



MARKETING CONSULTING



BUF 4500
Omni-Channel Retailing
First Four categories of Sephora analysis
Dr. Robert Woods

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BUF4500 FINAL PROJECT

ABOUT US

Welcome to City Design, where we're passionate about helping businesses thrive in today's dynamic, multi-channel world. We specialize in omnichannel marketing analysis, empowering companies to connect seamlessly with their customers across every platform—online, in-store, or social media.

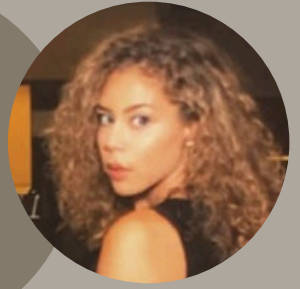
Our friendly team of expert analysts is dedicated to uncovering valuable insights that make your marketing more effective. By analyzing data from all customer touchpoints, we provide a complete picture of how your audience interacts with your brand. From there, we help you refine your strategies to create personalized, meaningful experiences that keep customers returning.

At City Design, we're all about making data easy to understand and actionable. We aim to help you increase sales and build lasting customer relationships. Let us guide you in turning complex data into simple, robust solutions that drive actual results—whether you're optimizing a marketing campaign or crafting the perfect customer journey.

LM
LEILANI MORELL

Devises and executes strategies to identify new opportunities, markets, and clients; builds and maintains relationships with existing and potential clients; leads, coaches, and mentors a team of consultants.

LEILANI MORELL - CONSULTING DIRECTOR



Build meaningful connections with consumers, forge integrated brand and merchant partnerships, and implement comprehensive marketing strategies. Leads a team to develop and execute marketing plans by partnering closely with key stakeholders to ensure seamless brand storytelling across all touchpoints.

KYRA ROBERTS - DIRECTOR, MARKETING STRATEGY

KR
KYRA ROBERTS

LEILANI MORELL
KYRA ROBERTS

MEET THE TEAM

TAINA LEWIS
CITALLI VILLANUEVA

TL
TAINA LEWIS

Leads the development, execution, and analysis of the affiliate marketing strategy. Works closely with external partners and liaises with internal teams to drive promotions and marketing programs that generate qualified traffic and sales.

TAINA LEWIS - AFFILIATE MARKETING DIRECTOR



Drives revenue and increases customer lifetime value by building a strategy and deploying creative that balances product and offer promotion with compelling editorial and engaging experiences. Creates campaigns with merchants

CITLALLI VILLANUEVA - DIRECTOR, CONTENT

CV
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Abstract

In this presentation, City Designs will explore Sephora's history and profile, highlighting how the brand has developed a unique and successful omnichannel strategy that seamlessly blends online and in-store shopping experiences. City Designs will discuss how they can contribute to Sephora's continued success, aligning with their growth approach. Sephora has remained a leader in the beauty industry by leveraging data insights for personalization and customer engagement. Some key examples are its strong focus on e-commerce, loyalty programs, and brand partnerships with giants such as Kohl's. With innovative programs like the Beauty Insider loyalty scheme and the 15% Pledge, Sephora has evolved beyond a brand—it has become a movement for inclusivity, innovation, and modern retailing.

However, City Designs will also identify areas for potential growth and improvement. Despite Sephora's focus on inclusivity, the brand has yet to effectively capitalize on the male grooming market, leaving a largely untapped demographic. Additionally, while Sephora has made strides in diversity, its approach to the LGBTQ community remains limited, presenting an opportunity for more targeted and inclusive marketing strategies.

At City Designs, collaboration with Sephora to streamline operations and enhance key customer touchpoints is vital, especially regarding the brand image surrounding inclusion and diversity in modern fashion. City Designs proposes expanding this focus to encompass often overlooked demographics, which is fundamental in preserving and accelerating Sephora's further growth. By addressing these gaps in its current strategy, Sephora can embody its commitment to inclusivity and tap into new markets for continued success.

Introduction



*Figure 1.
Dominique Mandonnaud*

Sephora was established in Paris in 1970 by Dominique Mandonnaud. Zipporah, the wife of Moses from the Bible, inspires its name. Currently, it operates under the umbrella of LVMH Moët Hennessy Louis Vuitton, the leading luxury goods group in the world. With over 2,700 stores in 35 countries, including more than 500 locations across the Americas, Sephora boasts a top-tier e-commerce platform. The brand made its U.S. debut in New York's SoHo neighborhood in 1998.

Sephora is a global leader in the beauty retail industry, known for its innovative approach to customer experience and a vast selection of cosmetics, skincare, and fragrance products. With a strong emphasis on inclusivity and personalization, Sephora offers a unique shopping environment that combines online and in-store experiences. The company leverages data-driven insights to enhance customer engagement and loyalty, making it a prime example of successful brand evolution in a competitive market.

Its unique open-sell environment distinguishes Sephora. It offers a curated selection of products from emerging brands and well-loved classics alongside its line, Sephora Collection. The retailer continues to innovate by introducing exclusive brands, such as Rare Beauty by Selena Gomez and FENTY BEAUTY by Rihanna, and expanding its Clean Beauty assortment.

Introduction

On October 14, 1999, Sephora.com was launched on the internet. In 2000, Sephora launched its first shopping catalog. In 2005, there were 100 Sephora stores. In 2011, the 300th store in the United States was opened in Las Vegas. (Loeb, 2023).

