Context to the nugget

Falguni speaks about the key shifts she has had to make as Nykaa moved from a start-up phase (where the proof of concept was still being established) to a scale up phase. She speaks about understanding the varying profile of the customer as the organization scales and speaks about how to get the organization ready for scale.

Transcription

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Deepak Jayaraman (DJ): And in terms of pie chart of your time if we took a screenshot now and let's say did a screenshot may be 3 or 4 years back let's say start up and scale up if I may pick two different points in time talk to us a little bit about how that pie chart is shifted and what is changed what stayed the same just in terms of where you devote your time and attention?

Falguni Nayar (FN): In the early stage I was involved a lot with the website the UIX of the website learning what the consumer was about being on the front line to help being the brands and commercial discussion about the brands. Now at this scale I don't like you said it's quite of proven business model so I don't need to worry about that so much so I have to worry about new things one is organization ready for the scale that I need to achieve and believe in that scale instead of constantly doubting because if I doubt it then we'll never be ready for it so in e-commerce where we are growing at 100% year on year to believe in that growth, to be ready for the growth, to be able to plan for the scale and then to monitor execution of quality execution where the customer experience is not dipping and the customer experience continues to be maintained or improved and then understanding what really consumer wants from you? How do they see you? What do they want from you? And bringing about logical extension of business keeping that in mind I think those are the things I have spent time on and then as you scale and get next 25 million customers you have to understand that how are they different from your first 25 million customers and how do you reach them cost effectively and what are those new marketing tools that will work. What will those consumers will choose in terms of what they'd like to buy and do you have that because assortment is very big for success of an e-commerce company. Assortment, marketing, right marketing strategy and then the whole support system that supports the whole organization is all that I need to focus on.

DJ: And just moving on to this transition from start up to scale up even if I look at the mortality rate in the entrepreneur ecosystem a lot of that mortality my understanding is around the this phase where organization start off, start up well that's a good idea but at some stage they lose steam for one reason or the other so from your journey for start-up should transition effectively from phase one to phase two to scale up what are the key shifts from a leadership perspective that people should make as you have observed?

FN: See again I come back to the philosophy of Geeta where I feel that you are only a medium in the sense like call it "Haste" so basically Nykaa's success is predetermined by supreme force or something, unknown forces and that has made a lot of decision which were the right decision and a lot of our success came easily to us we choose to be inventory led in a market full of people who were doing market place business. We chose to put a lot of content on the website when the traditional philosophy was to not have too much distraction on the website it was like let there be a quick completion of transaction and we thought that doesn't work. We should allow customer to learn on the website and maybe they will buy not this time next time or fifth time or sixth time we were patient. So we did a lot of things that we did. On hindsight, it looks like we did right I think we just went by our simple understanding of the business that would it entails like beauty can only be sold through education so we took some simple principles like that in beauty there is expiry date. If you try to do market place business a lot of vendors who have got stuck with old products will try to sell old products so I think being inventory led was important. So we went by first principle and we build our business based on first principle and we have never regretted it and we have come out looking very different we never watch competition and build our business we always looked at consumers, theirs needs and build our business to serve those needs and when I think about it that the only way to do it and I feel that sometimes like even competition like early days everybody used to ask the question that how are you Amazon proofing your business so I mean Amazon crawls the websites looks at your prices matches it or goes below that we decided to ignore it and we realized that they stopped discounting in category because they knew that Nykaa won't discount it so what's the point. So I think we really built our business in a very different way like we built it based on what made sense and I think some of this is like it's just keen to happen and it happen and I think the kind of scale that we have got which is like L think there were no retail format that did numbers like this so Nykaa became the largest online beauty retailer then the largest beauty retailer and all that along with the kind of quality of brands that came and listed on our platform everything is very unique and I think when I meet a lot of our international brand partners I mean they also have not seen a model like this elsewhere the amount we are able to influence the customer, the amount we are engaging the customer is all very unique. The power of technology, the internet, and the e-commerce all that is there but there are a lot of soft factors that went into our success and I think some of it just came to its more looking at the basics of the business.

Reflections from Deepak Jayaraman

DJ: Falguni speaks about the difference between the first 25 Million customers and the next 25 Million customers and understanding the nuances across the two segments. While that completely makes sense, the other piece that I find entrepreneurs grappling with and often not adequately thinking about is the profile of the first 10-20 people that join the company and the next lot. Again the numbers are a little contextual to the nature of the business but initially you attract entrepreneurial types who have often drunk your cool aid and they have direct contact with you and you move forward. But once you have layers in the organization, two things happen

-        Your connect as an entrepreneur with the lowest layers starts reducing

-        You move from hiring entrepreneurs to employees (not to make this distinction dramatic) that drives a certain type of behaviours.

How you lead Cluster 1 is very different from how you lead Cluster 2. Just to make a minor point, one of the entrepreneurs I worked with had a tough time bringing in a Travel policy for the company. For a long time, he went along saying people will travel and spend whatever they need to do for building the business. But by the time Cluster 2 came along, he realized that this autonomy was

being abused by people who were performing a narrow role and were possibly not as entrepreneurial as his N-1. After a lot of soul-searching he relented to have a policy that would introduce checks and balances. Not that there is one right answer but it is important to stay tuned to the changing inner landscape of people as well apart from tuning into the evolving consumer landscape as you scale up.

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End of nugget transcription

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Falguni Nayar- Nuggets

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About Deepak Jayaraman

Deepak seeks to unlock human potential of senior executive's / leadership teams by working with them as an Executive Coach / Sounding Board / Transition Advisor. You can know more about his work here.

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