Sephora
and Sephora.com
EEP 142 Group Project
Spring 2008
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• Introduction
• Overview of Cosmetics Industry
• New Generation of Shopping
• Sephora.com
• Interview
• Types of Competitors
• Sephora’s Business Strategies
• Future
• Q & A
Sephora History

- A concept from France in 1993
- Acquired by Louis Vuitton Moet Hennessey (LVMH) in 1997
- Over 250 brands from skincare, color, fragrance, makeup, bath & body to haircare, in addition to Sephora's own private label
- First U.S. store in New York in 1998, and first Canadian store in Toronto in 2004
Target Customers

- Women ranging from their teens to their thirties
Brands include:

SHISEIDO
philosophy
fresh
CLINIQUE
Allergy Tested. 100% Fragrance Free.
benefit
FUSIONBEAUTY
LANCÔME
L’Occitane
SEPHORA
NARS
Overview of Cosmetics Industry

• Department Store: Macy’s, Bloomingdale, Saks Fifth Avenue
• Drugstore: Longs, Walgreen
• Online Cosmetics Boutique
## Comparative Statistics: 2002 and 1997

Data are in current dollars and have not been adjusted for inflation. Table includes only establishments of firms with payroll. Introductory text includes scope, methodology, non-sampling error, and confidentiality protection. "% change" rows show percent change between 1997 and 2002.

<table>
<thead>
<tr>
<th>1997 NAICS code</th>
<th>1997 NAICS Description</th>
<th>Year</th>
<th>Establishments</th>
<th>Sales ($1,000)</th>
<th>Annual payroll ($1,000)</th>
<th>Paid employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>446120</td>
<td>Cosmetics, beauty supplies, &amp; perfume stores</td>
<td>2002</td>
<td>10,796</td>
<td>6,281,436</td>
<td>919,109</td>
<td>75,836</td>
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<tr>
<td></td>
<td></td>
<td>1997</td>
<td>9,014</td>
<td>4,418,998</td>
<td>603,595</td>
<td>46,527</td>
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<tr>
<td></td>
<td>% change</td>
<td></td>
<td>19.8</td>
<td>42.1</td>
<td>52.3</td>
<td>63.0</td>
</tr>
</tbody>
</table>
### Geographic Distribution -- Cosmetics, beauty supplies, and perfume stores: 2002

Data for the Retail trade sector are published for the U.S., states, metropolitan areas, counties, places, and ZIP Codes.

Table includes only establishments of firms with payroll. Nonemployers are shown above. Introductory text includes scope, methodology, non-sampling error, and confidentiality protection. For descriptions of column headings and rows (industries), click on the appropriate underlined element in the table.

<table>
<thead>
<tr>
<th>Other Industries</th>
<th>Description</th>
<th>Establishments</th>
<th>Sales ($1,000)</th>
<th>Sales % of U.S.</th>
<th>Sales per capita ($)</th>
<th>Annual payroll ($1,000)</th>
<th>Paid employees</th>
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</thead>
<tbody>
<tr>
<td>United States</td>
<td></td>
<td>10,796</td>
<td>6,281,436</td>
<td>100.00</td>
<td>22</td>
<td>919,109</td>
<td>75,836</td>
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<tr>
<td>California</td>
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<td>1,392</td>
<td>876,708</td>
<td>13.96</td>
<td>25</td>
<td>130,283</td>
<td>8,876</td>
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<td>Texas</td>
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<td>562,134</td>
<td>8.95</td>
<td>26</td>
<td>77,560</td>
<td>6,371</td>
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<td>New York</td>
<td></td>
<td>775</td>
<td>537,171</td>
<td>8.55</td>
<td>28</td>
<td>78,817</td>
<td>5,063</td>
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<tr>
<td>Florida</td>
<td></td>
<td>815</td>
<td>443,473</td>
<td>7.06</td>
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<td>59,080</td>
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<tr>
<td>Illinois</td>
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<td>472</td>
<td>356,122</td>
<td>5.67</td>
<td>28</td>
<td>51,429</td>
<td>4,234</td>
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<tr>
<td>Ohio</td>
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<td>401</td>
<td>234,985</td>
<td>3.74</td>
<td>21</td>
<td>34,624</td>
<td>2,781</td>
</tr>
</tbody>
</table>
Main Factors on purchase of Cosmetics Products

Global Average: the main influences on purchase of health and beauty products

- Price: 60%
- The product’s promise: 49%
- My preferred brand: 47%
- Recommendation of friends: 38%
- Free product samples: 30%
- Editorial in magazines: 20%
- TV/Print advertising campaigns: 20%
- Internet: 14%
- My partner: 13%
- Other: 8%

Base: Those who buy health and beauty products.
New Generation of Shopping

• Transition from physical stores to online shopping
For the full year, 2006 online retail spending reached $102.1 billion, according to comScore, a 24% increase on 2005.

