

# The next wave of retail: interpreting the evolving landscape of digitally native brands

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December, 2022





# Glossary

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Term	Definition
<b>DNB (digitally native brands)</b>	A business that began by selling its products or services online, either through its website or on online marketplaces with a majority of its sales coming through online channels
<b>DOC (direct online channel)</b>	An online distribution channel in which there are no intermediaries involved between the manufacturer/ brand and the final customer or consumer i.e. the brand's website
<b>Traditional brands</b>	A traditional business that mainly offers products and services to its customers face-to-face in offline stores, but can even offer its products through its own website/online marketplaces
<b>Marketplaces</b>	Online retailers that allow brands to sell their products through the platform (Amazon, Flipkart etc.)
<b>DNB market size</b>	Total market of digitally native brands; includes channels such as DOC, traditional offline stores and online marketplaces
<b>DOC market size</b>	Total market of the direct online channel; includes sales of traditional brands and DNBs only through their websites

# Growing at a CAGR of ~40%, DNB market is a ~US\$ 12.3B opportunity in FY22 and is expected to reach ~US\$ 61B market by FY27

**5x**  
Growth

**Digitally native brands (DNB) market is a US\$ ~12B opportunity in FY22; expected to grow at a CAGR of ~40% and reach US\$ ~61B market in FY27**

**4.7x**  
Growth

**Direct online channel (DOC) market for traditional and DNBs is a US\$ ~4.6B market in FY22; Expected to grow at a CAGR of ~35% reach US\$ 22B by FY27**



**Grocery and gourmet (38%) holds the largest share in the DNBs market followed by apparel & footwear (26%); Healthcare is projected to be the highest-growing DNB category with a CAGR of 42%**



**Apparel & footwear (~40%) holds the largest share in the DOC market followed by grocery and gourmet (25%); Apparel & footwear is projected to be the highest-growing DOC category with a CAGR of 43%**



**DNB brands are witnessing rapid growth and scale; Several brands have crossed INR 100Cr revenue, taking on average 4-5 years to reach this mark**



**Personalization & customization, natural & high-quality ingredients, subscription models, & sustainable offerings are the key trends across various DNB categories**



**Improved logistics & online infrastructure, ease of convenience, customization & multiple advertising avenues are factors driving growth for DNBs whereas for DOC, they are low upfront costs, higher margins & leveraging purchase data for repeat orders**



**Innovative products/services, omnichannel approach, high-tech and new trends adoption are key differentiating factors and drivers for the success of DNBs**



**Slower rate of growth post COVID, hyper-competitive market and decline in funding are the major headwinds being faced by DNBs**

# Agenda

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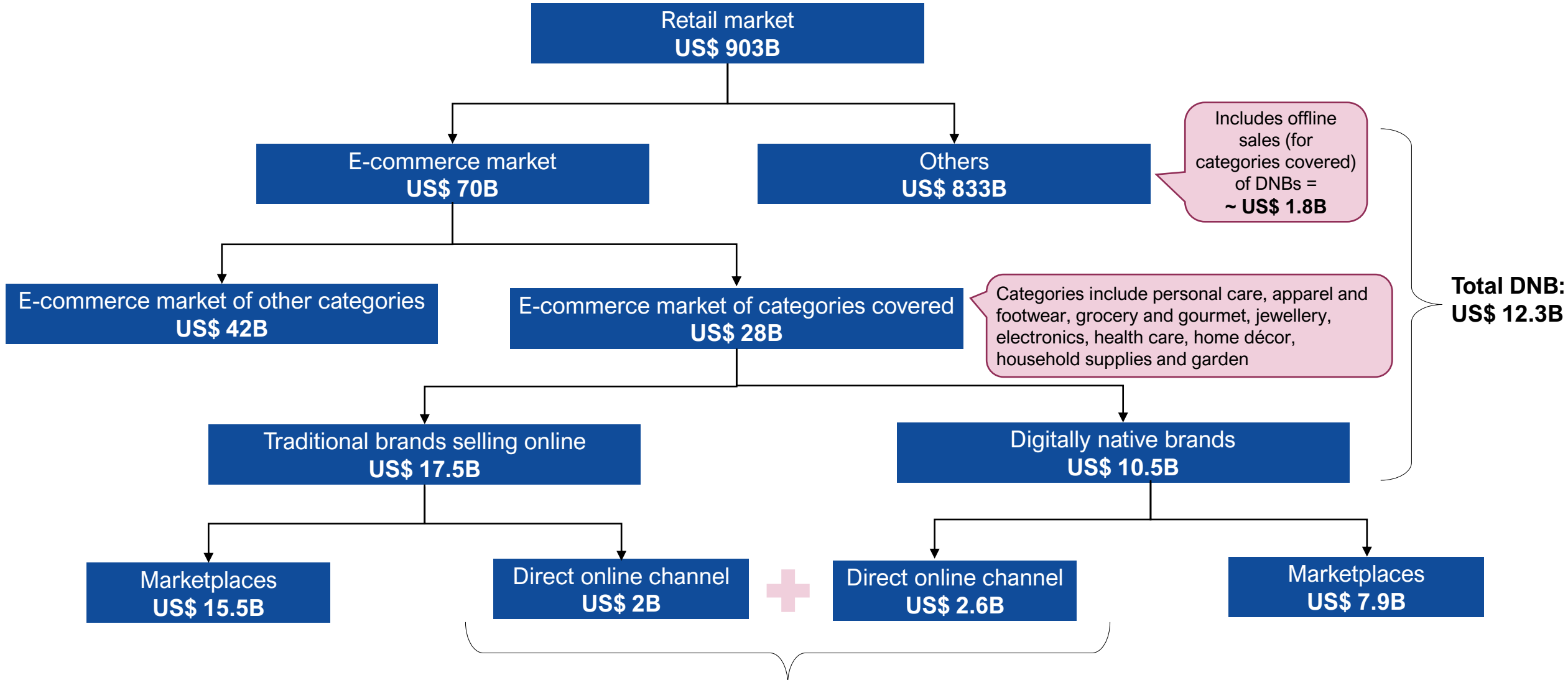
**Market size and potential of DNB brands**

DNB models

Category themes

Growth drivers & challenges

# Total DNB market size across 7 major categories is US\$ 12.3B in FY22; DOC market across 7 product categories for traditional and DNBs is US\$ 4.6B in FY22



Note(s): 1. FY22 numbers have been updated to include first 6 months of FY23 as well  
 2. Direct Online Channel = Sales done through own websites  
 Source(s): Industry reports, Invest India, IBEF, Praxis CII Shiprocket India D2C report 2022, 1Lattice analysis

**Total DOC: US\$ 4.6B**

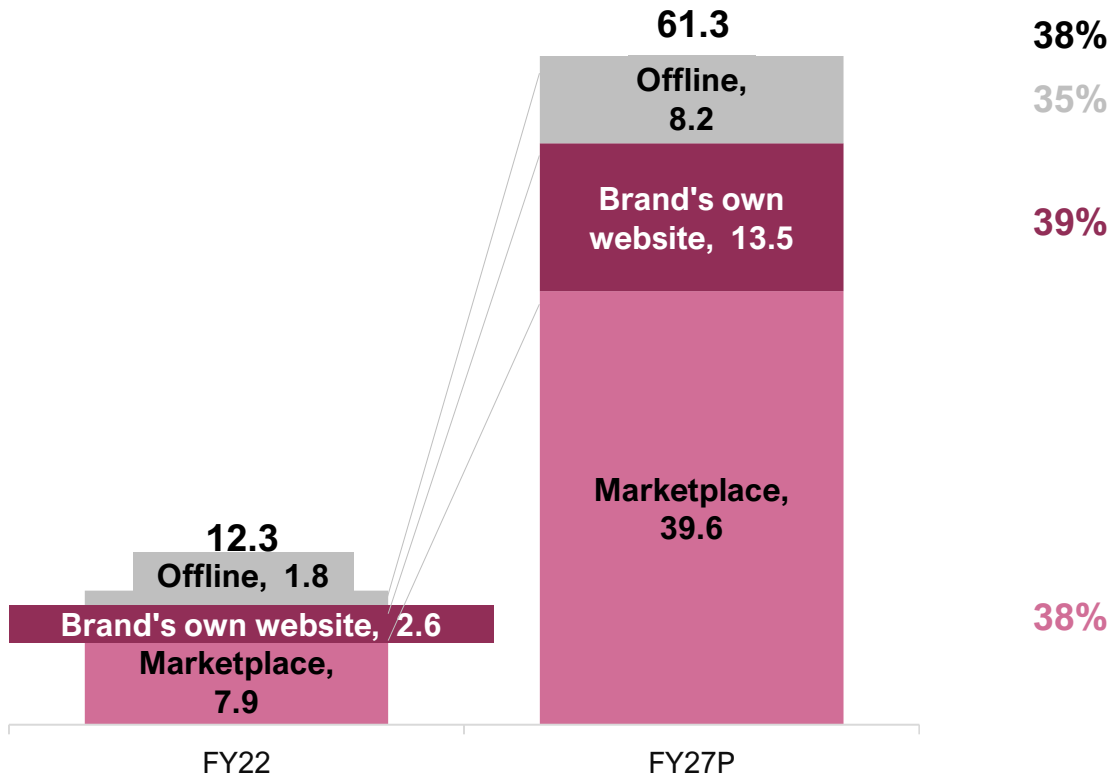
# Digitally native brands market in India is expected to be a US\$ 61.3B market in FY27; the DOC market for traditional and DNB brands is expected to reach US\$ 22B by FY27