Globally recognized for its exceptional product range, unbiased expert service, and interactive shopping experiences, Sephora is dedicated to relentless innovation in how customers can engage with the brand. The company has received accolades from Forbes as one of America's Best Employers for four consecutive years (2018-2021). With its revolutionary self-sampling service, the store layout was a hallmark of its success. The design encourages the sampling of products, creating a highly personalized, engaging, and compelling experience. Sephora was founded in 1969 by Dominique Mandonnaud in Limoges, France (Loeb, 2023). The company's brand thrives on innovation, offering traditional products like makeup, skincare, and fragrances and emerging categories such as clean beauty, men's grooming, and wellness.



Figure 2. Store of the Future: Sephora. 2024

Client Profile

(Demographics & Psychographics)

Sephora's core demographic consists predominantly of female customers, though they cater to all genders. The primary age range spans 18 to 45, focusing on those aged 25 to 35. These customers generally belong to a middle to upper-middle-class income bracket and prioritize self-care, beauty, and wellness. They are often urban or suburban residents, with convenient access to Sephora's in-store and online offerings, allowing for a seamless shopping experience that meets diverse needs.

Psychographically, Sephora's customer base is composed of beauty enthusiasts who seek premium, high-quality products. These customers are interested in keeping up with the latest skincare, cosmetics, and fragrance trends, showing a strong appreciation for diversity and inclusivity in beauty products. Many are highly active on social media platforms, following beauty influencers and keeping up with current beauty trends, influencing their shopping preferences and brand loyalty.

Sephora segments its customers into three main groups: Beauty Beginners, Beauty Enthusiasts, and Luxury Shoppers. Beauty Beginners are newcomers to makeup or skincare, often looking for tutorials, advice, and affordable entry-level products. Beauty Enthusiasts are well-versed in beauty trends and appreciate the Sephora experience, engaging with the VIB (Very Important Beauty) program and promotional offerings. Luxury Shoppers, on the other hand, gravitate toward high-end brands, investing heavily in premium skincare and fragrance and often utilizing Sephora's personalized services, such as makeovers and beauty consultations, to enhance their shopping journey.

Corporate Mission

The statement "We believe beauty is for each person to define and ours to celebrate" sums up Sephora's purpose. We stand by and inspire each other to make audacious decisions in life and beauty. Our goal is to encourage bravery (Kesser, 2023). The company's efforts, such as the 15 Percent Pledge, which gives a sizable amount of shelf space to Black-owned companies, exemplify its dedication. This strategy helps marginalized communities in the cosmetics business and increases product variety.



Figure 3. Sephora's logo, 1995

In 2019, Sephora introduced its new tagline, "We Belong to Something Beautiful," to emphasize its commitment to creating a sense of belonging for customers and employees while promoting a more inclusive approach to retail across the Americas. Forbes recognized Sephora as one of America's Best Employers from 2018 to 2021, four consecutive years (Sephora, 2024). Additionally, Sephora achieved a perfect score on the Human Rights Campaign's Corporate Equality Index for three straight years, from 2019 to 2021, which measures corporate policies and practices related to LGBTQ+ employees (Sephora, 2024). Figure 1 shows the abstract "flame" symbol that represents Sephora's logo, which the company claims stands for "creativity" and "freedom of choice."

The consumer base of the beauty sector is broad and leads fast-paced lives. In light of this, Sephora aims to provide its clients with a wide range of items at no cost in an environment that welcomes people of various racial and gender identities (Ceynar, 2021). Sephora is committed to fostering a more inclusive corporate culture by aggressively seeking to increase Black leadership among its ranks and encourage cultural allyship. Ultimately, these initiatives reflect Sephora's primary goal, ensuring everyone feels included in the beauty community.

Figure 4. Sephora logo and symbol, 2024



Figure 5. Sephora, produtos de Maquiagem. Pinterest. (2024)



Figure 6. #Sephora, 2024.

Advertising

Sephora's advertising strategy effectively mirrors its core values of diversity, inclusivity, and innovation through multiple channels, and it's focused on understanding its customers as much as possible and adapting to trends. The company has developed a sophisticated omnichannel approach integrating digital and physical advertising platforms to reach its diverse consumer base. Through social media campaigns and collaborations with digital creators, Sephora strongly engages with younger demographics while emphasizing representation and empowerment (Kohan, 2021). Moreover, the brand's "Beauty Insider" loyalty program serves as an innovative marketing tool, delivering personalized recommendations and exclusive content to members, exemplifying their efforts in enforcing advertisement as much as possible. With over 17 million members in the US, the program provides Sephora with a wealth of information about customers' shopping habits, preferences, and engagement levels. This data is crucial in personalizing marketing campaigns and delivering targeted promotions, enhancing the overall customer experience (Miller, 2024).

The company's advertising initiatives gained significant momentum through strategic partnerships and high-point analytics, particularly with celebrity-founded brands like Rare Beauty by Selena Gomez and FENTY BEAUTY by Rihanna. These collaborations and the 15 Percent Pledge supporting Black-owned businesses demonstrate Sephora's commitment to diverse representation in beauty marketing (Kesser, 2023). As mentioned, the recent partnership with Kohl's has expanded Sephora's advertising reach, providing access to new consumer segments and retail environments (Torres, 2024). Through these multifaceted strategies, Sephora continues to position itself as a leader in beauty retail while maintaining its focus on inclusivity and social impact in advertising. These efforts have made it a referring center for beauty commerce in the United States.

