

Sephora: an analysis



Sephora

Sephora is a chain of beauty product stores founded in France in 1969 and acquired by Paris-based conglomerate LVMH in 1997. The Sephora chain includes more than 750 stores in 21 countries. It carries over 250 brands of items that include makeup, skin care, fragrance, bath, hair products, hair tools, and beauty accessories, including Sephora's own private label.

Overview

Sephora is a member of Paris-based Moët Hennessy Louis Vuitton Group (LVMH). Sephora opened its first US store in New York in 1997. Its North American headquarters are located in San Francisco, with marketing offices in New York City. Sephora is a division of Moët Hennessy Louis Vuitton. Sephora is known for their sampling program and for their life time return policy. [*citation needed*]

In 1999, Sephora launched its online shop Sephora.com available in nine countries.

Name and logo

Sephora is a combination of “ sephos”, which is Greek for “ beauty” and the Greek form of Tziporah תִּצְפּוֹרָה, which means “ bird” (female) in Hebrew, and was the name of the wife of Moses in the Book of Exodus. [*citation needed*]

The Sephora logo is a vertically elongated flame against a black background.

Sephora Beauty Insider

The Sephora Beauty Insider is a rewards program that offers customers coupons, discounts, and points for frequent buyers. The program is available to all Sephora customers and is free for sign-up. Each dollar spent is equal to one point, every one hundred points offers a free “ deluxe” sample-size product. Beauty Insider members also receive sample-size gifts on their birthday.

Sephora's private label

The cosmetics store launched its private label featuring make-up, bath products, and other beauty tools. Packaging for the line features the company's elongated flame logo in standard black print.

Sephora inside JCPenney

In April 2006, Sephora joined JCPenney to sell cosmetics in its stores. The JCPenney version of Sephora will be a "store within a store" concept. The first five "Sephora inside JCPenney" stores opened in October 2006. These stores, which are smaller than the size of a normal Sephora store, carry a more limited selection than full-size Sephora stores.

French luxury goods group LVMH confirmed yesterday its plans to close down its Sephora perfumery stores in Japan, the latest high-profile foreign retailer to leave Japan as the economy worsens. The company also said it is looking for solutions for the chain's five stores in Germany. An LVMH spokesman told Reuters its shops in Tokyo and Osaka "will close by the end of the year. The priority is to focus on making [the group's retail division] more profitable in Europe and profitable in the US." LVMH has 350 Sephora stores in Europe and 70 in the US including some DFS Galleria travel-retail locations. Another recent withdrawal from Japan was the UK drug store and perfumery chain Boots Co, which decided to close its four Japanese joint venture stores in July.

Sephora Japan president and representative director Jeff Daggett said in a statement: "The continuing economic downturn caused us to reevaluate our expansion plans, and ultimately, to close down our existing stores."

The news of the Tokyo closures comes less than a week after LVMH stated that its Sephora and DFS retail outlets are “ non-core but not for sale.”

Sephora in Japan

Sephora, a venture of LVMH, opened up in Tokyo in 1999. They built up 7 stores all in high class location such as Ginza and Shibuya. Aiming to cash in on the large luxury market in Japan, Sephora’s range of perfume and beauty products never made a profit here. When the economy took a downturn the firm decided to cut its losses and left by the end of 2001.

A study of the reasons for Sephora’s hasty retreat from the Japanese market reveals that although the group may have been in the wrong place at the wrong time, it made matters worse for itself by a lack of appreciation of the specific cultural context in which it was placed.

Overlooking the Context

The cosmetics market in Japan is second only to the US and given the Japanese consumers love of European luxury brands and the fact that Sephora opened in prime shopping locations, it is easy to see why an experienced firm like LVMH thought that might be able to turn a profit in Tokyo.

Sephora had been successful in Europe and the US operating self-service cosmetics stores and believed they could offer a unique retail experience by providing the same in Japan. Furthermore, they already sold Japanese cosmetics products in these ‘ foreign’ stores.

Upsetting the suppliers

Yet, when they opened their first store they were still in negotiations with their wholesalers and had not finalised trading conditions with a number of the main sellers, in particular the domestic brands such as Kose, Kanebo and Shiseido.

These negotiations eventually faltered because Sephora wanted a cheaper supply as, they reasoned, they did not require the additional sales-support that had always been provided with these products when sold through department stores that were not self-service. In the end, because of Sephora's unique demands, they received a very limited supply from the domestic manufacturers, who continued to sell most of their products solely through department stores.

Confusing the consumer

Once inside a Sephora store the first thing that would have struck Japanese consumers was the layout. On their three floors they placed perfumes on the first floor; an anomaly in Japan where the first floor is usually dedicated to skin products and cosmetics – perhaps reflecting the fact that perfumes corner only a 5% share of the market.

The self-service Sephora experience, where customers are free to try on lipstick, sniff fragrances and pull things off the shelves into their baskets without any need to wait for an assistant, did not work so well in Japan.

Here, such practices make the consumer feel slightly uncomfortable, particularly at the luxury end of the market where ladies are used to being pampered and chatted with for a considerable amount of time before they

decide to purchase anything. Where a Parisian might feel liberated a Japanese customer might feel ignored. Without very careful consumer education procedures and clear signing about where to put trash and used products Sephora may well have created fear and confusion rather than the sense of peaceful meandering that they intended.

Summary

What Sephora perceived as their strength, their radical new concept of customer service, actually turned out to be a weakness in Japan.

By trying to forcefully introduce their current business model, that had been so successful overseas, into Japan they struggled with both their suppliers and customers.

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NEW YORK — Sephora is retreating from Japan to focus its energy on Europe and the U. S.

LVMH Moët Hennessy Louis Vuitton, owner of the 400-plus-door perfumery chain, said Wednesday that it will shut the seven Sephora doors in Japan by yearend. The announcement intensifies the buzz surrounding Sephora, which is rumored to be on the block or even partially sold already. The closures in Japan also come following losses estimated upward of \$50 million this year.

Industry sources speculate Sephora's flagging Japanese and U. S. businesses are sticking points for Germany's perfumery giant Douglas, which is purportedly interested only in acquiring Sephora's European stores. Some sources even say Douglas has already inked a deal for those.

Yet LVMH has repeatedly denied any sale of Sephora and Douglas will not comment on the rumor.

Sephora's move to close the stores in Japan reflects the belief that "the U. S. and Europe offer the greatest potential growth opportunities and continued success of Sephora," explained a company spokesman. Severe economic conditions in Japan were cited as the biggest hurdle for carrying out Sephora's expansion plans there.

When Sephora opened its first Japanese door — a 10, 300-square-foot, three-level perfumery on the Ginza in November 1999 — the company's five-year plan included more than 40 doors ...

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(3) Lack of Market Research

There have been cases where it can be assumed that foreign retailers have entered the market without carrying out enough market research on consumer buying preferences, etc. The cosmetic chain Sephora (France) entered the Japanese market by establishing a 100% subsidiary in 1999. Rather than developing products that met the constitution or preferences of Japanese females, it opened stores and offered products based around its reputation as "French Luxury Cosmetics". It launched its flagship store in Harajuku (Shibuya-ku, Tokyo), but Harajuku is an area popular with a generation younger than the customers in their 20s and 30s targeted by Sephora. They also followed their own strategy, placing perfumes and fragrances near store entrances, rather than makeup items such as lipstick

which account for a higher percentage of sales in Japan, but were unable to gain support from Japanese consumers.