Fastest growth for DNB brands is being driven by brands' own websites

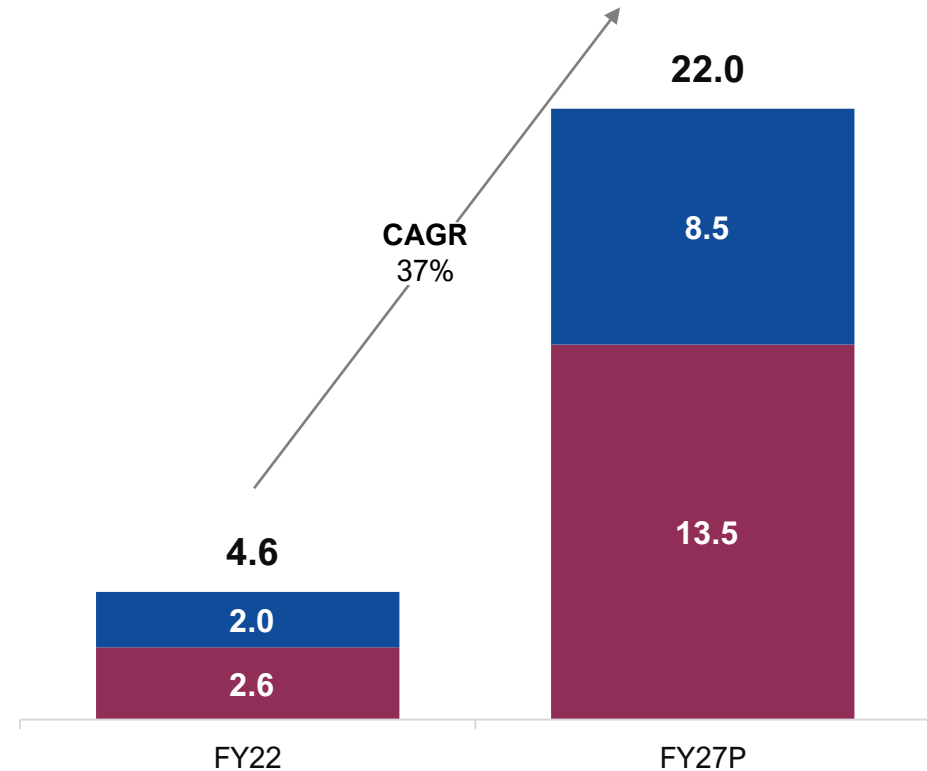
Direct online channel (DOC) market is expected to reach US\$ 22B by FY27, growing at a CAGR of 37%

Digitally native brands market size (US\$ B)

CAGR FY22 – 27P



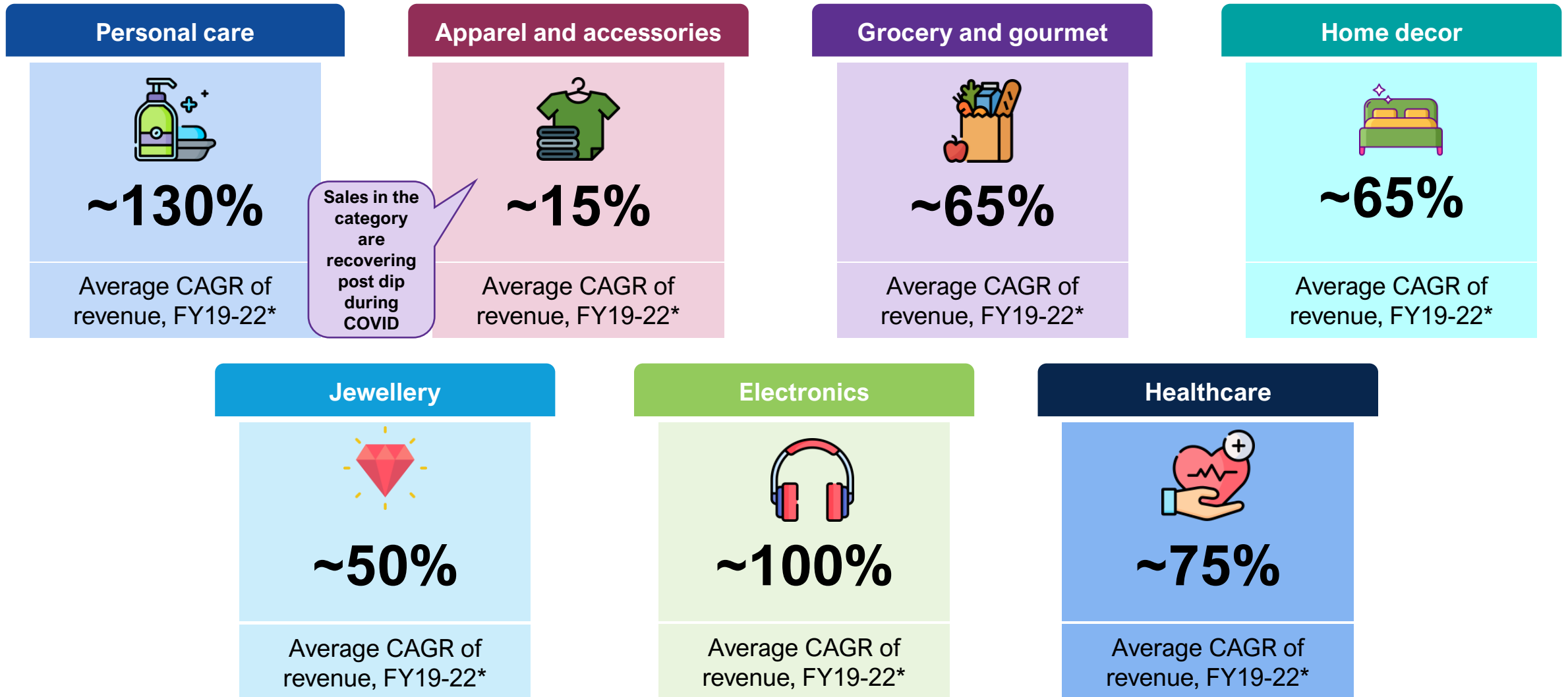
Direct online channel market size (for both traditional and DNBs) (US\$ B)



■ Traditional brands ■ DNB

Note(s): FY22 numbers have been updated to include first 6 months of FY23 as well  
 DOC= Direct Online Channel  
 Direct online channel is composed of online sales done via their own website + social media by both traditional and DNB brands.  
 Numbers might not add up due to rounding off  
 Source(s): Industry reports, IBEF, Praxis CII Shiprocket India D2C report 2022, 1Lattice analysis

# DNB brands operating in 'personal care' and 'electronics' have seen highest growth in terms of revenue since FY'19



Note(s): 1. \*These figures are illustrative and are calculated on the basis of information available of brands in these categories  
 2. These categories do not include any online marketplaces  
 Source(s): Tracxn, Industry reports, Praxis CII Shiprocket India D2C report 2022, 1Lattice analysis



# In terms of market size, healthcare and apparel & footwear are projected to be the highest-growing DNB and DOC categories respectively

Grocery and gourmet holds the largest share in the DNBs market

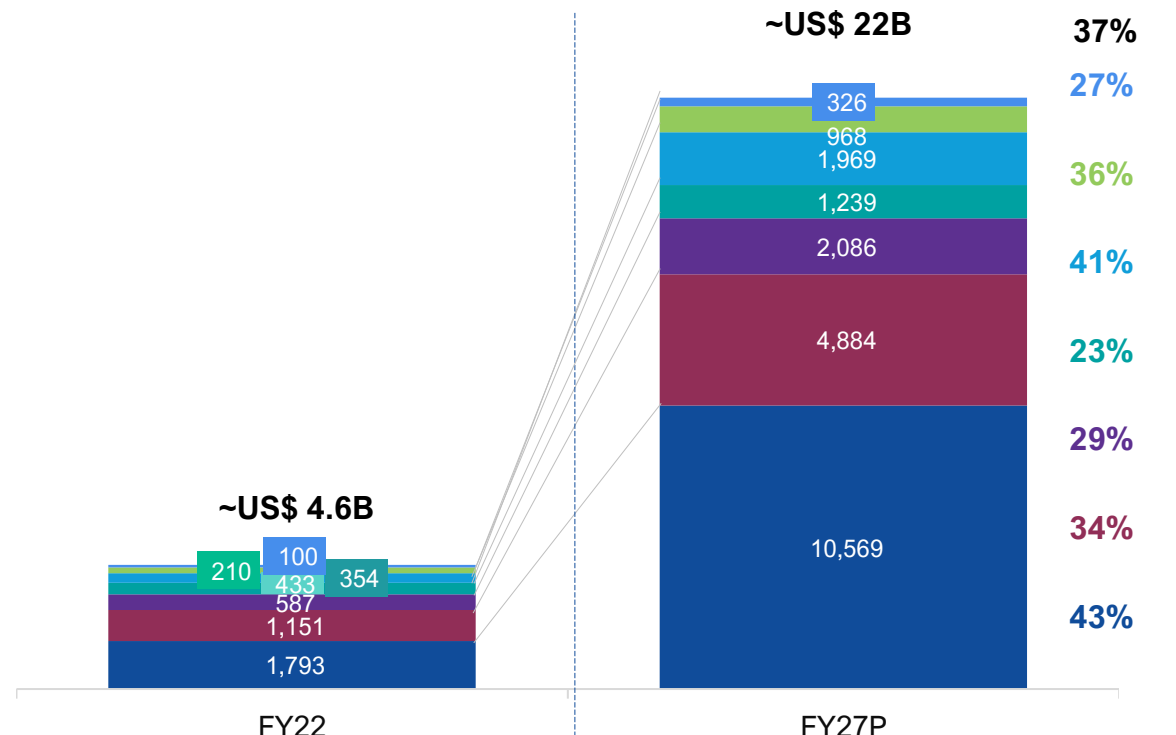
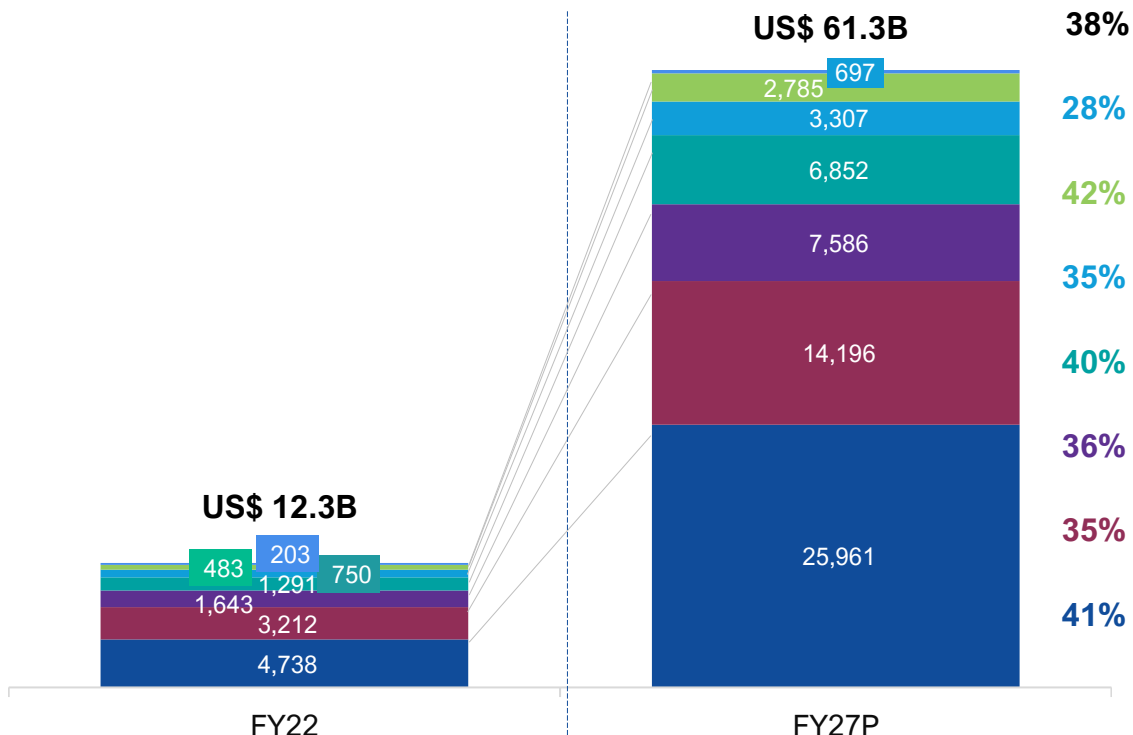
Apparel and footwear holds the largest share in the DOC market

