

Analysis of Sephora's Market

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Abstract: Sephora is a leading global beauty retailer in the major beauty and hair and skin care industries, but there are many similar companies in the industry resulting in fierce competition, so this paper examines how Sephora stands out from the competition. This research paper is an analysis of Sephora's marketing strategy and presents the problems and possible solutions. A brief description of Sephora's business model is given, and the Sephora retail market is analyzed, starting with each of Sephora's marketing strategies and conducting a SWOT analysis. Overall, the research concludes that Sephora's marketing strategy is very effective in driving customer engagement, loyalty, and e-commerce marketing strategies.

Keywords: Sephora, marketing, sale, strategies

1. Introduction

Sephora is a well-known international beauty retailer with a global presence in over 30 countries. Founded in France in 1969, Sephora has grown to become one of the world's largest beauty retailers, offering a wide range of beauty products including makeup, skincare, hair care, and fragrances. With a focus on providing a unique and personalized shopping experience, Sephora has successfully established itself as a leader in the beauty industry [1]. Marketing is a key factor in Sephora's success, and the company has implemented various strategies to effectively reach its target market. Sephora uses both traditional and digital marketing methods to engage consumers, increase brand awareness, and drive sales. The purpose of this research paper is to examine Sephora's marketing strategy and how it has contributed to the company's success.

This paper will analyze the marketing strategy, as well as Sephora's branding strategy and use of social media and influencer marketing. The research will also look at how Sephora's marketing strategy has adapted to changes in consumer behavior and technology. The results of this study will point to Sephora's most effective marketing strategies and provide recommendations on how the company can continue to innovate and grow in the highly competitive beauty industry.

2. Sephora's Main Business Description

Sephora is an international beauty and cosmetic retailer headquartered in Paris, France. Sephora's main business is selling beauty and cosmetic products, including cosmetics, skin care, fragrances, shampoo and hair care, bath care, beauty tools, men's care and many other categories. Sephora's products cover a wide range of brands, including its own brands and exclusively distributed brands, such as Dior, Chanel, YSL, Sisley, La Mer, and other well-known brands [2]. With several stores and online sales platforms worldwide, Sephora is committed to providing consumers with the latest and

most comprehensive beauty products and services. In addition, Sephora has launched a "Beauty Mastermind" program to encourage customers to share their tips and tricks to increase the social media exposure and influence of brands and products.

3. Analysis of Sephora Retail Market

3.1. Market Customer Grouping

It is well known that Sephora is a global company with retail shops in all regions of the world. In different regions, such as Asia, America, and Europe, Sephora has developed different marketing strategies.

The first is a segmentation of the customer base into smaller groups. Sephora's main customer group worldwide is young to middle-aged women. One thing that this group of customers has in common is that they are very conscious of their status symbols and their lifestyles. For example, in Muslim countries in the Asia Pacific region, women in these regions have a need for cosmetics and hair care that is accompanied by religious beliefs, unlike most consumers in other markets. Sephora has specifically listed a Halal cosmetics range for this purpose, making it easy for customers to select and purchase Halal products [3].

3.2. Competitive Market Areas

3.2.1. Competitive Areas with Advantages

Sephora's main areas of competition are product assortment, product pricing, and service. In each of these three areas, there are strengths and weaknesses.

In the category of Sephora's assortment of products, the advantage is that Sephora has a wide range of products, from cosmetics to skincare to fragrances, which appeals to customers looking for a one-stop shop for their beauty needs. Sephora's product assortment also includes a variety of luxury and exclusive brands, which can appeal to high-end consumers who are willing to pay a premium for quality and exclusivity. Sephora's product assortment could be a major advantage if it continues to keep up with industry trends and consumer preferences, particularly in the clean beauty and sustainability sectors. Additionally, Sephora may face competition from other retailers that specialize in specific beauty categories, such as Ulta Beauty, which has a strong focus on haircare.

In the category of product pricing, Sephora's strength is that its pricing can be an advantage if it continues to offer competitive prices for its products. Sephora has products at a variety of price points, which allows customers to find a product that fits their budget. In addition, Sephora's loyalty program, Beauty Insider, offers deals and discounts based on customer spending, which can be an incentive for customers to continue shopping at Sephora. Additionally, Sephora's weakness is that it may face pressure to lower prices from competitors who offer similar products at lower costs, such as drugstore beauty brands. In addition, Sephora may need to balance their pricing with their product offerings - if they focus too much on luxury brands, they may turn away some of their core customers who are looking for more affordable options.