Omni-Channel Analysis

Guillaume Motte told WWD, "Sephora is the only prestige beauty omni-channel retailer that is truly global (Weil, January 2024)." Anca Marola, the global chief digital officer of LVMH, has led the company's business intelligence, client, and customer experience since 2014 (Weil, January 2024). Anca received her official title in February; she has played a key role in providing profitable results after analyzing data and analytics and transforming them into strategies (Weil, January 2024). Motte continued to tell WWD, "Our customers expect a seamless, personalized, and rich experience... This is a key driver to our success, and our ambition is clear; we want to continue to delight our community with the best of prestige beauty products and services (Weil, January 2024)." Sephora expanded its target audience and increased its brand awareness in 2023 by launching several strategies for younger audiences (Sephora goes after young cosmetics customers with its brand, 2023). This goes hand in hand with their planned expansion in Mexico. Dario Aguilar, the brand's general manager in Mexico, stated, "The last thing we want is to be an elitist brand (Sephora goes after young cosmetics customers with its brand, 2023)."

The idea is to bring experiences to the consumer. This also helps Sephora compete with its competitor, Ultima, which has low price points. We can see that this method has also assisted with increasing tourist traffic in Mexico since the COVID-19 pandemic. The brand took the opportunity to improve. It has its profile by ranging its skin care products from 50 to 800 pesos (Sephora goes after young cosmetics customers with its brand, 2023). Aguilar told WWD, "The brand could be in the supermarket..we do not have it because we want buyers to visit us in our stores (Sephora goes after young cosmetics customers with own brand, 2023).

Omni-Channel Analysis

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At the beginning of twenty-four, the brand sought an issue with consumers, and thousands took to TikTok to complain about younger audiences like Generation Z and Generation Alpha (Spruch-Feiner, 2024). The app is flooded with complaints that younger audiences ruin the shopping experience by destroying tester products, being rude to employees, fighting and playing with other tweens, and disturbing the overall sincerity of the experience. Shoppers and staff alike have complained about the disruptive behavior of consumers as young as 9 (Spruch-Feiner, 2024). Within a year, we see the harmful effects of the increase in target marketing. WWD highlighted the company's data, showing that they have the younger generation's brand loyalty (Talwar, 2024).

Omni-Channel Analysis

Nick Perdomo, CEO of Catch, mentions the issue at hand, "Young shoppers are incredibly savvy." Perdomo continues to say, "Value is about getting an amazing product and feeling like you are getting a good deal (Talwar, 2024)." He commemorated ELF as a leader in catching the customer loyalty of Gen Z and Gen Alpha, using social platforms and influential collaborations (Talwar, 2024). Sephora continues to have its edge in the market by offering exclusive brands that top retailers, such as Amazon and Walmart, cannot access. President of Sephora Europe and Middle East, Sylvie Moreau, told WWD, " They're looking for what's hot, new, and the trends. At the same time, it's our job to make the brands we have already successful. In return, we ask for differentiation (Weil, May 2024)." Sephora uses innovation to assist over 500 brands (Weil, May 2024).

Sephora's shop-in-shop partnership has increased both brand's awareness. Kohl's elevated their beauty category, and management credited Sephora with driving beauty sales during their holiday season (Kohl's (KSS) Omni-Channel Strength Aids, High Costs Stay, 2022). WWD reported that more men and families shopped in the Sephora at Kohl's than in the traditional Sephora brick-and-mortar (Weil, May 2024). Kohl's also engages with their consumers during profitable shopping seasons such as back to school, which benefits Sephora's approach to expanding its target audience (Weil, May 2024). Due to its successful partnership, Sephora, in May of 2024 launched a hundred additional locations in Kohl's stores that month (Weil, May 2024). Sephora abandoned its Korean market and began closing its brick-and-mortar stores, withdrawing in May 2024 (Warburton, 2024). With the continuously growing boom of influencers and e-commerce, after an 18-year hiatus, Sephora returned to the United Kingdom market (Sephora is returning to the UK after 18 years — and betting on AI and Gen Z for success,2024).

Omni-Channel Analysis

In April 2024, Sephora's App was downloaded more than 1.7 million times from the Google Play and Apple App Store (AppMagic, 2024). Sephora has integrated AI to continue its competitive edge within the industry. Artificial intelligence gives Sephora the potential to create more engaging shopping experiences with its customers (Sephora is returning to the UK after 18 years – and betting on AI and Gen Z for success,2024). Sephora has already integrated the technology by using it to create personalized Skincare routines, make product recommendations for customers based on their preferences, and allow users to try on makeup virtually (Sephora is returning to the UK after 18 years – and betting on AI and gen Z for success,2024). Sephora's usage of AI allows seamless integration between its online platform and in-store experience. Influential marketing has sparked the creation and need for customizable innovative approaches to target and instill loyal consumers.