Category-wise DNBs market size (US\$ M)

CAGR FY22 – 27P

Category-wise Direct online channel market size (US\$ M)

CAGR FY22 – 27P

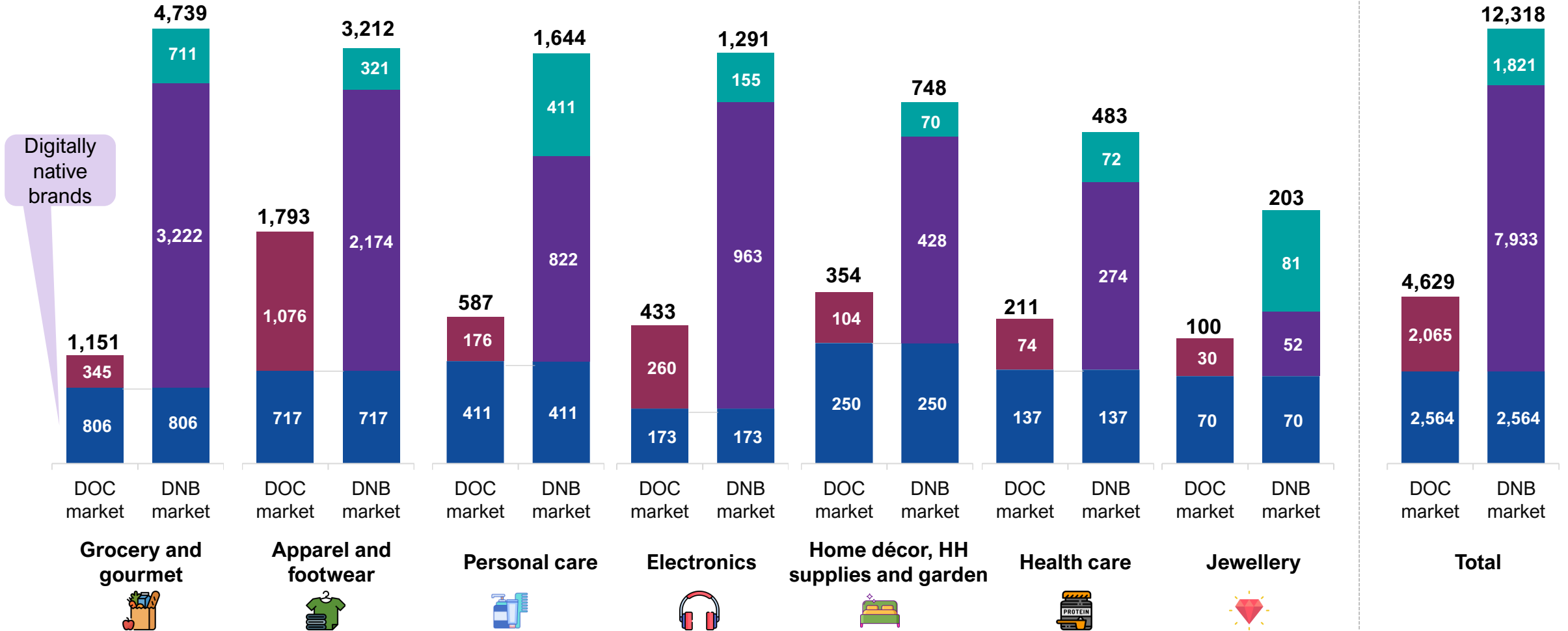


- Grocery and gourmet
- Apparel and footwear
- Personal care
- Electronics
- Home décor, HH supplies and garden
- Jewellery
- Healthcare

Note(s): FY22 numbers have been updated to include first 6 months of FY23 as well  
 Direct online channel is composed of online sales done via their own website + social media by both traditional and DNB brands  
 Numbers might not add up due to rounding off  
 DNB= Digitally Native Brands  
 Source(s): Industry reports, IBEF, Praxis CII Shiprocket India D2C report 2022, 1Lattice analysis

**Digitally native brands (~US\$ 2.5B) form ~55% of the total DOC market (~US\$ 4.5B); sales through brand's own website, marketplace & offline channels constitute ~20%, ~65% and ~15% respectively in DNB market**

**DOC and DNB market split**  
US\$ M, FY22E



Note(s): Direct online channel is composed on online sales done via own website + social media by both traditional and DNB brands. Numbers might not add up due to rounding off  
Source(s): Industry reports, IBEF, Praxis CII Shiprocket India D2C report 2022, 1Lattice analysis

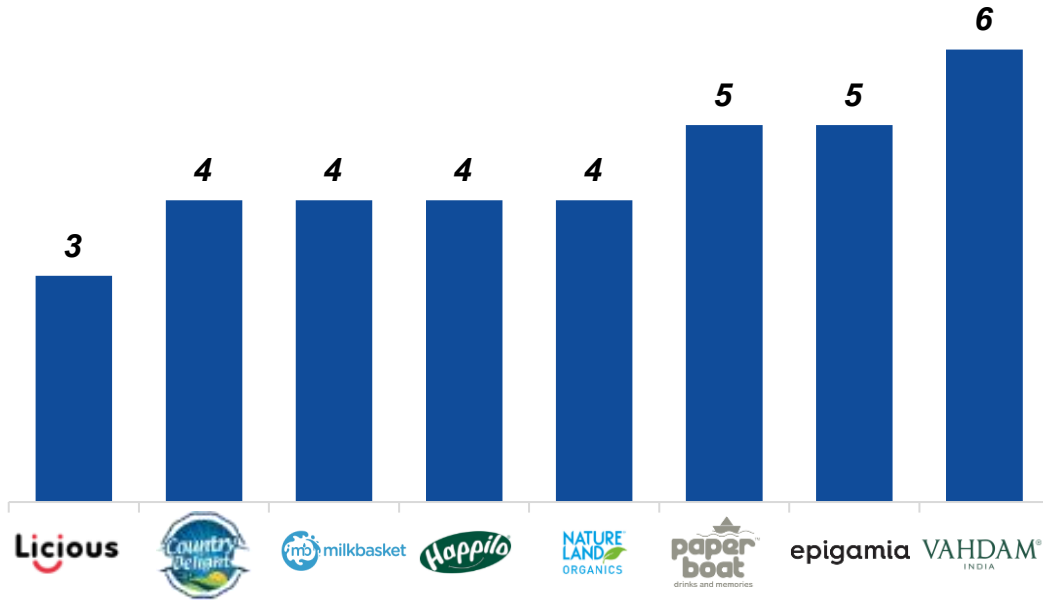
- Sales through own website
- Traditional brands (majorly having offline presence)
- Marketplace
- Offline

# DNB brands are witnessing rapid growth and scale in India; several brands have crossed INR 100Cr revenue (1/2)

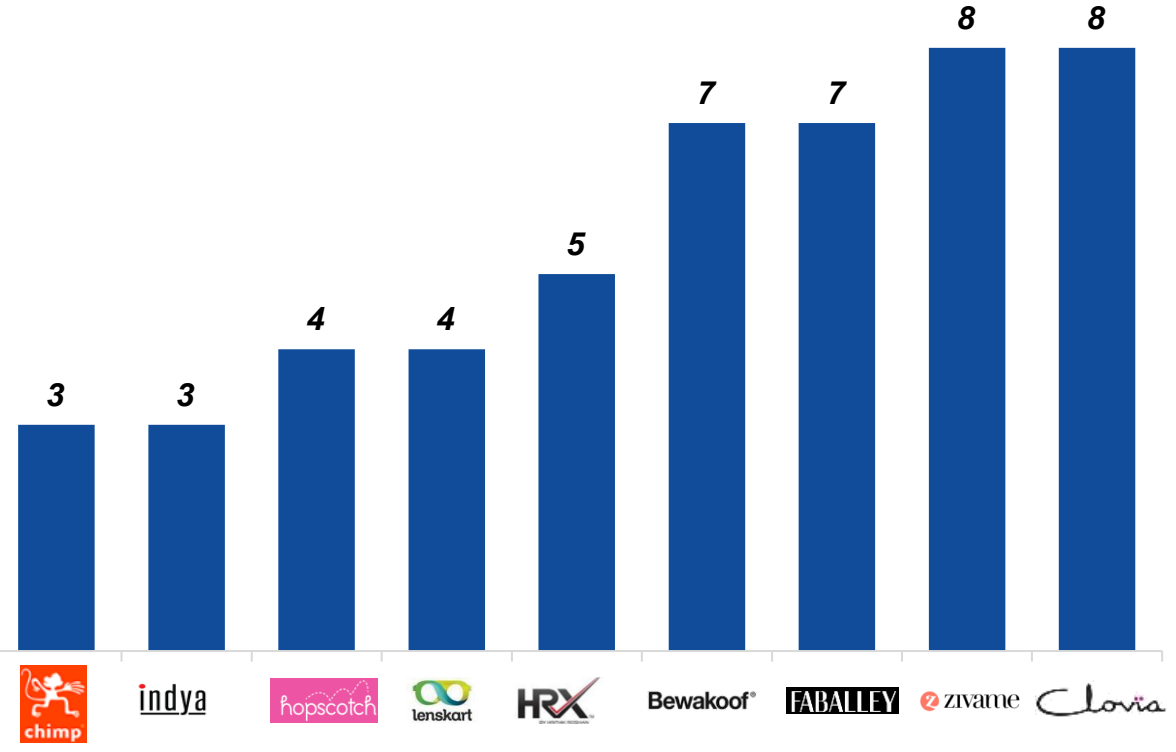
Number of years to cross INR 100 Cr revenue\*