<table>
<thead>
<tr>
<th>Year</th>
<th>US Retail E-Commerce (excluding travel)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$82.3</td>
</tr>
<tr>
<td>2006</td>
<td>$102.1 (24%)</td>
</tr>
</tbody>
</table>

Note: excludes travel, auctions and large corporate purchases
Source: comScore Networks Inc., January 2007
Have you even made a purchase online?
Trend in Online Shopping

Trend in Online Shopping

The Internet is no longer a niche technology – it is mass media and an utterly integral part of modern life. As our lives become more fractured and cluttered, it isn’t surprising that consumers turn to the unrivalled convenience of the Internet when it comes to researching and buying products.

Jonathan Carson, President, International, Nielsen Online
Trend in Online Shopping

What helps you decide which site to use for shopping online?

Global Average

- Same site I buy from regularly: 43%
- Search engine: 37%
- Personal recommendation: 32%
- Special offer I saw: 30%
- General surfing: 28%
- Online recommendation/review: 26%
- Same store I buy from offline: 26%
- Shopping comparison website: 19%
- Online advertising: 18%
- TV/print or other advertising: 12%
- Other: 9%

Video
Sephora.com

- Launched in October 1999
- 3 Free Samples with Every Order
- Free Shipping (over $50)
- Free Return
- Free Gift Packaging
Date:
16\textsuperscript{th} March, 2008
Time:
3-4 pm
Location:
Sephora Store in San Francisco
Interviewers: Madeline and Gloria
Interviewees: Amy and Lucy
Interview 1

Where do you usually buy your cosmetic product?
Sephora

What makes you shop in Sephora?
I can try different testers.
Assist from professional make-up stylist
Wide selection of brands

Have you ever heard of Sephora.com?
Yes

What makes you shop in Sephora.com?
I can shop in Sephora.com whenever, wherever I want.
Fast shipping

What do you think Sephora.com better than other online cosmetics sites, Why?
They carry wide selection of brands

How much is your monthly spend on cosmetic product?
~$200
Interview 2

Where do you usually buy your cosmetic product?
 Mostly Department stores

What makes you shop in Department store?
 Department stores always have promotion and discount after purchase certain amount.

What makes you shop in Sephora today?
 I can try different brands and testers.

Have you ever heard of Sephora.com?
 No.

After you are noticed there is a Sephora.com, will you shop on sephora.com in the future?
 Yes.

How much is your monthly spend on cosmetic product?
 ~$100
Competition from online Competitors

Variety of Sources:
1. All Internet Sites
2. Department Store sites with a cosmetics section
3. Manufacturers’ Own Sites
4. Pure Internet Multi-Brand Cosmetics sites
All internet Sites

- Easy and Simple
- 24-7
- No Pressure
- Reach People Who Live in Remote Locations
Manufacturer Sites

• Builds a relationship through recalling previous buys
• Offering suggestions appropriately
• Special store-style offers not available
Internet Multi-Brand

- Fun sites with lots of new ideas
- Lots of different stores to find a product
- Can access anyway in U.S
- Special offers and promotions
Department Store Sites

• Can purchase cosmetics along with other products
• Major brand missing because they have their own sites
Sephora.com Differs from its Main Competitors:
Having both a strong online and physical presence

The policy of allowing customers to return any product that they are unhappy with
Sephora.com Business Strategy

1. Customer Service:
   - customers look-in

2. Creating Content:
   - Providing customers’ favorite hard-to-find products online

3. Strong Staying Power
   - Snatched up most of Eve.com’s assets, including the web address and customer database

4. Back Up by Physical Boutique Business – Sephora Shops
Prospects for the Future

• Eventual success or failure of Sephora.com – the success or failure of e-commerce
• Young generation nowadays – either embrace or reject the Internet as a mode of retailing
• Consumers are more and more technology savvy learning curve decreases making purchasing online more natural
1. Name Four Types of Sephora’s Online Competitors.
   i. All Internet Sites
   ii. Department Store sites with a cosmetics section
   iii. Manufacturers’ Own Sites
   iv. Pure Internet Multi-Brand Cosmetics sites
2. What makes Sephora.com different from its main competitors?

i. Having both a strong online and physical presence.

ii. The policy of allowing customers to return any product that they are unhappy with.

i. Customer Service:

ii. Creating Content:

iii. Strong Staying Power

iv. Back Up by Physical Boutique Business
End