Tourism Development Corporation (MTDC) aims to promote the state as a wellness tourism hub through collaborations with the Global Vipassana Pagoda.
- Since Mumbai has a rich Buddhist tradition, it aims to attract foreigners who are interested in spirituality.

4

- Ranked 5th in India for medial tourism in 2016.
- As of 2017, the state generated US$2.2m revenue from medical tourism (includes tourism for cosmetic surgeries), five times of revenue generated during 2009-10. It is expected to reach US$7.4m in the coming years.
- The state government is planning to launch a medical tourism hub (MT-Hub) to further boost medical tourism.
- The Telangana government aims to increase the number of foreigners' annual visits for medical treatment from 10,000 (as of January 2017) to 100,000 by 2022.

5

- Chennai is growing as a hub for medical tourism including cosmetic treatments.
- In February 2018, the state health department launched a cosmetic surgery clinic at Government Stanley Medical College to offer free beauty treatment to the poor.

6

- Ideal destination for Ayurveda, spas and yoga.
- For a long time, Ayurveda had been the most prominent industry in the state. The state government now aims to establish Kerala as a dedicated yoga destination by developing a yoga circuit that will link yoga, meditation centers, ashrams and tourist destinations.
- The Association of Tourism Trade Organisations India (ATTOI) organized a 10-days "yoga ambassadors tour" in June 2018 to spread awareness about the yoga circuit.

Government initiatives

The wellness and medical tourism in India falls under the purview of the MoT and the government has taken several steps to drive its growth.

- In 2015, the National Medical and Wellness Tourism Promotion Board was established to provide a dedicated framework for the promotion of medical and wellness tourism (including AYUSH). The ministry has also collaborated with British Broadcast Corporation (BBC) to create a short film on medical tourism for promotional purposes.
- Medical tourism has been added to the e-tourist visa regime. The government has introduced medical and medical attendant visa to smoothen or ease the travel process.
- The government has classified wellness and medical as a "niche tourism product" to attract tourists throughout the year and ensure repeat visits.
- During FY18 (till December 2017), GoI provided a financial assistance of US$8,848[12] to NABH-approved wellness centers, under its Market Development Assistance (MDA) Scheme.
- The Department of Commerce and Services Export Promotion Council (SEPC) has launched a healthcare portal, which would act as a single platform to provide a detailed information to the medical travellers on leading healthcare institutions in India.
- The Ministry of Tourism (MoT) has decided to set up facilitation counters at the major airports of Delhi, Mumbai, Chennai, Kolkata, Hyderabad and Bengaluru for tourists arriving on medical visas.

FDI opportunities

The wellness industry is one of the 25 focus sectors under Make in India initiative. AYUSH sector is permitted with 100% Foreign Direct Investment (FDI) by automatic route. As the government places focus on the industry, the private investment also gets confident of the growth outlook and explores investment avenues. Wellness industry is also seeing an influx of private investment because of renewed government interest. India is expected to become a global leader in wellness tourism and the medical tourism market is expected to reach US$9b by 2020 (20% global market share).

[12] Converted at average exchange rate for 2017 (US$1 = INR67.809), Source IRS (US)

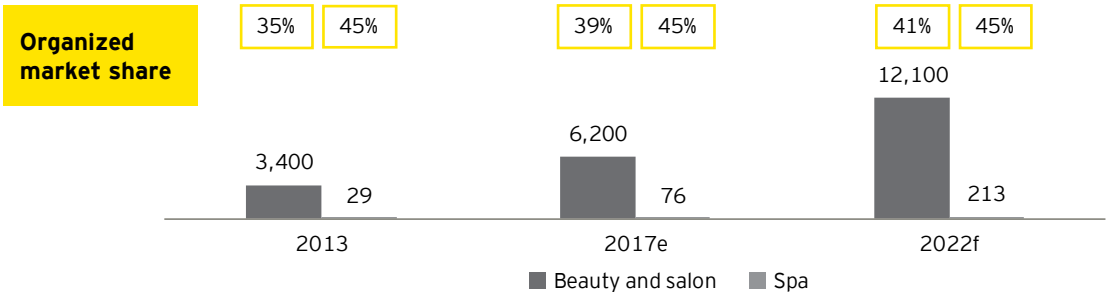
Employment opportunities in the sector

The unprecedented growth of wellness and beauty industry has created a huge demand for semi-skilled and skilled professionals in the country. The rise in demand for services like nutrition consulting, fitness coaching, etc. has created wide ranging career opportunities that can be pursued by young Indians. The AYUSH industry is expected to provide direct employment to 1m people and indirect jobs to 25m people by 2020. Similarly, National Skill Development Corporation (NSDC) estimated a workforce requirement 0.15m in the fitness and slimming industry by 2022.