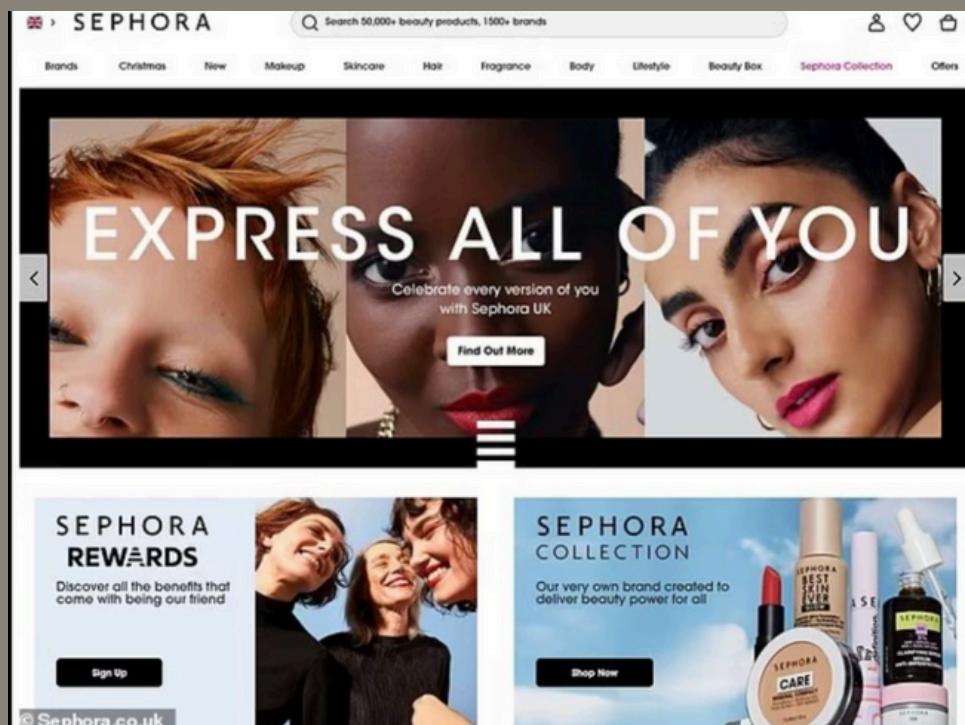


Figure 7. Sephora's website.

Omni Promotional Activities

Sephora provides "tools necessary" to help customers feel "more confident" about purchasing because the beauty market may be frightening, especially with the abundance of items available (Etailwest, 2022). The Virtual Artist, which was introduced in 2016 and allows users to try on makeup using AI and face recognition technology, is a well-liked addition to the website and in-store. The technology provides clients with information on where to buy the products in-store or online after virtually trying them. Launched in 2015 but currently unavailable, Sephora's "Pocket Contour Class" taught customers where and how to apply cosmetics to accentuate face feature locations, after which appropriate cosmetics for different skin tones were suggested (Etailwest, 2022). By producing online material to help consumers make better purchasing decisions, the company leverages videos to market its goods.

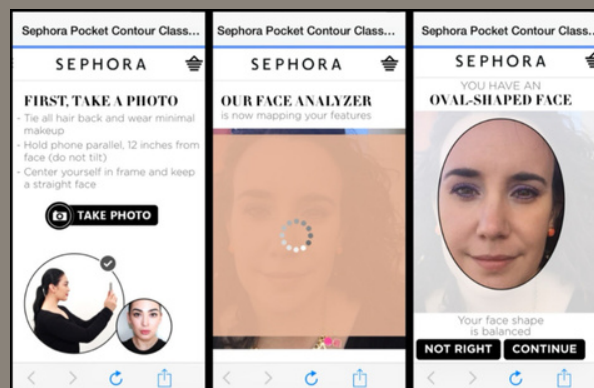


Figure 8. Sephora's new technology

With 21 million followers and growing, Sephora's Instagram feed has "glittery videos and Instagram stories" as well as "gorgeous lifestyle photos" in addition to content spanning from influencer posts to new launches (Criteo, 2018). Sephora subtly advertises itself on Instagram and Pinterest, where users share, tag, and pin posts. Customers share and pin films or look on Pinterest, which directs other users to the website. Editor picks and new releases are featured on the homepage of Sephora's website, which also provides customers with answers to any inquiries they may have while lounging in their homes.

Important Events

With 100 locations by 2005 and an online store in 2010, Sephora's success has dominated the online and offline beauty business. Following its launch, the Beauty Insider client loyalty program increased sales tenfold. Soon after, the company started selling gift packages as a cheaper and better value choice and seasonal offers that gave customers 20–30% off their total order in November and December. In 2018, the company decided to launch its clean beauty brand, which piqued the interest of a new consumer demographic that was more interested in skincare, clean products, and health. By 2019, customers might take advantage of additional benefits and savings through the Sephora Credit Card Program.

However, Sephora has grown significantly recently, especially in the first quarter of 2024, when average total store visits increased by 18.49% yearly (Ewen, 2024). This increase outpaces the 6.28% growth rate of the cosmetics sector, suggesting a strong post-pandemic recovery. Sephora's performance is particularly noticeable among younger generations, as evidenced by gains of 21.78% and 21.48% among Gen Z and Gen X, respectively. These striking numbers highlight Sephora's successful engagement tactics, which blend digital advances with in-store encounters. On July 23, 2021, Sephora acquired the UK-based beauty company Feelunique, further expanding its reach into unexplored regions. Founded in 2005, Feelunique is an online retailer with 35,000 products, 800+ brands, and 1.3 million customers (Weil, 2021). According to a WWD story by Samantha Conti and Jennifer Weil quoted in Yahoo Finance, 2021, the acquisition is necessary because new Brexit restrictions and the dominance of Boots, a U.K.-based health and beauty giant, have "locked out of the U.K. market." To be clear, Brexit is when the United Kingdom leaves the European Union, a consortium of 27 European nations.

Important Events

Due to external dangers brought on by the conflict between Russia and Ukraine in 2022, 88 Sephora locations and 1,200 staff had to cease operations in Russia and change their name to Île de Beauté. Since its founding in 2001, the perfumery chain Île de Beauté has led the "Russian market with 100 stores" following Sephora's 2006 investment in the business (Kovak, 2022). The perfumery was taken over by Sephora in 2016, and in 2018, the chain store organization changed its name to Sephora. But during the COVID outbreak, Sephora was undergoing a rebranding. Kovak (2022) claims that Sephora formally changed its name to Île de Beauté on October 7, 2022. "As the war with Ukraine drags on, and pressure from investors and consumers persists," Sephora has entirely cut ties with Russia (Kovak, 2022). However, as seen in Figure 28, Sephora and Kohl's joined in 2021 to expand store-in-store. Business Wire (2022) claims that the company's initial 200 locations were so successful that 400 more were opened, with 850 more planned by 2023.