In the category of customer service, Sephora's strength is that their customer service is often praised for their knowledgeable and friendly staff who can help customers find the right products for their needs. Sephora also offers in-store beauty services such as make-up and consultations, which can enhance the overall shopping experience and build customer loyalty.

3.2.2. Competitive Areas with Disadvantages

However, one potential weakness of Sephora's product assortment is that it may become overwhelming for customers, particularly those who are new to the beauty industry. With so many options available, customers may feel unsure about which products are right for them, which can lead to decision paralysis or frustration.

Moreover, Sephora may also have some weaknesses in its services. In-store service at Sephora may become less important in the wake of the new coronavirus epidemic, as customers become more hesitant to receive beauty treatments in person. In addition, Sephora may need to invest in its online customer service, such as improving response times to customer inquiries and providing more personalized recommendations through its e-commerce platform. Therefore, service in retail shops may be at a disadvantage.

3.3. Marketing Strategies

3.3.1. Four Main Marketing Directions

Humanizing the brand. Humanization means that the brand looks at and understands its customers from different perspectives, such as age, race, ethnicity, and gender [4]. One of Sephora's core values is inclusion. This enables more people in different communities to get to know the brand. For example, the 'Identify as We' campaign celebrates transgender and non-binary communities to drive the conversation around equality for all.

Promote user-published creations. Some customers film to record their thoughts about Sephora. The videos they share, as well as the images, can build brand awareness, nurture relationships, and drive leads for the brand.

Maximizing brand appeal. The appeal of the brand has a very strong influence on peer competition. Sephora's most attractive point compared to its peers is that customers can "try before you buy" in their offline shops, allowing customers to experience the quality of the products before they buy, increasing their loyalty to the brand.

Customer loyalty concern. Increasing customer loyalty also increases customer retention and contributes to the overall growth of the company. A customer loyalty programme allows customers to be rewarded with points after a purchase, which they can redeem for free goods. Such a scheme not only retains old customers for the company but also attracts new ones.

3.3.2. Social Media Marketing

Sephora promotes itself on four main social media platforms, namely Facebook, Twitter, LinkedIn, and Instagram. The content posted on LinkedIn is on the corporate side, and on both Facebook and Instagram, Sephora posts the same content in relation to the newly launched beauty and cosmetic product promotions. Sephora works with online celebrities and stars to greatly increase the visibility of its new products and thus gain more customers.

3.3.3. Influencer Marketing

Sephora collaborates with beauty and skincare bloggers from different countries, ethnicities, genders, sexual orientations, and skin tones who are passionate about beauty and skincare [5]. Sephora provides them with products, and these bloggers are the ones who record reviews or promotional videos using Sephora products. It's a very diverse campaign, and customers are inspired by these videos to decide whether to buy.

3.3.4. E-commerce Marketing

Sephora sells its products through their website as well as their app. But newly developed online buying methods are always less well known, so integrating retail and online marketing for sales is the best e-commerce sales strategy.

Collecting customer data to integrate retail and online experiences. As smartphones are gradually promoted and people spend more and more time using their phones or other smart products, the number of people shopping online has increased. As a result, Sephora has developed an online shopping app specifically for consumers. Consumers can search for their favorite products online, place their orders directly online without having to visit an offline shop, and then share their experience in the app after placing their order. Sephora's app is designed to provide customers with the tools they need to enjoy the convenience of buying either in-store or online without having to talk to a sales representative or research outside resources while making a purchase.

Collect marketing data to focus on the customer experience. With the application in place, Sephora has access to information about customers' buying tendencies and can make timely decisions that are beneficial to marketing and sales. For example, if a customer adds a product they like to their shopping cart but is slow to place an order, Sephora can use the customer's contact information saved in the app, such as their email address, to send them an alert email to remind them that they have a product waiting for them to place an order. Likewise, Sephora can learn which types of products are the most popular in the backend of the app so that it can adjust its marketing strategy in a timely manner. In fact, when in-store sales were included in the path to purchase, Sephora saw a 3.9X higher return on ad spend (ROAS), and a 3X increase in conversion rates from its digital ads. What's more, the retailer found that if customers visited the Sephora website less than one day prior to purchase, there was a 13% uplift in their average in-store order values [6].