In 2017, the organized beauty and salon market in India required 2.4m workforce compared to 3.8m in the unorganized market. By 2022, the industry will require around 12.1m people, of which 40% will be demanded by the organized sector.

In the Indian spa (rejuvenation) market, workforce requirement reached 76,000 in 2017, of which 34,000 were part of the organized market. In 2022, the industry will require 213,000 people and 45% of this demand will be generated from the organized sector.

Workforce requirement in the Indian salon and spa market, 2013-22 (thousand units)



Source: NSDC report; "e" refers to estimated and "f" refers to forecast

According to NSDC, the salon and spa industry employed 6.27m people in 2017, which is expected to grow to 12.31m by 2022.

Workforce scenario in Indian beauty services industry

Beauty and salon

- Workforce in the industry is expected to grow at a CAGR of 14.3% during 2017-22 to reach 12.1m.
- Women capture more than 50% of the total workforce in salons, rejuvenation and slimming industries. As the industry grows, the opportunities for women entrepreneurships are expected to increase rapidly.
- Quality of labor in this industry is increasingly gaining importance, with more demand arising for the skilled labor.

Spa

- Workforce in the industry is expected to grow at a CAGR of 22.9% during the 2017-22 to reach 0.21m.
- Large proportion of the workforce is sourced locally. For instance, people from Kerala are preferred for the Ayurveda spa services while workers belonging to the North-eastern states are demanded for basic services. As the industry is growing, labor migration is increasing from West Bengal, North-eastern states and Nepal.

Aesthetic dermatology

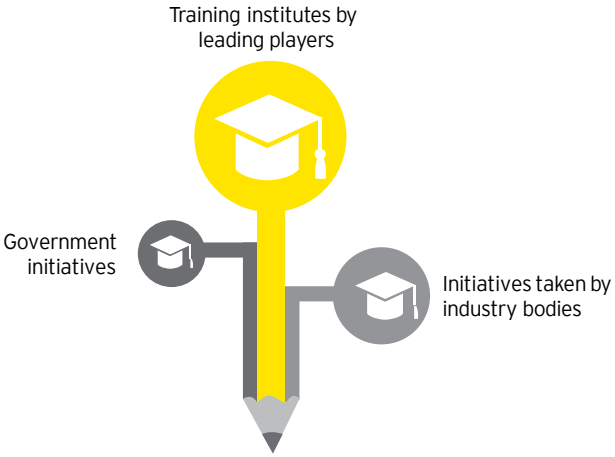
- Employed around 2,000 plastic surgeons (4.6% of global share) in 2016.
- Indian aesthetic dermatology market is increasingly becoming lucrative due to higher customer demand and technological advancements. Employment opportunities are therefore rising, making it attractive for people to build the required skill-set.

Source: NSDC report

We are a unique service business with 90% women employees. We have been recruiting staff from the north east who have a strong affinity to work in this segment and have good skill set in wellness and hospitality. We intend to hire more women staff from this region and support them with training and create facilities like temporary accommodation in cities like Bangalore and Chennai

– Rajiv Nair
Group CEO, Kaya Clinic

Initiatives taken to skill labor



Source: EY analysis

Government programs

Government is taking many steps to empower people and is creating employment opportunities for them in the industry. Over the years, it has launched several initiatives such as:

- **Skill Initiative Program (Skill India movement):** it is a vocational training scheme that includes several courses on wellness such as beauty and hair dressing, yoga, naturopathy and spa and wellness. It was launched in 2015 with an aim to train over 400m people by 2022. The program is run by the Ministry of Skill Development and Entrepreneurship (MSDE). The government also established NSDC to catalyze the skill development efforts. Various schemes under this program are:
  - **Pradhan Mantri Kaushal Vikas Yojana (PMKVY):** it includes training individuals through accredited and affiliated training partners or centers by providing short-term trainings (STTs) or recognition of prior learnings (RPLs). The schemes are run across 252 job roles related to 35 sector skill councils. As of February 2018, around 2.2m people have enrolled in the program and 0.9m people have been certified. The program has already placed 429,184 people (as on 22 May 2018).
  - **National Skill Development Mission (NSDM):** the program targets skilling at scale with speed and quality and focuses on strengthening institutional training, infrastructure, convergence, training of trainers, overseas employment, sustainable livelihoods and public infrastructure. It aims to train over 400m people by 2022. In order to ensure successful implementation of the NSDM program, the government has formulated **"National Policy for Skill Development and Entrepreneurship"**. The policy provides an umbrella framework to achieve NSDM goals by laying down objectives and analyzing the expected outcomes to monitor the skill development efforts.
  - **Skill Loan Scheme[13]:** it is scheme to provide loans ranging from US$74 to US$2,212 to people who wish to undertake skill training programs.
- **Pradhan Mantri Kaushal Kendras (PMKK)[14]:** in 2017, MSDE launched PMKK to focus on standardization of infrastructure, provision of financial support and improvement in training delivery. It offers courses across industries like beauty (PMKK Dehradun offers assistant beauty therapist course), fashion, construction, etc. As on 22 December 2017, 527 PMKKs have been allocated across 27 states. Of this, 328 PMKKs have already been established and the remaining are under progress. In the Union Budget FY19, government has outlaid US$0.5b for PMKK. It is also focused on apprenticeship training to 5m apprentices by 2019–20 with an outlay of US$1.4b.
- **National Skill Training Institute for Women (NTSI):** NTSI (formerly known as Regional Vocational Training Institute (RVTI)) provides vocational training to women in courses such as beauty care, cosmetology, fashion design, dress making, etc. Also, it imparts instructional training to trainers and need-based training to women who aim to become entrepreneurs. Currently, there are 18 NTSIs in India spanning across Mumbai, Bangalore, Trivandrum, Panipat, Kolkata, Tura, Allahabad, Indore, Vadodara, Jaipur, Shimla, Rajpura, Trichy, Agartala, Patna, Noida and Mohali (opened in July 2018). In September 2017, MSDE laid down foundation stone for Telangana's first RVTI in Hyderabad to boost skill development opportunities among women. During 2017–18 session, a total of 380 training seats were sanctioned under NTSIs for women.
- **Mudra Yojana Scheme for Women[15]:** the scheme provides financial support to the women entrepreneurs who aim to open their businesses such as salon, spa, etc. It provides loan in the range of US$697-US$69,700. No collateral is required for loans up to US$13,940.

[13] Converted at average exchange rate for 2017 (US$1 = INR67.809), Source IRS (US)

[14] Converted at exchange rate as on 15 November 2018 (US$1 = INR71.7355), Source OANDA.com