## Grocery & gourmet



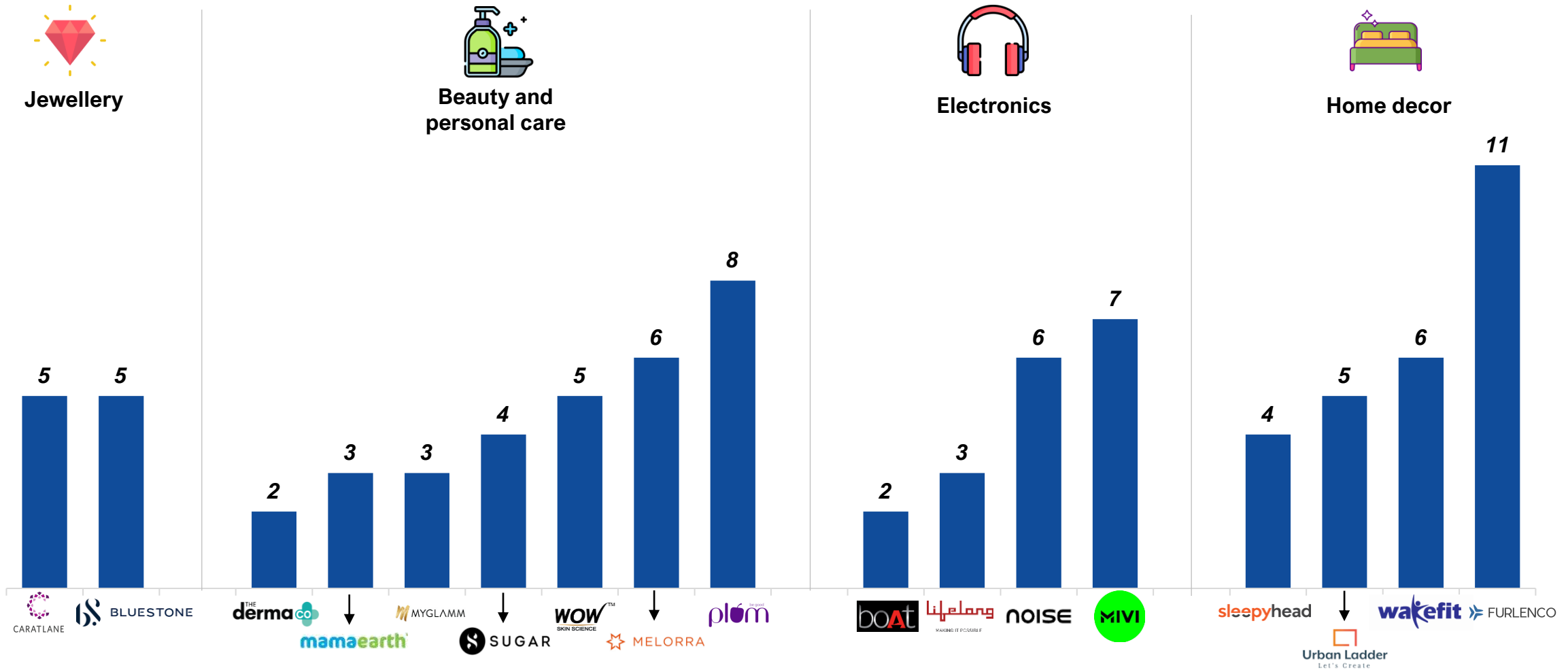
## Apparel & accessories



Note(s): \*The list of brands is illustrative and not an exhaustive list  
 Source(s): Tracxn, Praxis CII Shiprocket India D2C report 2022, 1Lattice analysis

# DNB brands are witnessing rapid growth and scale in India; several brands have crossed INR 100Cr revenue (2/2)

Number of years to cross INR 100 Cr revenue\*



Note(s): \*The list of brands is illustrative and not an exhaustive list  
 Source(s): Tracxn, Praxis CII Shiprocket India D2C report 2022, 1Lattice analysis

# Agenda

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Market size and potential of DNB brands

**DNB models**

Category themes

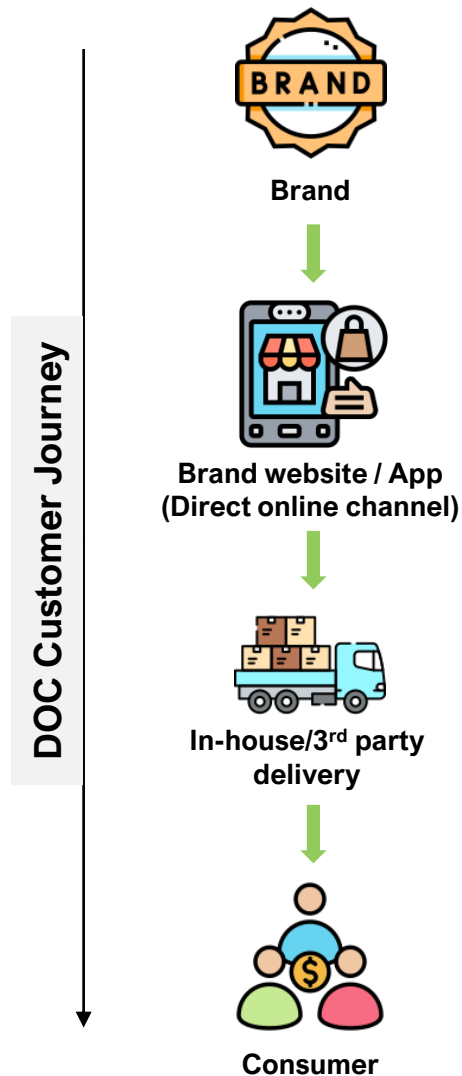
Growth drivers & challenges

# The DNB Model offers various channels which include Direct Online Channel (DOC), Marketplace and Exclusive brand outlets



Key parameters	DOC	Marketplace	Native stores / Exclusive brand outlets
<p><b>Overview</b></p>	<ul style="list-style-type: none"> <li>Channel through which customers purchase and receive goods <b>directly from the manufacturer</b></li> <li>Sales done through company's <b>own websites or apps</b> are included in DOC</li> <li>Marketing of the products is done through <b>mobile applications, websites and social media channels</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Digital platforms that sell multiple brands</b> across different categories</li> <li>Platforms like <b>Amazon &amp; Flipkart</b> are some of the major marketplaces for brands in India</li> <li>Customers may <b>choose from the available options</b> of different brands and product varieties</li> </ul>	<ul style="list-style-type: none"> <li>Offline channels include the <b>usage of exclusive brand outlets</b> for selling products directly to the customer</li> <li>Offline stores are critical in spreading <b>brand awareness</b></li> </ul>
<p><b>Brands utilizing this channel</b></p>			

# Lower upfront costs and higher margins are key drivers of DOC; key challenges include logistics delays, high competition & low brand visibility



## Tailwinds



### Low upfront costs

- **Infrastructure** requirements are limited
- **Lower-risk option** because of low overheads



### Higher margins

- **Requires minimal expenditure** because of low overheads and no commissions to middlemen resulting in higher margins



### Leveraging purchase data for repeat orders

- **Helps refine customer experience** and understand their needs & wants by analyzing their purchase trends

## Headwinds



### Difficulty in fulfilling delivery expectations

- In an era of rising delivery standards and reducing TAT, **unavailability of adequate order fulfilment systems & warehousing spaces** are a major roadblock



### High competition due to low entry barriers

- **Minimal entry barriers** to launching a DOC channel encourages new players to join the market resulting in **fierce competition**



### Low brand visibility

- Difficult to reach out to the targeted customers due to **limited online presence**
- Smaller brands are **overshadowed by larger brands**

# Marketplaces offer DNB brands greater reach and scaling opportunities but due to the competitive environment and lower margins, profitability can reduce