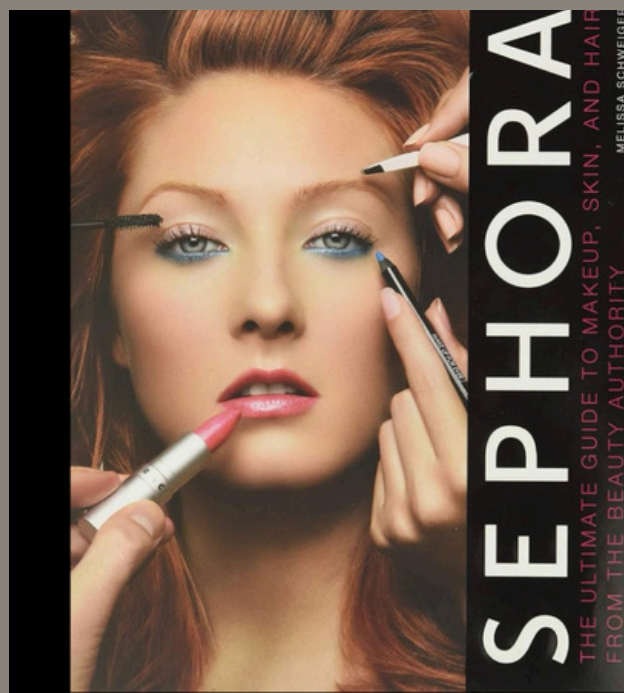


Figure 8. Sephora's promotional

SWOT Analysis

STRENGTHS

Sephora is a globally recognized brand known for its strong brand identity and reputation for high-quality beauty products and services. The company boasts a wide product range, including skincare, makeup, haircare, and fragrances, catering to diverse customer needs. Sephora's exclusive partnerships with renowned brands and unique product collaborations enhance customer loyalty and drive traffic. Its robust omnichannel strategy, seamlessly integrating online and offline experiences, ensures accessibility and convenience for customers. The successful Beauty Insider loyalty program fosters repeat purchases and builds strong customer relationships. Sephora remains a leader in innovation by incorporating technology, such as virtual try-ons and personalized recommendations, to elevate the customer experience. Additionally, its commitment to inclusivity through a broad range of products for diverse skin tones and types appeals to a broad audience.

WEAKNESSES

Despite its strengths, Sephora faces notable challenges. The brand operates in a highly competitive market, with rivals like Ulta Beauty, department stores, and direct-to-consumer brands vying for market share. Consumers often perceive Sephora as more expensive than competitors, potentially deterring price-sensitive shoppers. Furthermore, the company has limited market penetration in emerging regions where beauty demand is growing. Its reliance on luxury and premium brands could alienate cost-conscious customers, limiting its appeal across broader demographics.

SWOT Analysis

OPPORTUNITIES

Sephora has significant growth opportunities on which to capitalize. Expanding into emerging markets in Asia, Africa, and Latin America can tap into rising beauty product demand. Increasing consumer interest in sustainability and clean beauty aligns with opportunities to offer eco-friendly and cruelty-free products. With digital growth accelerating, Sephora can leverage e-commerce, social media, and influencer marketing to connect with younger audiences. Customization and personalization through AI and data analytics offer the potential for creating tailored beauty solutions. Collaborations with influencers and celebrity brands can attract new customer segments, while the growing men's grooming market provides an avenue for portfolio diversification.

THREATS

Sephora faces external challenges that could impact its growth. Economic uncertainty and recessionary trends may reduce discretionary spending on luxury beauty products. Intense competition from Ulta Beauty, department stores, drugstores, and online platforms like Amazon presents a constant threat. Regulatory scrutiny regarding product ingredients and sustainability practices could increase operational pressures. The rapidly changing nature of beauty trends necessitates frequent updates to product lines, increasing costs and risks. Additionally, the proliferation of counterfeit products online threatens brand reputation and customer trust.



Figure 9. Sephora Store.

Ulta Beauty Background

Ulta Beauty, one of the leading beauty retailers in the United States, is a formidable competitor and a key rival to Sephora. Ulta Beauty was founded in 1990 by Richard E. George, initially being Ulta Salon, Cosmetics Fragrance, Inc. George's vision was to create a one-stop beauty shopping destination that offered a combination of high-end and drugstore beauty products in one place for accessibility for their costumers (Gatchell, 2022). During Ulta's earliest years, the company was focused on providing multiple product options to its customers while also giving them an approachable shopping environment.

Ulta's current strategy lingers around inclusivity, accessibility, and innovation, allowing budget-conscious customers to enjoy products like makeup, hair products, fragrances, and skincare. Not only that, they also have in-store haircuts, facials, and brow shaping. Significantly, Ulta Beauty has an extensive competitive edge that pins Sephora as one of its main rivals, along with companies like CVS and Amazon (Gatchell, 2022). Their three essential characteristics are shopping experience, value proposition, and convenience, all in favor of better experiences for their customers (Ulta Beauty, n.d.). Ultimately, their ability to balance affordability and luxury with their market strategy has solidified Ulta Beauty's reputation as one of many women's top makeup go-to stores.

Why is Ulta Beauty Sephora's Competition?

Ulta and Sephora are fierce rivals in the modern beauty shop industry, fighting for customers' loyalty with different approaches. Ulta is competitive because it offers various products, including high-end and drugstore cosmetics (Roman & Ozan, 2022). Compared to Sephora, which primarily caters to luxury buyers, Ulta can draw in a larger population because of its strategic location. Ulta's strong reward program also promotes repeat business and improves client retention.