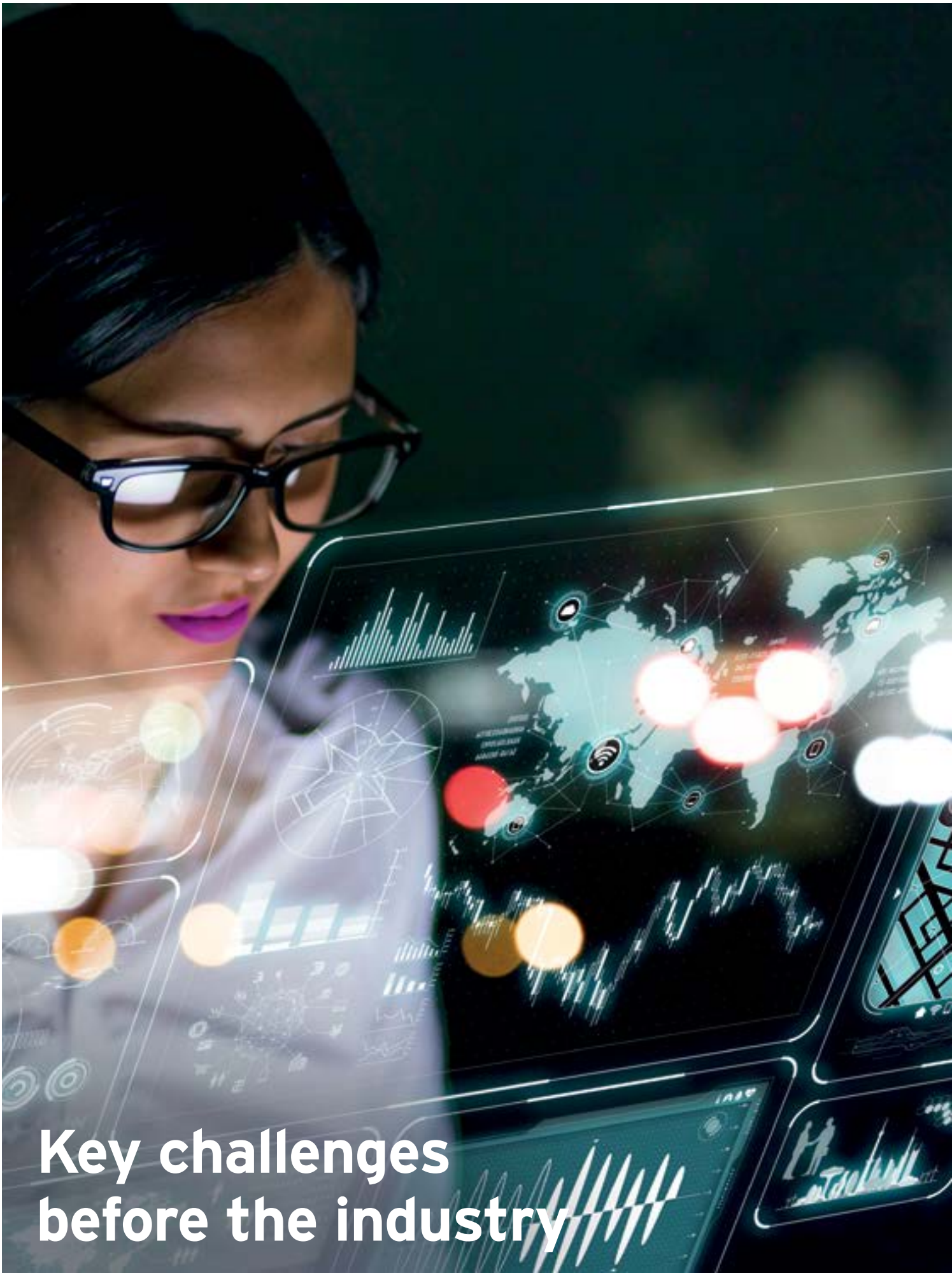
[15] Converted at exchange rate as on 15 November 2018 (US$1 = INR71.7355), Source OANDA.com

Initiatives taken by industry bodies

Beauty and Wellness Sector Skill Council (B&WSSC) is a not-for-profit industry-led organization incorporated by NSDC in 2013–14. It aims to establish an effective ecosystem for skill development in wellness and beauty industry, including creating relevant curriculum, information databases, standardization of the accreditation and certification process, delivery systems, etc. to enhance employability of the Indian workforce globally. In October 2018, B&WSSC signed an MoU with international beauty therapy association CIDESCO, headquartered in Switzerland to boost overseas employment opportunities for Indian beauty professionals. After the agreement, Indian professionals can apply for CIDESCO's internationally recognized certification in skin care.

