

Experience MATTERS

SEPHORA MAKES A BIG BET ON **TECHNOLOGY** TO **PROVIDE**
THE KIND OF **DISRUPTIVE RETAIL EXPERIENCE** THAT WILL DRIVE
SUSTAINED GROWTH. > *By Gina Acosta*

Inside the beauty oasis that is Sephora in Midtown Manhattan, there has been a lot of tapping going on lately. Not so much the kind of tapping one does with blush brushes or mascara wands, but tapping on high definition screens.

That's because when Sephora opened its largest store in North America in New York City this year, the beauty retailer christened a new format designed to appeal to today's beauty shopper. At the new, larger version of Sephora — 12,000 square feet on 34th Street — the retailer installed dozens of sleek new iPads for shoppers to use. It put in a high-tech makeover station that complements Sephora's mobile apps. And the retailer added a skin care studio with digital technology that measures moisture on skin.

The new store concept — called Beauty TIP, which stands for Teach, Inspire, Play — is designed to leverage technology to create an in-store beauty playground for shoppers that is un-matched by any other retailer.

"We are completely redesigning our store experience to reimagine it for our client today and into the future," said Calvin McDonald, president and CEO of Sephora Americas. "By fusing hands-on service and technology, we're creating a new experience that will teach and inspire, while allowing clients to play with beauty. And this is just the beginning. Even as we introduce this concept to new stores and renovations, we are continually making enhancements that will consistently make the Sephora beauty experience more fun and fulfilling for our clients than anything they will experience anywhere else."

SEPHORA SEPHORA AT-A-GLANCE

Headquarters: Paris

Chief Executive Officer (U.S.): Calvin McDonald

Number of Stores: 2,300 (incl. 600+ in U.S.)

Annual Sales: \$4 billion (est.)

Year Founded: 1970

With the popularization of apps, social media and selfies, it's no surprise that technology has become a crucial consideration for beauty retailers. It's also no surprise that Sephora is leading the way on that technology.

Sephora has been a trailblazer in the beauty industry since the company was founded in Paris in the 1970s.

Although it is focused on prestige beauty, the retailer knew early on that beauty lovers shopped across all brands and that shoppers wanted to try products before they bought them — without having to ask a salesperson at a counter. Sephora was among the first beauty retailers to organize each store assortment by product instead of brand, to launch an e-commerce platform, to create native mobile apps, to integrate with social media platforms, to use beacons in-store, and to introduce mobile POS functionality.

This culture of innovation is a big reason why Sephora, which has 2,300 stores (and more than 600 stores in the U.S., including JCPenney outlets), is the No. 1 specialty beauty retailer in the world, according to Euromonitor International, which tracks beauty sales. Over the years, Sephora has embraced the trend of indie makeup brands, which are exploding in popularity. The NPD Group reports that in the prestige space, smaller brands like Anastasia Beverly Hills, IT Cosmetics, Too Faced, NARS, and Tarte have all seen significant growth. Sephora parent LVMH says its specialty retail division, which includes Sephora, had a sales gain of 11% in its most recent quarter.

Today, Sephora says it is focused on leveraging digital technologies toward a singular focus: to create an outstanding shopping experience for its customers, whether in-store or online.

"We have a lot of exciting ideas about how we want to create experiential retail," Calvin McDonald said. "We have over 20 million clients, or as we call them, beauty insiders. We focus on building an emotional relationship with clients, instead of discounts or promotions. This emotional relationship is what will drive loyalty long-term."



▲ Calvin McDonald

McDonald says Sephora defines “experiential retail” as:

- ▶ Memorable, when something resonates with the customer.
- ▶ Sharable, when a moment is easy to capture so the customer can tell everyone about it.
- ▶ Repeatable, when the shopper says, “I can’t wait to do that again.”

This idea of experiential retail is a natural fit for a beauty retailer with a tech-forward strategy like Sephora.

The company’s U.S. headquarters are located in San Francisco, an ideal setting for proximity to the latest retail innovations and experiments. This location also gives the company access to strong tech talent. In 2015 the company launched the Sephora Innovation Lab, a digital think tank of sorts based in San Francisco that’s also designed to groom digital leaders within the company’s ranks. The new Beauty TIP store format, which Sephora executives call the “store of the future,” was born in that lab.

“When a client comes in and experiences Teach, Inspire, Play, she’s going to experience it on her own, she’s going to experience it through cast members, and she’s going to experience it through technology,” McDonald said. “And that’s where we really see our differentiator being and how we’re going to continue to innovate.”

The Beauty TIP stores contain such features as:

- ▶ The Beauty Workshop, billed as the “heart” of the store, where customers can watch tutorials and perform other tasks on iPad stations.
- ▶ Sephora Beauty Studios at the center of the store is a space for makeovers with senior artists.
- ▶ The Moisture Meter, which measures the moisture in one’s skin to make for better skin-care recommendations.
- ▶ The Skincare Studio, with a working sink, four stations and a touchscreen with access to the Skincare IQ diagnostic, facilitates education and offers services like mini facials.
- ▶ A Fragrance Studio uses sensory technology, InstaScent, to enable the exploration of 18 fragrance families.
- ▶ Interactive virtual experience, Tap and Try, facilitates the “trying on” of lipstick and eyelashes in-store using Sephora Virtual Artist’s Technology combined with RFID scanning. With one endcap dedicated to each, customers can “try on” any lip or lash product that instantly appears on their digital likeness.

Another facet of Sephora’s experiential retail strategy has been fostering a sense of community among beauty shoppers.

Sephora hosts an online community forum called BeautyTalk. The forum, which is accessible via a mobile phone or iPad app, features such discussions topics as “I hate my eyebrows and I



don’t know how to fix them!” The company also drives engagement with its “Beauty Insider” loyalty program. If a customer buys \$350 of beauty products, she becomes a VIB (Very Important Beauty Insider) and receives special privileges. There’s also a VIB Rouge level after spending \$1,000.

Sephora has a strong and active presence online, where staffers respond to customer inquiries instantly on Facebook and other platforms. Sephora frequently collaborates with social influencers and famous YouTube gurus to maintain a prominent social media presence. It’s also a way for the company to introduce new products frequently.

Sephora is also embracing new service ideas both in-store and online. The retailer has launched beauty classes that have become very popular with shoppers. “The connectivity of our beauty classes is reinforcing our focus on community and strengthening the connectivity of the brand,” McDondald said.

The company’s Virtual Artist app allows consumers to play with beauty products. It’s a great example of a digital driven technology that is really delivering that experiential strategy. Consumers can, for example, try on more than 1,000 cheek colors using uploaded photos, augmented reality and artificial intelligence. Other initiatives include its Play! subscription box service and a new branded chat bot on Kik.

“We’re thrilled to be one of the first brands to have built a branded chatbot on Kik, and even happier at the depth of engagement it’s driven. We have steadily infused our bot with newness — fresh content and first-to-market experiences — and will continue to do so,” said Bindu Shaw, VP of Digital Marketing and Media at Sephora.

Sephora operates more 2,300 stores in 33 countries, although the company plans to open 100 more stores this fiscal year. In May, JCPenney announced it would expand its partnership with Sephora, bringing the total Sephora presence in JCPenney stores to 650 locations. According to JCPenney, its Sephora division is one of its best performers. Marvin Ellison, chairman and CEO of the department store chain, called the Sephora shops “one of our biggest advantages over the competition,” in a statement.

The beauty consumer is clearly voting in favor of Sephora, online, in-store and even at JCPenney. Sephora’s digital first, customer first strategy has turned out to be an effective strategy for beauty retailing in the 21st century. **RL**