On the other hand, Sephora emphasizes luxury shopping and high-end brands. Although it has made the brand more exclusive, this tactic makes Sephora less accessible to consumers on a tight budget (Smith, 2024). To maintain its market share, Sephora must develop new ideas in response to Ulta's more expansive range of products and omnichannel tactics. Ultimately, the competition between Ulta and Sephora is a prime example of how the retail beauty industry is changing. Both businesses make significant investments in growing their e-commerce businesses in the face of shifting consumer tastes (John, 2024). Their rivalry is still vital in determining market trends and customer preferences.



Figure 10. Ulta VS Sephora.

Sales and Profit

LVMH's operational competence and strategic planning have established it as a leader in the luxury market. LVMH continues to develop industry standards for success by utilizing its wide range of brands and emphasizing innovation within traditional craftsmanship (Chen, 2024). LVMH, the parent company to Sephora, announced its 2023 annual results, reporting another record-setting year with \$96,298,330,000 billion in revenue and \$25,471,020,000 billion in profit, driven by strong organic growth across most of its divisions. The company's success has been primarily attributed to its strategic concentration on mergers and acquisitions, as seen by high-profile acquisitions like Bulgari and Tiffany & Co. These purchases strengthened LVMH's brand management skills and diversified the company's offering, enabling it to generate income continuously even during recessions (Hasee, 2023). One of the main reasons for the company's sustainability is its ability to quickly adjust to shifting consumer preferences, particularly concerning luxury items during the pandemic (Hasee, 2023). LVMH has leveraged new markets while achieving impressive results in existing territories.

In recent years, Sephora has been a key driver of growth for LVMH's Selective Retailing division, showcasing resilience and firm performance. In 2022, Sephora achieved global sales exceeding 14.5 billion U.S. dollars, with nearly seven billion coming from the United States. (Petruzzi, 2024) These impressive figures earned Sephora a place among the fastest-growing retailers in North America. The brand is also popular in its home country, ranking third in beauty retail based on revenue and claiming the top spot as the most favored brand among French beauty consumers in 2023. As a globally recognized beauty retailer, Sephora continues to demonstrate its expertise in responding swiftly to consumer trends, consistently refining its product offerings, and enhancing its customer experience to maintain a competitive edge. (LVMH reports exceptional growth despite economic challenges, 2023) Sephora has proved that LVMH can stay in the competition amongst the US top 100 retailers.

Women's Wear Daily stated, "Sephora has become a magnet for beauty lovers everywhere with 31 million people and counting in its Beauty Insider Loyalty Program" (Celebrating 25 Years of Sephora U.S., 2023). Allegra Stanley, Sephora's vice president, told Forbes, "As we learned more about our clients, we saw the opportunity for beauty lovers to come together, ask questions, post inspirational beauty looks, and get product recommendations, not just from us but for them



Figure 11. Sephora - LVMH, 2024

to share with each other. It's a real-time, real-talk social forum that has become a great resource for them and for us because we reach out to them quite often about what they think and what they love," (Danziger, 2020). The introduction of its Beauty Insider loyalty program marked a significant shift in how Sephora engages with its clientele.

LVMH stated under the innovation section of their website, "We continuously set new standards by driving omnichannel excellence across our network of outlets, flagships, e-commerce, and digital platforms, underpinned by the world's largest beauty loyalty program, to provide a seamless, personalized, and inspiring experience at every touchpoint, anytime, anywhere." (Sephora, 2024) The consumer data enables Sephora to refine its marketing strategies and personalize the user's shopping experience. Sephora has managed to maintain strong sales growth despite slight pandemic setbacks due to its agile shift to digital platforms, focusing on e-commerce, curbside pickup, and same-day delivery. Sephora's innovative approach has contributed significantly to LVMH's retailing division.

Sales and Profit

The U.S. market is LVMH's slowest-growing region, with organic revenue increasing by only 3% (LVMH reports exceptional growth despite economic challenges, 2023). This modest annual increase can be attributed to several factors, including local consumers purchasing luxury goods overseas and growing financial difficulties, such as rising living costs.