Training institutes by private players

- **VLCC training institutes:** the VLCC Institute of Beauty and Nutrition chain is spread across 80 locations in India and offers over 100 courses and workshops in aesthetic, skin, hair, makeup, spa therapies, nails and nutrition. It has trained more than 100,000 students (majority women) since its inception in 2001. The company is focused on generating entrepreneurial opportunities through its skill development courses, campus placements and job fairs. Around 30% of the students chose entrepreneurship and become a part of the VLCC network, through franchise model. In February 2018, it commenced a new initiative to train transgender communities in Hyderabad in the field of beauty therapy. The project is a pilot-run and will be later extended to Bengaluru, Mumbai and New Delhi. VLCC is also planning to add 50 more institutes in the country by 2023. It expects to train 30,000 students annually starting FY19 and is also looking at establishing a specialized university for wellness and beauty.
- **Shahnaz Husain Beauty Training Academy:** The academy provides training and certification in different fields of beauty and wellness through more than 75 schools in India and abroad. Its flagship institutes include Men's World International, Shahnaz Ayurveda Beauty Academy, Shamute (a free training school for the speech and hearing impaired) and Shasight (a free training school for the visually challenged). The company follows franchise route to establish beauty academies, which offer short-term vocational courses, traditional ayurvedic courses, diploma and post-graduate courses, and personal grooming courses.The company has also participated in government's skill development program to provide training to the under-privileged women. It has trained and certified more than 40,000 women and provided toolkits to make them self-sufficient.
- **Lakmé Academy:** In August 2015, Lakmé Lever entered into a strategic partnership with Aptech (leading education and training company) to create Lakmé Academy Powered by Aptech (LAPA). Their aim is to open 80 beauty training academies in the country and train 50,000 students by 2020. Currently, LAPA has over 50 centers across India and provides trainings on beauty therapy, nail art, cosmetology, skin care, hair care, makeup and personal grooming. In June 2018, LAPA organized its first live learning session in Mumbai.
- **Jawed Habib Academy:** Jawed Habib Hair and Beauty Ltd. has opened 54 academies in 90 cities across 21 states in India. It trains around 1000 students annually. The academies run variety of courses for hair, beauty and make-up.
- **Enrich Academy:** Enrich Salon has established one academy each in Mumbai, Ahmedabad, Pune, Bengaluru, Vadodara and Surat to offer courses in beauty, hair and make-up as well as salon management.
- **O2 Spa:** In line with the Skill India program, O2 Skills Academy signed a Memorandum of Understanding (MoU) with the Government of Telangana in October 2016 to train 1,260 men and women, between the ages of 18–35 years, by 2019.



Key challenges before the industry

Lack of skilled professionals

Recruitment and retention of skilled manpower is the biggest challenge faced by the industry today. There is a dearth of good training institutes, with standardized and accredited courses. The vocational training programs often impart theoretical knowledge with little hands-on experience. Hence, in-house training becomes the only option for companies to equip the workforce with the relevant skillset. There are a very limited pool of skilled professionals available in the country whereas the demand is huge. The attrition rate in the industry is high and retaining experienced professionals has become a key challenge. There are no dedicated government institutes or training centers to equip people with desired skills.

But in the recent years, things have started to change as government has launched a number of skill development initiatives and vocational training programs. Big players like VLCC and Jawed Habib are also investing heavily to expand their in-house training academies and courses to tier II and tier III cities.

Lack of regulation

The beauty services industry does not have a well-defined regulatory framework. Lack of adequate regulation has resulted in lower barriers to entry, thus making it quite easy for small, unprofessional and fraud players to enter the market. Around 90% of the salon industry comprises standalone outlets, out of which majority lacks basic hygiene and quality, standardized services, back-end infrastructure, transparent pricing and a pro-customer behavior. Absence of proper regulations have led to a new kind of overlap in the industry i.e., dental spas, which offer dental services along with a range of spa services and amenities. These spas provide solution to the fear and anxiety that is often associated with dental visits. Dentists across the country have created a welcoming and relaxing environment for their patients by adopting the amenities and services that day spas often provide to pamper their clients. As a result, the customers are likely to get confused and fail in differentiating between a quality service provider and a non-serious player.

Increasing competition

In the recent years, the salon industry has witnessed a strong competition with the entry of foreign players (Toni & Guy, Truefitt & Hill and Marie Claire), rise of beauty e-commerce start-ups (Be U Salon, Yes Madam, Bulbul, etc.) and online service aggregators (Urban clap, Quikr, etc.). Even large e-commerce retailers like Amazon are exploring opportunities in this industry. In December 2016, Amazon launched its pilot-run to provide on-demand at-home beauty services in Bengaluru. Additionally, there is already a strong competition from the unorganized segment which captures around 75% share in the Indian salon industry.

> *"Skill development is key to ensure quality growth in the wellness and beauty domain. Today a conscious effort is being made through a public private initiative like the Beauty and Wellness Sector Skill Council to establish an effective and efficient eco-system for imparting skills, including course content and curriculum, information databases, delivery systems and standardization of the accreditation and certification process, to enhance employability of the workforce in this sector".*
>
> **Vandana Luthra**
> VLCC Health Care Ltd.,
> Chairperson, Beauty and Wellness Sector Skill Council

Capacity utilization

Capacity utilization is one of the major concerns for the beauty industry as around 95% of the salons in India are standalone and do not utilize their capacity optimally. Having a scalable business model, efficient utilization and yield management are key concerns for spa and salon players.