## Tailwinds

<p><b>Greater reach</b></p> <ul style="list-style-type: none"> <li>Brands can reach a <b>broader and wider variety of audiences</b></li> <li><b>Vast catalog of available products</b> attracts customers</li> </ul>	<p><b>Scaling opportunities</b></p> <ul style="list-style-type: none"> <li><b>Minimal overheads</b> allow DNB brands to scale quickly</li> <li>Marketplaces aid brands in reaching new customers helping <b>improve revenue</b></li> </ul>	<p><b>Revenue diversification</b></p> <ul style="list-style-type: none"> <li>Sales generated through a variety of channels make the <b>business resilient to external shocks</b></li> </ul>
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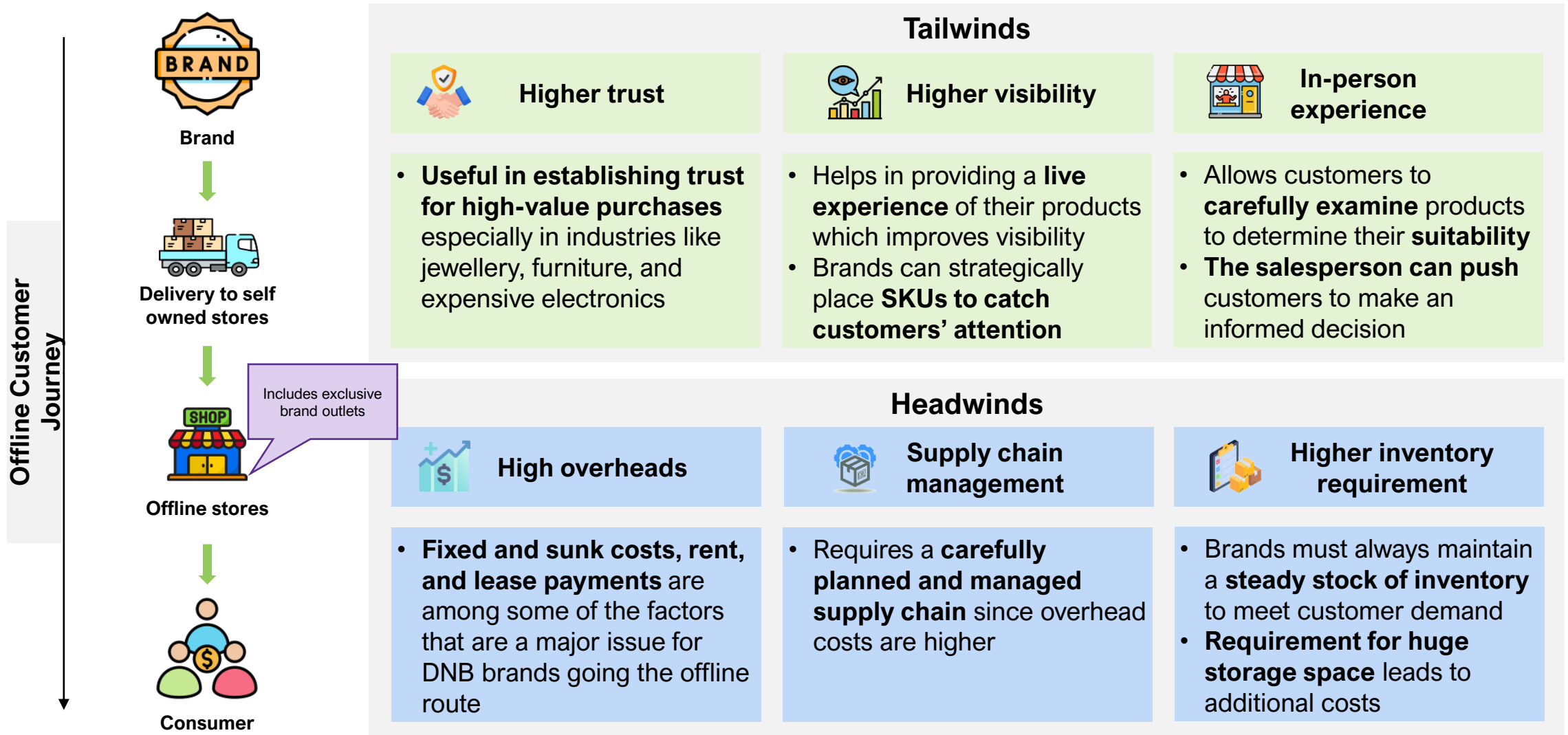
## Headwinds

<p><b>Lower margins</b></p> <ul style="list-style-type: none"> <li><b>Involvement of a 3<sup>rd</sup> party</b> which charges some sort of commission, final value fees or indirect costs, leads to <b>split in margin</b></li> </ul>	<p><b>Limited control over customer experience</b></p> <ul style="list-style-type: none"> <li>Brands sacrifice control of customer data (which <b>aids in refining customer experience</b>) while selling via a marketplace</li> </ul>	<p><b>High competition</b></p> <ul style="list-style-type: none"> <li>Due to the presence of <b>multiple brands and smaller sellers</b> on the same site, the market is <b>characterized by cut-throat competition</b></li> </ul>
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Note(s): DNB=Digitally Native Brands  
Source(s): 1Lattice analysis



# Offline stores benefit from higher trust and visibility but face challenges such as high overheads and higher inventory requirement



Note(s): SKU=Stock Keeping Unit, COCO=Company owned company operated  
 Source(s): 1Lattice analysis

# Agenda

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Market size and potential of DNB brands

DNB models

## Category themes

Personal care

Grocery and gourmet

Apparel and footwear

Jewelry

Electronics

Healthcare

Home décor, household supplies & garden

Growth drivers & challenges


# Clean, sustainable and premium offerings with personalization are the key emerging trends in the DNB personal care landscape

**1**


## Clean beauty

- Customers demanding **chemical-free products** with **natural ingredients**
- Premium ayurvedic** products in high demand


**Natural, toxin-free skincare products** by The Moms Co.



**Natural ingredients, free of harsh chemicals** by WOW



**Products with clinically tested ayurvedic ingredients** by Soultree




**2**


## Personalization

- Addresses individual need** of a customer as per unique profile
- Personalization helps create **customer stickiness** as customer gets used to the product

**Quiz to find suitable products for skin types** by Bare anatomy



**Customized products** by SkinKraft and Vedix






**3**


## Premiumization & subscription models

- DNB brands** offer premium products at more affordable prices than premium brands


**Example: Shampoo**

		
Mass brands (Clinic Plus, Dove, etc.) <b>INR 450 - 700</b>	DNB brands (Mamaearth, Wow, etc.) <b>INR 900 – 1,000 Sulphate free</b>	Premium brands (L'Oreal Seri Expert, etc.) <b>INR 2,200+ Sulphate free</b>

**Subscription models to build customer loyalty**



**Subscription model by Nua and Vedix** resulting in higher retention rate




**4**


## Sustainability

- Stance on **sustainability important** for attracting demand
- Products marketed as **cruelty-free, vegan, eco-friendly packaged** are getting popular


**Safe & sustainable products for Gen Z & Millennials** from The Switch Fix



**100% cruelty-free & vegan brand Pilgrim** aimed to become **plastic positive**



**Earth Rhythm uses only recycled material for packaging**




**5**


## Ingredient specific products

- DNB brands** are focusing on products with specific **ingredients** for **different skin needs**
- Product categories like **onion-based shampoos, charcoal facewash and caffeine products** are some examples of this trend

**Caffeine-based personal care products** from MCAffine



**Charcoal based facewash** by Bombay Shaving Company



Note(s): These trends are not basis the frequency of occurrence but on the prominence  
 Gen Z= Generation Z  
 Source(s): Company websites, Industry reports, Secondary research, 1Lattice analysis

# mCaffeine is the first homegrown DNB start-up brand to create caffeine-infused (single-ingredient) personal care products for a premium millennial audience



**Founded**  
2015



**Headquarters**  
Goa, India



**Total funding**  
~US\$ 41M



**Company stage**  
Series C



**Offerings**

Caffeinated personal care products

## Key product categories



Body care



Face care



Hair care

## Key highlights

- Caffeine-infused, 100% vegan, cruelty-free, natural brand, serving the needs of an active millennial lifestyle
- Successfully achieved more than 100% YoY growth and plans to acquire small brands from the beauty industry
- Focusing on launching 15-20 SKUs by the end of 2023, expanding the reach to 12 countries across the globe in the next 3 years and to 100,000 stores in the next 5 years

## Marketing & brand building



429K+ followers  
2,470+ posts



13K+ subscribers  
250+ videos

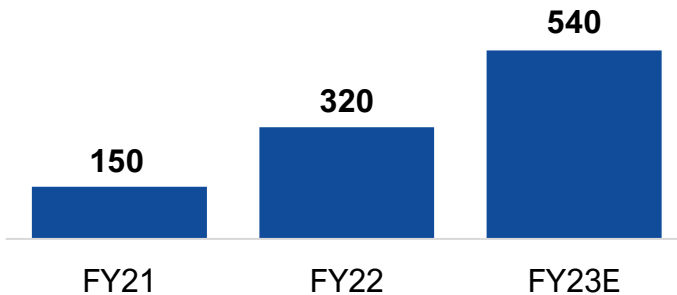


119K+ followers

- Associated with Alia Bhatt for their biggest marketing campaign, garnered 100 million+ impressions across media channels
- #GetNaked became one of their most popular campaigns for their body care launch

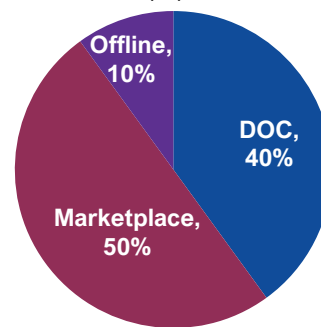
## Revenue

Gross MV  
(INR Cr)



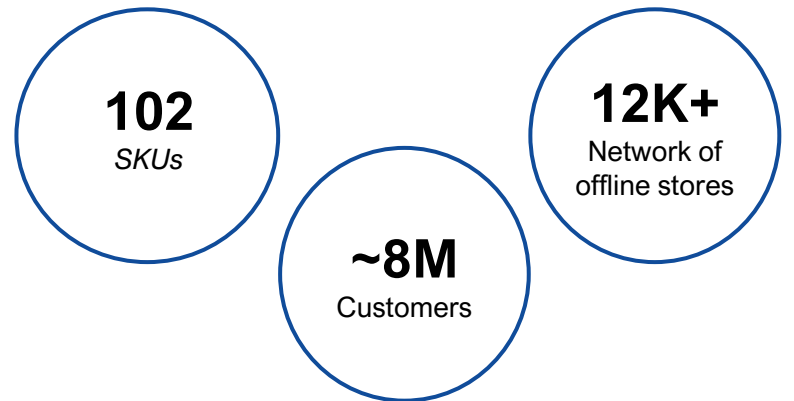
## DNB channels

Channel split  
(%)



- Among the online portals, ~45% sales comes from their own website and the rest ~55% from eCommerce platforms
- While online remains the core focus of the brand, they are expanding their offline portals
- Operates from 12,000 stores in general and modern trade, including Wellness Forever and Health & Glow

## Business Facts



# Healthy product offerings and the emergence of disease-specific products are the key emerging trends in the grocery & gourmet DNB landscape

- 1 Healthy offering
- 2 Emergence of disease-specific products
- 3 High-quality ingredients & clean labelling
- 4 Subscription and customization models
- 5 Consultations / diet plans



• Since COVID-19, consumer preferences have changed to favour healthier options across different food categories



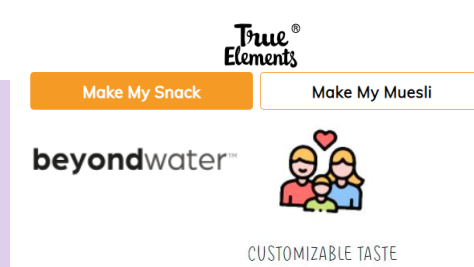
- DNB brands like Slurrp Farm offer diabetic combos such as millet dosa mix, sprouted ragi powder, etc. which are also great immunity boosters
- Minus Thirty is an ice cream brand that has sugar-free and vegan options with no preservatives or artificial flavors



- With every trial order, Country Delight includes a self-test kit
- Presence of natural and high-quality ingredients is assured by various brands e.g. The Whole Truth promises 100% clean ingredients



Subscription model → repeat customers and higher purchase frequency



True Elements, Beyond Water offer customization option



- Ketofy offers personalized diet plans, where the users can consult with the certified experts
- Fitmeals offers meal plans for different goals including weight loss, athletic meals, etc.