3.4. SWOT Analysis

SWOT analysis is a strategic planning and management method used to identify an organization's strengths, weaknesses, opportunities, and threats in terms of business competitiveness or project planning. It is a valuable planning method that allows Sephora to compare its performance with that of its competitors and the industry.

3.4.1. Strengths

Sephora's key strengths are an excellent workplace, a wide product selection, constant innovation, and an internationally renowned brand [7]. A superior work environment leads to higher employee satisfaction and lower turnover rates, which in turn translate into better customer service and a better overall shopping experience for consumers. The large selection of products caters to a diverse customer base and ensures that there is something for everyone, regardless of their personal preferences or needs.

3.4.2. Weaknesses

Sephora's main weaknesses are, firstly, that they do not have the same international reach as other popular brands. Secondly, Sephora is at the top end of the market, and their products are generally more expensive than other competing brands. And thirdly, their high inventory levels can affect the quality of Sephora's products in the long run [8]. Because beauty and hair care products were not essential during the pandemic, stock build-up was a big problem for Sephora. Sephora had to clear out excess stock to ensure that the products would not expire and become unsaleable.

3.4.3. Opportunities

The opportunities that Sephora has are numerous. Firstly, Sephora's current market is dominated by women, and care products for men are becoming more detailed, so Sephora can expand its market for the male segment. Secondly, consumers always expect more from products that offer better value for money, and Sephora can open up new markets for this. Thirdly, Sephora is a brand with a long history and has the market knowledge to quickly understand changing consumer needs and act accordingly to achieve market success.

3.4.4. Threats

The biggest threat to Sephora is the highly competitive market, where brands similar to Sephora are increasing and growing as the demand for care and make-up products increases. Secondly, it is much more difficult to sell, as customers will pick the best choice from a wide range of products, and Sephora faces increased difficulty in attracting customers.

4. Research on Sales Issues

4.1. Purchased Unsuitable/Wrong Items

Most brands in the marketplace experience a decline in customer favorability towards the brand or even customers never spending money with the brand again because of their own errors in judgment in purchasing inappropriate or even wrong items. Sephora, as a brand that focuses on beauty and hair, most customers are prone to not being able to pick the right products for themselves, and this phenomenon is especially likely to happen with online shopping. What can Sephora do to retain customer loyalty and improve their experience at this time?

4.2. Issue Analysis and Solutions

The analysis is based on Sephora's main marketing strategies. First of all, Sephora can start with the main social media platforms, posting official descriptions of each product and how to use it on Facebook and Instagram, which are usually always convincing. Secondly, Sephora works with bloggers from different countries, races, skin tones, and hair types. As long as these videos can serve as a proper introduction and promotion, there will be some customers with similar skin/hair basis as those bloggers who can choose the right products for themselves and have a comfortable shopping experience. Third, Sephora has a large e-commerce market, but the error rate of buying cosmetics and other products online is high, and there is a high probability that customers will buy products that are not to their liking and therefore will not want to continue to buy at Sephora. So, Sephora can provide multiple guarantees for customers who buy online, such as providing an unconditional return or exchange policy, and if customers are not satisfied with their purchase, the brand should make it easy for them to return the products. The brand should make it easy for them to return or exchange products. This can help alleviate customer frustration and make them feel that the brand cares about their satisfaction. But simply offering free returns and exchanges isn't enough, and it comes at a high cost to Sephora. The constant exchange of information in the digital age enables entrepreneurs to develop personalized services and interact directly with consumers [9]. Creating an AI test within the online buying application is flexible enough to allow customers to see what the products they are interested in look like in their own estimation from the comfort of their own home [10]. This will allow Sephora to reduce costs significantly, help keep customers loyal, and improve their overall experience.

5. Conclusion

In summary, Sephora's customer loyalty programme and e-commerce strategy have been key drivers of its success as a leading beauty retailer. Through a combination of innovation and a customer-centric approach, Sephora has been able to differentiate itself from its competitors and build a strong brand identity. However, a limitation of studying Sephora's marketing strategy is the lack of transparency and access to detailed internal data, so there may be bias when conducting longitudinal studies and analysing the long-term impact. Overall, Sephora's customer loyalty programme and e-commerce strategy has proven to be very effective in driving brand awareness, customer engagement and sales growth, and is likely to continue to be a key competitive advantage for the brand in the future.

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