Low awareness about niche segments

There are some niche segments in the beauty industry like aesthetic dermatology, which are still unknown to the masses. People are either not aware of such treatments or perceive them as very expensive and are not able to reap the benefits of such treatments.

Counterfeit and sub-standard products

Due to the rise of wellness and beauty industry, the grey market has also grown strongly and is making fast bucks on account of huge demand. Beauty and nutraceuticals are the worst affected segments. FICCI's Committee Against Smuggling and Counterfeiting Activities Destroying the Economy (CASCADE) reveals that almost 30% of the FMCG products sold in Indian markets are fake. Whereas, the share of counterfeit health supplements stands at 60%-70% in Indian market as per 2015 market study conducted by RNCOS. e-commerce has also become a popular platform for counterfeit sales as the customers are easily baited by huge discounts. A lot of sellers are deceiving customers by providing fake or cheap imitation of branded products. In 2017, the Indian e-commerce industry lost US$3.4b in gross merchandise value due to return of products.

Counterfeiting not only leads to financial losses but also dents the reputation of brands. These products can cause serious side-effects upon consumption, eroding the trust of consumers.

Regulatory framework

In India, NABH lays down standards for voluntary accreditation of all organizations providing wellness services including gymnasiums, spas, skincare centers, cosmetic care centers, weight-management centers, fitness centers, immunization centers, executive health check-up centers, etc. The accreditation ensures that these centers provide services as per the global standards and by qualified and trained professionals. In return, these centers enjoy a slew of benefits like listing on the Incredible India website, marketing edge, participation in the MoT publications, road shows, financial support from MoT and eligibility to apply for annual national tourism awards under wellness and spa category.

Nutraceuticals

On 1 January 2018, India implemented its first regulation for health supplements and nutraceuticals. The new regulation is based on and framed from Section 22 of the Food Safety and Standards Act and provides the following:

- Comprehensive rules for the manufacture and sale of food for health supplements, nutraceuticals, special dietary use, special medical purposes, Functional food and normal food.
- General conditions for the manufacture and sale of these foods in addition to providing chapter-wise details regarding essential composition, requirements related to claims, labelling, permitted use of additives and limits of contaminants, toxins and residues.
- Various schedules dealing with vitamins, minerals, recommended diet, daily allowance, lists of plant ingredients, botanical storages, probiotics, prebiotics, as well as a comprehensive schedule of additives which is further divided into various sub-categories.

FSSAI has also released the Food Safety and Standards (Fortification of Foods) Regulations, 2017 which includes:

- Schedule detailing the micronutrient content for fortification along with the minimum level of micronutrient.
- Obligations relating to quality, packaging and labelling of the products

While being controlled by the specific regulation, health supplements are also subject to several complementary regulations such as labelling, claims, licensing, import, etc. that food businesses must consider and comply. Labelling requirements become of a particular importance for the nutraceuticals industry due to the nature of the product. According to the Food Safety and Standards (HSN) 2016, the labelling of health supplements and nutraceuticals should provide the following information among others:

- The category name under which the product is sold shall be a health supplement or nutraceutical, as applicable.
- The common name of the health supplement or nutraceuticals which is sufficient to indicate the true nature of the product.
- The amount of nutrients or substances with a nutritional or physiological effect(s) present in the product shall be declared. The information should be on a per serving basis (and not per 100g or 100ml) as these products are consumed on a serving or dose basis.
- The percentage of the relevant recommended daily allowances as prescribed by the Indian Council of Medical Research.
- The term "recommended usage"

Some recent developments

- In June 2018, FSSAI prohibited the use of 14 ingredients lacking scientific data for safe usage, in the manufacturing of health supplements and nutraceuticals, governed under the nutraceutical regulation. These ingredients include raspberry ketone, slica, Vitamin D3-veg, chaga extract, etc.
- In July 2017, FSSAI changed its guidelines to further reduce the permitted caffeine content for energy drinks.