Note(s): These trends are not basis the frequency of occurrence but on the prominence  
 Source(s): Company websites, Industry reports, Secondary research, 1Lattice analysis

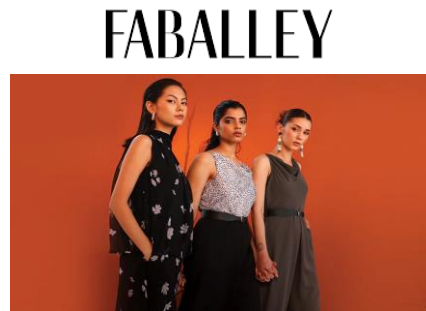
# Celebrity-owned labels, customizable offerings, AI/ML based product designs, sustainable fashion and quirky designs are key emerging trends in the industry

## 1 Celebrity & influencer owned labels



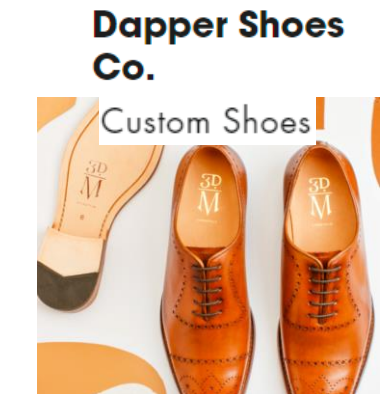
Celebrities are either launching their own labels or investing in brands as opposed to merely endorsing a brand

## 2 Artificial intelligence & machine learning



Brands are leveraging AI-powered recommendation & product development engines to create new designs that best meet the customer's needs.

## 3 Customizable offerings



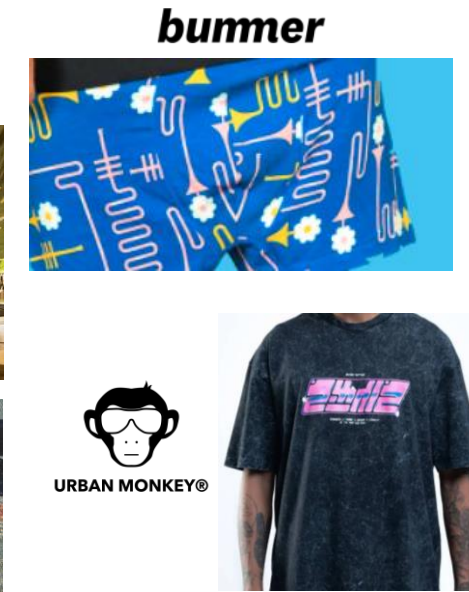
Bombay Shirt Company & Dapper Shoes Co. are some of the brands offering customization option

## 4 Sustainable fashion



Brands such as No Nasties & 11.11 provide sustainable clothing items along with a zero-exploitation policy, aiming towards the betterment of the lives of the farmers

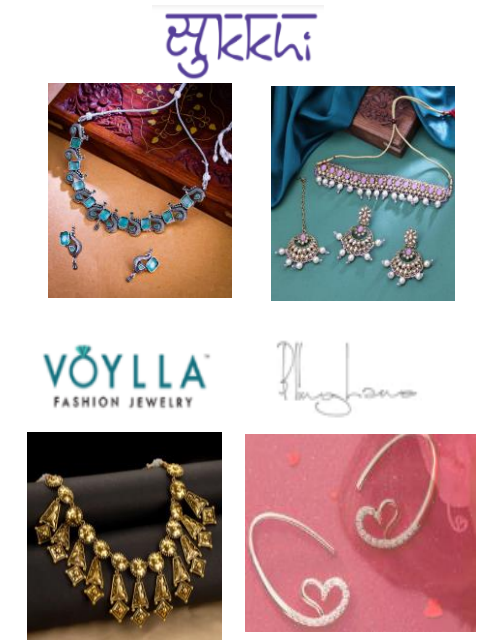
## 5 Funky & quirky designs



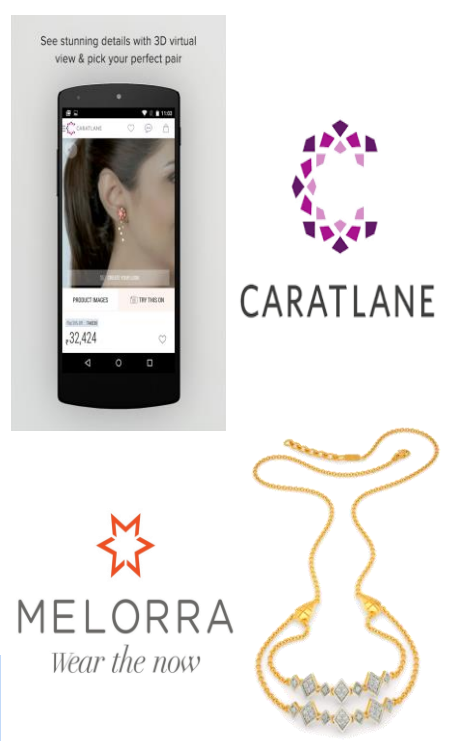
Note(s): These trends are not basis the frequency of occurrence but on the prominence  
 AI=Artificial Intelligence, ML=Machine Learning  
 Source(s): Company websites, Industry reports, Secondary research, 1Lattice analysis

# Jewellery DNBs are moving towards an omnichannel strategy; key trends emerging in the space are fast fashion, AR tech, and personalization

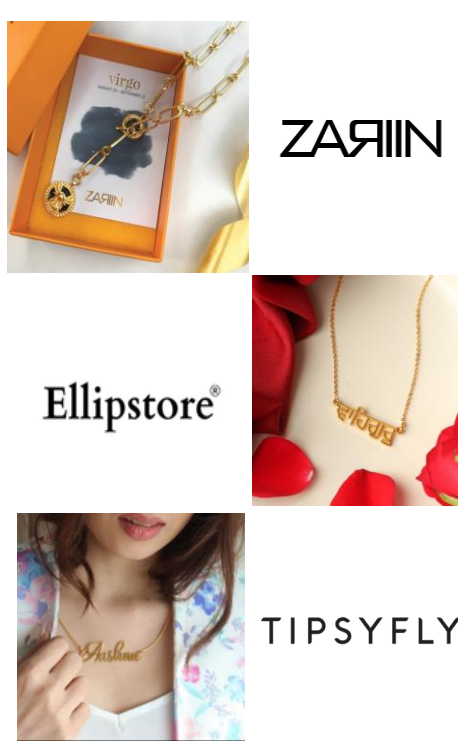
- 1 Fast fashion
- 2 Augmented reality
- 3 Personalization
- 4 Omnichannel
- 5 Celebrities endorsing jewellery



The concept of **fast fashion** i.e., **trendy & lightweight products at affordable prices** is fast gaining traction in the Indian DNB jewellery landscape due to **changing customer behaviour**, especially among **millennials & Gen Z**



**'Try and buy'** is deeply rooted in **Indian psyche** hence brands are **integrating** it into their **user experience**

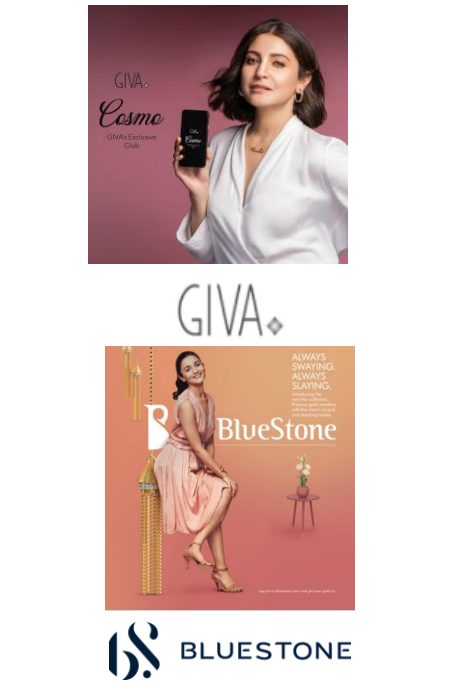


DNBs are **focusing on customization** because it helps to address **unique customer demands & preferences**



*"Companies should now strive to create an **omni channel strategy** to leverage the strengths from both channels to provide the **best shopping experience**. Soon companies can strive to **adopt AI technologies** to personalize customer experience on digital platforms.."*

**- Co-founder, DNB focused jewellery brand**



Influencers and celebrities are endorsing various jewellery brands like Melorra and Caratlane, discussing the **confidence that needs to be felt by the women**

Note(s): These trends are not basis the frequency of occurrence but on the prominence  
 AR tech=Augmented Reality technology  
 Source(s): Company websites, Industry reports, Secondary research, 1Lattice analysis

# Fast-moving affordable products and a shift towards branded & Indian products are the key trends in the electronics DNB space

## 1 Shift towards local / Indian manufacturers

- **Indian brands** have captured significant market share as consumers are preferring to buy Indian brands over foreign ones
- Further schemes like **PLI** and **Make in India** will reduce cost and increase penetration

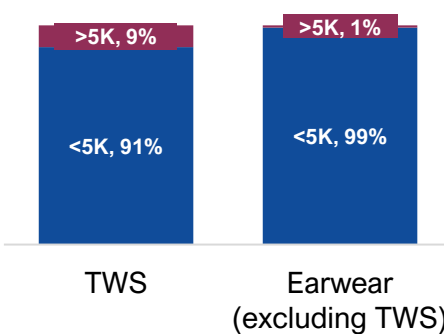
Marketing by boAt, with emphasis on 'Made in India'



## 2 Fast moving affordable products

- Electronics brands are launching **good quality products** at an **affordable price** in a segment that was dominated by mid and high-end products
- Moreover, they are **democratizing tech** resulting in **higher repurchases** as users wish to **upgrade to the latest tech**

Earwear market by Avg Selling Price (ASP) 2021



## 3 Increased health awareness

- **Increased demand** for **smartwatches** with health / fitness tracking features such as **HR, SpO<sub>2</sub>, steps** especially after the pandemic