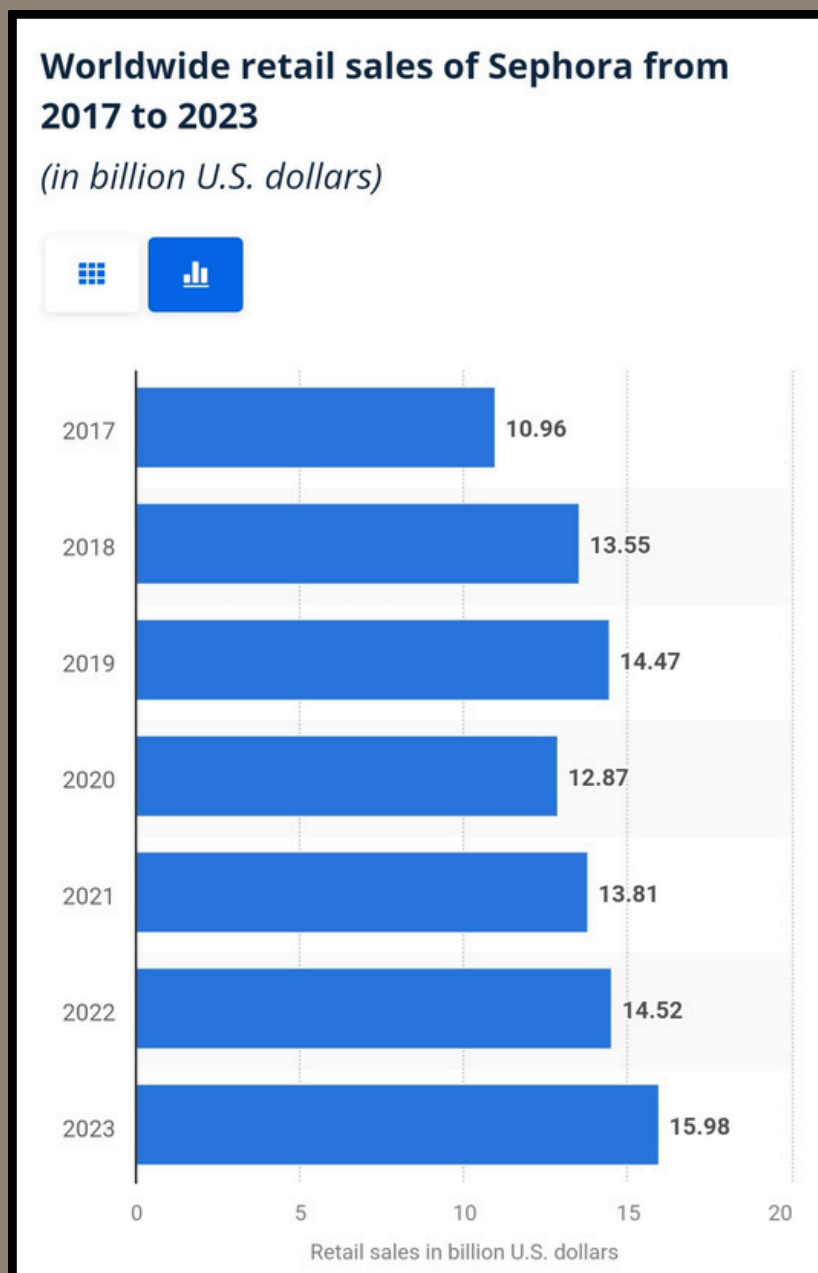


Figure 12. Sephora: Retail sales worldwide 2017-2023. 2024

Sales and Profit

Sephora's most prominent retail sales increase was pre-pandemic, from 2017, when it received \$10.96 billion in retail sales, to 2018, when it received 13.55 billion dollars, increasing its retail sales by \$3 billion. Sephora remained steady in retail sales until the COVID-19 pandemic, with retail sales at \$14.47 billion in 2019 and decreasing to 12.87 billion dollars in 2020. Since the COVID-19 aftermath, Sephora has been on a steady incline for the past four years, reaching 15.98 billion dollars in retail sales worldwide in 2023. Sephora reached 7.99 billion dollars in retail sales in the United States in 2023 and made a 1.07 billion increase from the previous year, 2022, with \$6.92 billion in retail sales. Between 2020, with 5.01 billion dollars in sales and 2021, increasing to 6.01 billion dollars in retail sales, Sephora increased its retail sales by \$1 billion. (Petruzzi, 2024) Sephora has shown that even after a pandemic, setting limitations on their physical outreach to their audience with their brick-and-mortar, they can still overcome.

Although being ranked 52 out of the top 100 competitors in the US. Ulta, Sephora's top competitor, still ranks 42 out of the top 100 retailers in the United States. Ulta reached \$11–21 billion in retail sales within the United States in 2023. Amazon and Walmart rank as the top two retailers of the top 100 in the United States. (Tighe, 2024) With Amazon, Walmart, and Ulta being ahead of Sephora, it is easy to see that price point is a possible factor in the loss of retail sales compared to its competitors. Sephora has increased its brand presence in brick-and-mortar stores and expanded online offerings. (Ulta downgraded as competition heats up and promos weigh on margins, 2024) One of Sephora's most recent ventures was collaborating with Kohl to increase their sales and brand outreach. Kohl's goal was to increase their brand's relevance. Kohl's reported an estimated \$1.4 billion increase in sales at Sephora at Kohl's stores in 2023, and the company expects sales to increase 2 billion dollars by 2025. (Torres, 2024) This steady increase has created an excellent opportunity for Sephora, a thriving company, to expand and grow with different opportunities.

The image shows the logo for the Sephora + Kohl's partnership. It consists of the word "SEPHORA" in a large, black, sans-serif font, with the word "+ KOHL'S" in a smaller, bold, black, sans-serif font directly below it. The entire logo is centered within a white rectangular box that has a thin black border. This box is set against a dark brown background.

SEPHORA
+ KOHL'S

Figure 13. Promo Codes & Coupon Codes: Kohl's

In 2020, Sephora and Kohl's joined in a long-term partnership, welcoming smaller versions of Sephora inside Kohl's stores. Both parties aim to increase brand awareness in different target market segments, creating the perfect duo. A significant aspect of Sephora's modern-day success is its focus on inclusivity and diversity. In 2020, Sephora was the first major retailer to take the 15% Pledge, committing to having 15 percent of its assortment in Black-owned brands (Loeb, 2023). By remaining customer-centric and embracing change, Sephora has cemented its position as a leader in the beauty retail industry while continually evolving to meet the needs of future consumers.

Financial Data

Sephora, the leading global beauty company, belongs to the group LVMH, a French-owned but multinational conglomerate. As the titan of the Sephora market, these past couple of years have been successful for the brand, and LVMH has reported that it has had "record-breaking years" in the categories of revenue and profit. In the words of CEO Benard Arnault, he mentioned how Sephora has a "remarkable performance." Despite the marketing challenges and economic disturbances, Sephora aimed to surpass all expectations and achieve them gracefully. Sephora has been able to develop itself year after year and, with this, secure consistent growth over the past few years, focusing on its strategic positioning in the beauty and cosmetics market. Sephora's strong performance expanded amid allegations that the luxury market is slowing down, and its sales rose about 11% on an organic basis.