Alternate therapies

Government agencies like the Quality Association of India (QAI) and NABH have drawn out guidelines to be followed for effective product and service delivery. At present, Rule 158 B of the Drugs and Cosmetics Rules, 1945, lays down the regulatory requirements, including submission of proof of safety and effectiveness for licensing of AYUSH drugs. The enforcement of these provisions is under the purview of the state licensing authorities appointed by the state governments.

Fitness and slimming

As of now, there is no effective law to regulate the operations of gymnasiums and fitness centers. The GoI acknowledges the need for a regulation of fitness and slimming industry and therefore, in July 2017, Gymnasiums and Fitness Centres (Regulation) Act, 2017 was introduced in Rajya Sabha. However, it is yet to be implemented.

Salons, spas and aesthetic dermatology

There are very limited regulations and no dedicated government body to directly supervise activities of the salons, spas and aesthetic dermatology industry. However, businesses operating in this industry are expected to comply with some basic regulations such as GST and Shop and Establishment registration.

Road ahead

The overall wellness industry including beauty care, nutritional care, fitness centers, alternate therapy and rejuvenation (spa) is forecasted to reach US$24b[16] by FY20, up from US$13b in FY15. Some segments like fitness and alternative therapies are in nascent stages and offer significant growth prospects. For e.g., the fitness segment in India is quite underpenetrated (~1%) compared to roughly 16%-20% in the US or Australia. Our ancient knowledge of AYUSH therapies is a great treasure, which is yet to be fully explored and made accessible to everyone. It needs to be combined with modern concepts and advanced technologies so as to make them a part of the mainstream. The need of the hour is to create adequate awareness and educate the customers about the importance of preventive healthcare.

According to India retailing.com, the overall beauty, cosmetics and grooming market is expected to reach US$20b by 2025, up from US$6.5b in 2017. The rising preference for organic, herbal and ayurvedic products, growing demand for premium services, changes in lifestyles and increasing number of women entering the corporate workforce are expected to drive the growth. Further, with the entry of global players and exposure of domestic customers to global trends, the operating environment is expected to become more competitive and demanding.

The wellness and beauty industry is expected to become more organized as the regulatory framework strengthens due to active government involvement. The GoI is committed to making the industry a prominent contributor to the Indian economy. It has launched various initiatives and policies such as the Skill India Movement, Make in India program, wellness and medical tourism campaigns and MSME loan schemes, which are directly contributing to development of the industry.

On the business front, the industry is likely to get continuously disrupted by the new tech-start-ups. Investors and incubators are expected to offer support and mentor new ideas. Traditional players are likely to explore the consolidation route for growth and stability, giving rise to new business models and revenue streams.

India's wellness and beauty industry is progressing towards a brighter future. The combined efforts of the government and private sector to develop the industry are expected to help in realizing the maximum potential of the industry.

[16] Converted at average exchange rate for 2014 (US$1 = INR63.469), Source IRS (US); Value-added service – Wellness and Preventive healthcare, Ernst & Young, 2016.

Appendices

Glossary of abbreviations

Term	Definition
M	millions
B	billions
CAGR	compound annual growth rate
INR	Indian national rupee
FDI	Foreign Direct Investment
GoI	Government of India
IRS	Internal Revenue Service (the US)
MoU	Memorandum of Understanding
CDC	Centres for Disease Control and Prevention
AYUSH	Ayurveda, Yoga and Naturopathy, Unani, Siddha, Sowa-Rigpa and Homoeopathy
ISPA	International Spa Association
NSSO	National Sample Survey Office
NHA	National health accounts
FTAs	Foreign tourist arrivals
MoT	Ministry of Tourism
NSDC	National Skill Development Corporation
CIDESCO	Comité International d'Esthétique et de Cosmétology
B&WSSC	Beauty and Wellness Sector Skill Council
LAPA	Lakmé Academy Powered by Aptech
NABH	National Accreditation Board for Hospital and Healthcare providers

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- Dr. Akshay Batra, Vice Chairman and Managing Director, Dr. Batra's
- Sandeep Ahuja, Director, VLCC
- Rajiv Nair, CEO, Kaya Clinic
- Istayak Ansari, co-Founder and Director, Lloyds Luxuries (Truefitt & Hill)

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