## 4 Shift to branded products

- India's hearables' market was earlier **dominated by unbranded products**. In the past few years, there has been a **shift towards branded hearables**, due to **growing brand affinity especially for internet first brands**
- **Brand reputation** has become **one of the top KPCs** for user buying **hearables & wearables**

### Unbranded

### Branded



## 5 Switch to wireless


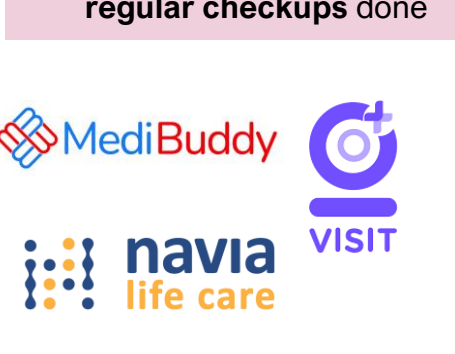



- **Wireless technology** has been **gaining prominence** in the market across devices, especially **hearables**
- **Comfort and simplicity** are the **key factors** creating demand for wireless products
- Improving wireless tech has made the **adoption** of several devices such as **wearables, smart assistants & computer accessories possible**



Note(s): These trends are not basis the frequency of occurrence but on the prominence  
 TWS=True Wireless Stereo, PLI= Production Linked Incentive, HR= Heart Rate Monitoring  
 SpO2 = Blood oxygen monitoring, KPC= Key Purchasing Criteria  
 Source(s): BOAT DRHP, Industry reports, Secondary research, 1Lattice analysis



# Increased demand for ayurvedic remedies and health supplements are key trends driving the DNB healthcare market

<p><b>1</b> Increased usage of health supplements</p>	<p><b>2</b> Shift towards digital healthcare</p>	<p><b>3</b> Demand for natural &amp; ayurvedic remedies</p>	<p><b>4</b> Increased awareness for mental health</p>	<p><b>5</b> Varied mode of consumption</p>
<ul style="list-style-type: none"> <li>The main goals include weight management, balanced nutrition and muscle development</li> <li>Due to the growing <b>health consciousness among consumers</b> post-COVID, the industry is expanding</li> </ul>	<ul style="list-style-type: none"> <li>Focus on increasing online <b>accessibility of high-quality and low-cost</b> healthcare services to patients</li> <li><b>Ensures comfort &amp; reduces the need</b> of going to a <b>hospital</b></li> <li>Post-COVID, people are giving <b>priority to their health</b> and getting <b>regular checkups</b> done</li> </ul>	<ul style="list-style-type: none"> <li>Customers are increasingly looking for <b>alternatives to chemical options</b></li> <li>The pandemic has led to a <b>significant shift</b> in consumer behavior towards herbal and the natural health markets</li> </ul>	<ul style="list-style-type: none"> <li>CHC firms have <b>supported mental health</b> services and are helping normalize mental health interactions on social media platforms</li> <li><b>New technology</b> and digital behavioral health applications also contribute to improving mental health</li> </ul>	<ul style="list-style-type: none"> <li>Supplements are <b>not restricted to traditional tablets</b> or powders</li> <li>They are increasingly being chosen by consumers as <b>shots, gummies, blended teas</b>, etc.</li> </ul>
				
<p>Brands such as MuscleBlaze, Kapiva and NutraBay offer nutrition supplements</p>	<p>Apps like MediBuddy, Visit and Navia Life Care are providing digital healthcare</p>	<p>Amrutam, Oziva offer herbal / ayurvedic medicines and a variety of plant-based products for daily fitness</p>	<p>Nature's Bounty has introduced 'Anxiety and Stress Relief', to protect the brain's mood center</p>	<p>Supplements are available from Akiva and Power Gummies in the shot and gummy forms</p>

Note(s): These trends are not basis the frequency of occurrence but on the prominence  
 CHC= Community and home health care  
 Source(s): Company websites, Industry reports, Secondary research, 1Lattice analysis

# Power Gummies is a nutraceutical DNB selling crafted vitamin gummies with an aim to make health regime simple and fun



**Founded**  
2018



**Headquarters**  
Delhi NCR, India



**Total funding**  
~US\$ 7M



**Company stage**  
Series A



**Offerings**  
Nutraceuticals in a tasty & chewable format (Gummies)

## Key product categories



INR 800/ month



INR 999/ month



INR 1200/ month



INR 1200/ month



INR 999/ month



INR 1300/ month

## Key highlights

- Successfully launched **6 SKUs** and have future **plans to launch 40+ SKUs** with new additions to their portfolio every few months (recently launched hair & beard gummies aimed at men)
- Increased focus on **offline stores** specially in **high ticket value areas** like airports, highstreets and malls to increase brand presence
- **Focus area** remains **metro and T1 cities** but **plans to enter T2+ markets** with generalised SKUs (multivitamins etc.) soon

## Marketing & brand building



314K+ followers  
541+ posts



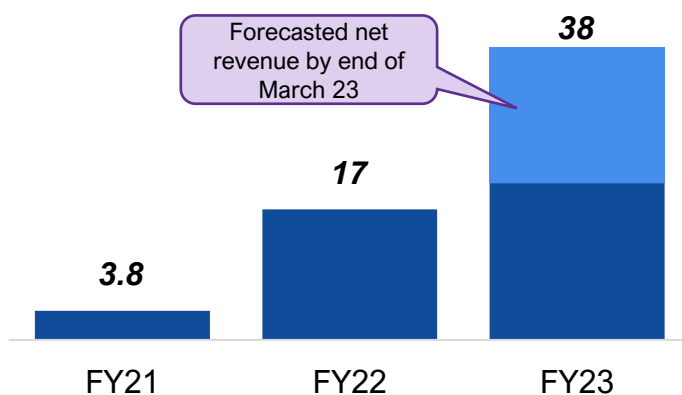
376K+ subscribers  
80+ videos



24K+ followers

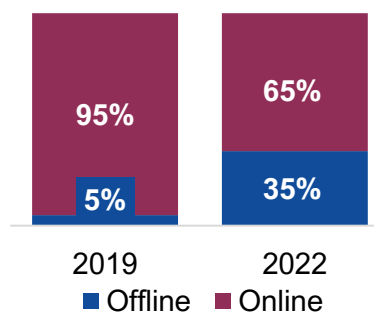
- Increasing reliance on short form content like **Insta Reels** and **Snapchat**
- Higher engagement with **smaller influencers** to **target niche audiences**
- **Low focus on offline marketing** due to their **low ROI**

## Revenue



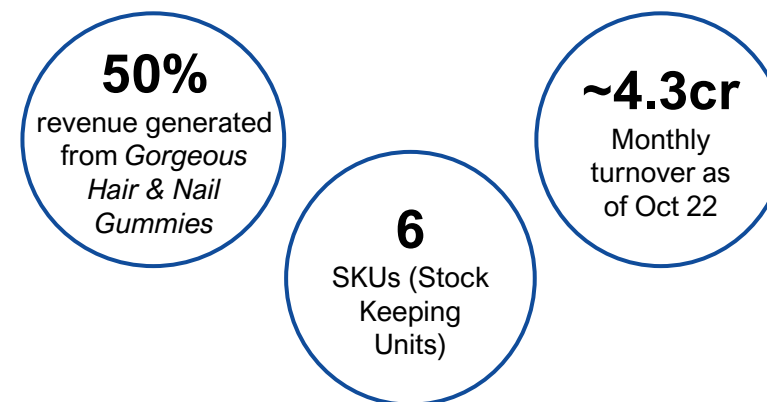
## DNB channels

### Channel split (%)



- **Offline channels** are creating **high brand presence**
- **Share of marketplace channel reducing** due to **higher CAC**
- **DOC channel** generating **32% revenue**, driven by the brand's digital presence and unique site-only offers

## Business Facts



# Trends like furniture rentals, sustainability and Indian handicrafts are prevalent in the DNB home décor industry

<p>1</p> <p><b>Furniture rentals</b></p>	<p>2</p> <p><b>Sustainability</b></p>	<p>3</p> <p><b>Augmented reality assisted experience</b></p>	<p>4</p> <p><b>Indian handicrafts</b></p>	<p>5</p> <p><b>Buy &amp; try</b></p>
				
				
<p><b>pepperfry</b></p> <ul style="list-style-type: none"> <li>Rental services offer a <b>cost-effective alternative</b> for users</li> <li>The concept is especially <b>popular among Gen Z and Millennials</b></li> </ul>	<p><b>nestasia</b></p> <ul style="list-style-type: none"> <li>Consciousness for sustainability is rising among consumers as they want to opt for <b>products which do not have toxic materials</b> or are unhealthy for people and the planet</li> </ul>	<ul style="list-style-type: none"> <li>In case of products like furniture and home decor <b>placement &amp; aesthetics</b> matter a lot hence brands are focusing on giving users <b>live experience of their products</b> through <b>experience centers or augmented reality</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Indian handicrafts &amp; designs</b> have witnessed a <b>resurgence</b> as people move towards <b>“Make in India”</b></li> <li>DNB brands are playing a vital role in <b>promoting export of Indian handicraft</b></li> </ul>	<ul style="list-style-type: none"> <li>Many brands in the home décor &amp; furniture space are offering customers <b>extended trial periods</b></li> <li>This helps <b>customers</b> to get a <b>proper experience before</b> making a <b>long-term commitment</b> to their purchase</li> </ul>

# Agenda

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Market size and potential of DNB brands