The company's success is also reflected in its expansive global footprint, with stores in numerous countries across North America, Europe, Asia, and the Middle East. Sephora's business model, which combines a wide selection of prestige beauty products with expert advice and personalized services, has proven to be a winning formula in the competitive beauty industry. Furthermore, the brand's commitment to inclusivity and sustainability has resonated with modern consumers, helping to solidify its position as a leader in the global beauty market. Regarding its financial data performance, LVMH has reported that Sephora's revenue has increased year after year by 25%, which is a quarter of growth every year. Sephora's consistent growth is attributed to its strategic investments in physical stores and digital platforms. The company's focus on providing a seamless omnichannel experience has strengthened its market position.

Financial Data

LVMH's operational competence and strategic planning have established it as a leader in the luxury market. LVMH continues to develop industry standards for success by utilizing its wide range of brands and emphasizing innovation within traditional craftsmanship (Chen, 2024). LVMH, the parent company to Sephora, announced its 2023 annual results, reporting another record-setting year with \$96,298,330,000 billion in revenue and \$25,471,020,000 billion in profit, driven by strong organic growth across most of its divisions. The company's success has mainly been attributed to its strategic concentration on mergers and acquisitions, as seen by high-profile acquisitions like Bulgari and Tiffany & Co. These purchases strengthened LVMH's brand management skills and diversified the company's offering, enabling it to generate income continuously even during recessions (Hasee, 2023). One of the main reasons for the company's sustainability is its ability to quickly adjust to shifting consumer preferences, particularly concerning luxury items during the pandemic (Hasse, 2023). LVMH has leveraged new markets while achieving impressive results in existing territories.

Furthermore, by mastering local growth tactics, one of the main reasons for the company's profitability has been its ability to quickly adjust to shifting consumer preferences, particularly about luxury items during the pandemic (Hasse, 2023). Effective risk management strategies that protect against market volatility are a good complement to this flexibility.

Recommendations

As a marketing agency specializing in innovative and inclusive branding strategies, we propose a comprehensive omnichannel approach to help Sephora expand its target audience. By fostering inclusivity, leveraging strategic partnerships, and creating dynamic, value-driven campaigns, Sephora can position itself as a leader in diversity and accessibility within the beauty industry. Below are our recommendations, structured to align with Sephora's inclusivity and audience growth goals.

We find it necessary to continue fostering Inclusivity through Seasonal Campaigns:

Pride Month Initiative: During Pride Month, Sephora can celebrate inclusivity by collaborating with LGBTQIA+ influencers and brands. A 20% company wide sale throughout June can be paired with exclusive rainbow-themed tote bags distributed with purchases over a set amount. Sephora can feature a "Love is Beauty" campaign to amplify visibility, showcasing diverse models and stories across social media, email marketing, and in-store displays.

Black History Month Engagement: In February, Sephora can honor Black History Month with a 20% discount on curated products from Black-owned beauty brands. Shoppers can also receive limited-edition keychains celebrating Black culture. Additionally, keychain holders can enjoy a recurring 10% discount on monthly purchases, encouraging repeat business while celebrating cultural heritage.

Recomendations

With creating connection, we will also do Back-to-School Activation:

Sephora can host a back-to-school event in August that resonates with younger audiences. The centerpiece of this initiative could be a live-stream makeup masterclass on social media featuring celebrity makeup artist Mario Dedivanovic using his exclusive Sephora products. The event can also include tutorials on skincare routines and natural makeup looks for students. The live stream can be amplified through partnerships with platforms like TikTok, Instagram Live, and YouTube to maximize reach.

With Fostering Inclusivity Redefining Masculinity in Beauty:

Sephora can launch a “Skincare for All” campaign targeting male consumers to capture a broader demographic. This initiative can feature influential male figures such as Pharrell Williams, Jon Batiste, and Kai Cenat showcasing various skincare products from Sephora. By highlighting their skincare routines, the campaign can normalize beauty and self-care for men, expanding Sephora’s reach within this underrepresented demographic. These efforts span social media, video content, and partnerships with male-focused publications. With these expressions of personas, we are attempting to reach audiences of men who are still defined as “cis male” but still express characteristics of self-maintenance.

Recomendations

To ensure the success of these campaigns, an omnichannel strategy will be implemented, integrating digital marketing, in-store experiences, loyalty program integration, and livestream commerce. Targeted ads, email campaigns, and social media collaborations will create buzz and drive Sephora's website and app traffic. In-store-themed product displays and exclusive events will enhance the shopping experience, while discounts and perks tied to campaigns, such as those for keychain holders, will drive loyalty and repeat purchases. Livestream shopping events will create real-time engagement, offering viewers exclusive deals and direct purchase opportunities.



Figure 14. Sephora Inclusivity.

Conclusion

In conclusion, Sephora has demonstrated remarkable resilience and adaptability, positioning itself as a global beauty retail industry leader. Its commitment to diversity, inclusivity, and innovation has enabled the company to overcome challenges and continue its steady growth. Despite stiff competition and economic challenges, Sephora's strategic partnerships have strengthened its market presence by collaborating with Kohl's and digital creators and expanding its outreach. Sephora is well-positioned for continued success and growth in the coming years, with a focus on increasing its brick-and-mortar stores, enhancing its digital platform, and catering to evolving consumer preferences.

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Conclusion

Furthermore, by mastering local growth tactics, one of the main reasons for the company's profitability has been its ability to quickly adjust to shifting consumer preferences, particularly about luxury items during the pandemic (Hasse, 2023). Effective risk management strategies that protect against market volatility are a good complement to this flexibility.



Figure 15. Sephora Store opening.

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