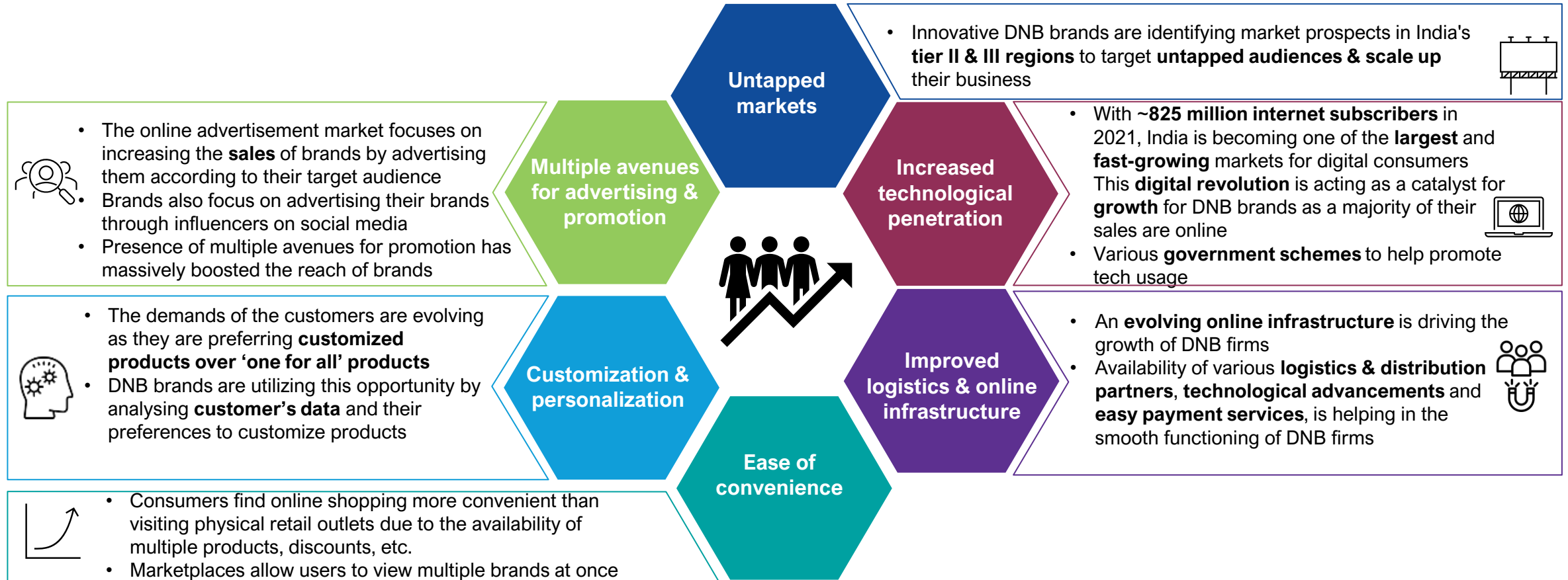
DNB models

Category themes

**Growth drivers & challenges**

# Improved logistics and online infrastructure, untapped markets and increasing technological penetration are driving growth for major DNB brands

## Growth drivers for DNB brands in India



# Creating a unique product / service, focusing on a multi-channel approach and online brand presence are a few major success factors for DNB brands

1

## Innovation – bridging gaps across consumer needs



- **Focus on innovation & creating a unique product/service** to make the brand stand out
- **Identifying the gaps** in different product categories and bridging them
- **Quick to integrate customer feedback** in products/services

2

## Omnichannel approach



- **Focus on a multi-channel approach** to provide multiple touch points:
  - **Own platform** to get access to customer data and insights
  - **Marketplace** to increase brand recognition and reduce customer acquisition cost
  - **Physical stores** for the touch and feel of products

3

## Brand awareness



- **Creating brand presence & visibility online** through appealing marketing, customer interaction & social media engagement
- **High focus on quality content-oriented marketing, SEO services and digital advertisements**
- **Influencers** helping to humanize the new DNB brands on social media

4

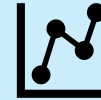
## High-tech adoption



- **Data-led targeting** of existing and potential customers
- **AI adoption** to enhance:
  - **Customer relationship management**
  - **Personalized shopper journey**

5

## Adapting to new trends



- **Keeping up with up-and-coming trends and customer spending habits**
- **Personalization, health-conscious products, and sustainable packaging** are some trends DNB brands are focusing on

6

## UI / UX and content






- **Appealing website UI / UX** to attract more prospects
- **Compelling taglines and description**
- **Usage of tech tools** (website building, etc.)
- **Promo codes with brand name/campaign** to drive recall

# Stagnating growth, hyper competitive market and sharp decline in funding are the key challenges being faced by DNB brands

Factor	Importance	Description
Slower pace of growth post-covid	●	<ul style="list-style-type: none"> <li>• Post-covid, with customers <b>spending lesser on impulse purchases</b>, the growth rates have stagnated for various DNB brands owing to the current market correction</li> <li>• Consumers increasingly venturing out after Covid, <b>looking for offline options</b>, and spending <b>lesser screen time</b> are other reasons that have led to flat growth for DNB brands</li> </ul>
Hyper competitive and diverse market	●	<ul style="list-style-type: none"> <li>• <b>Limited entry barriers</b> in the DNB market leading to the rapid formation of new brands and higher competition for brand visibility and product differentiation</li> <li>• <b>Difficulty in mass-scale adoption</b> of products in the consumer market owing to the <b>diverse demographics</b> of the country</li> </ul>
Decline in funding	●	<ul style="list-style-type: none"> <li>• <b>Dull investor sentiment</b> owing to factors such as US Fed <b>increasing interest rates</b>, <b>public market uncertainties</b> and <b>fear of recession</b> has led to limited strategic investments, lower valuations and an overall dry spell for the start-up environment</li> <li>• Sharp <b>decline in funding</b> and increasing <b>volatility</b> in the DNB market has forced companies to <b>focus on profitability instead of raising funds and utilizing cash to fuel growth</b></li> </ul>



# Increasing CAC, lack of a sustainable marketing strategy & difficulty in logistic & supply chain management are a few other challenges being faced by DNB brands

Factor	Importance	Description
<p>Increasing customer acquisition and marketing cost</p>		<ul style="list-style-type: none"> <li>Emerging <b>customer acquisition challenges</b> due to increasing <b>marketing</b> and <b>advertising costs</b>; Platforms such as Google and Facebook have increased their fees</li> <li>Post Covid, increasing need and pressure to opt for an <b>omnichannel market presence</b> instead of restricting themselves to online channels have led to a significant increase in costs</li> </ul>
<p>Need for a sustainable marketing strategy</p>		<ul style="list-style-type: none"> <li>With growth being driven not only by metro and tier 1 cities, but DNB brands are also looking for marketing strategies to <b>specifically target the T2+ market</b></li> <li>Increasing need for DNB brands to go <b>beyond social media and focus on offline marketing</b> and brand presence; Influencers advertising multiple brands have decreased customer trust</li> <li><b>Low brand stickiness</b> and loyalty of Gen Z and millennials leading to DNB brands competing for limited attention spans</li> <li>To maintain a competitive edge, giving customers a unique experience and creating a brand story that personally connects with the audience need to be prioritized</li> </ul>
<p>Logistic &amp; supply chain management</p>		<ul style="list-style-type: none"> <li>Difficulty in dealing with <b>multiple partners</b> &amp; creating an <b>optimized flow of logistics</b></li> <li>Conscious effort put towards <b>masking consumer data</b> from logistic partners</li> <li>High <b>RTO</b> (return to origin) <b>rates</b> due to COD (Cash on delivery) orders</li> <li>Increasing customer expectations w.r.t. <b>lower TAT</b> leading to increased logistics costs for DNB brands</li> </ul>





# With a major chunk of DNB growth being driven by Tier 2 and rural markets, DNB brands are revamping their marketing strategies

“The real growth which the DNB brands are seeing is from the **smaller towns and cities**. It is getting increasingly important for brands to revamp their marketing strategies in today's age. ”

**-Founder, Tech Brand**

“**Retention & repeat customers** should be baked into the customer model. Brands need to figure out how to create brand stickiness which would be crucial. ”

**- Founder, Tech brand**

“The real growth which the brands are seeing is from the smaller towns and cities. The brand needs to look upon the 4 Cs - **Content, Collaboration, Community, and Capital**. ”

**- Founder, Tech brand**

“The infrastructure is allowing small brands to compete with bigger brands. COD has always been an issue, but this is being resolved by digital payments such as **UPI**. But since most of the sales come from rural areas so cash payments can never be ignored”

**-Founder, DNB Brand**

“The challenges faced are **brand loyalty** and **price sensitivity**. A DNB brand needs to acquire the customer and then their loyalty needs to be in check. The biggest challenge is how to make the customer loyal to the brand”

**-Founder, Tech Brand**

“**There is less capital in the market, but I feel it was long due**. There are always highs and lows in every sector, I consider this as a small correction. I am personally very bullish on the market this might be a rough patch, but I believe **we will get past this phase soon**. ”

**-Founder, Retail Brand**

“I think **GST simplification** was the major step taken by the government. The present policies and regulations can be simplified more as it slows down the overall process.”

**-Founder, Skincare Brand**

“Logistics is very mature in India. The challenge will be in **unit economics** and the **privacy of customers**, especially in tier-1 & tier-2 cities.”

**-Founder, DNB Brand**

“Nowadays, venture capital firms are very selective. I also believe that the best startups are being built in these times as it is a **test of resilience, character, and how further can you go**. ”

**-Founder, DNB Brand**

# About us: 1Lattice & IAMAI

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The logo for 1Lattice, featuring a stylized '1' followed by the word 'Lattice' in a blue sans-serif font.

1Lattice (erstwhile  
PGA Labs)

**1Lattice (erstwhile PGA Labs)** is a **technology-enabled business research & intelligence services firm** that specializes in **driving decisions from on-ground insights**. Our teams are multifaceted with a unique mixture of **qualitative, quantitative, and digital research experts**. With a **holistic approach** focusing on the “**What and Why**”, we are able to extract **relevant insights from data** by employing **advanced technology tools** and **innovative data-gathering approaches**.

**Our Mission:** To disrupt the market research by incorporating various AI tools to get quality data & produce meaningful insights which can be trusted by decision-makers

**Our Vision:** To help our clients take faster & smarter decisions

The logo for IAMAI, featuring a stylized 'I' with a red and grey swoosh, followed by the word 'IAMAI' in a grey sans-serif font, and the full name 'Internet And Mobile Association Of India' in a smaller font below.

Internet and Mobile  
Association of India

Established in 2004, the **Internet & Mobile Association of India (IAMAI)** is a not-for-profit industry body and the country’s only organisation representing the **digital services industry** with over **450 Indian and multinational corporations** as its members, which include established companies in **diverse sectors of the digital ecosystem** as well as start-ups.

Its mandate is to **expand and enhance the online and mobile value-added services sectors**. It is dedicated to presenting a unified voice of the businesses it represents to the **government, investors, consumers, and other stakeholders**. IAMAI represents **varied sectors**, such as digital advertising, digital entertainment, traveltech, online gaming, digital payments, fintech, digital commerce, edtech, healthtech, agritech, big data, ML, AI & IoT, AR/VR, and logisticstech to name a few.