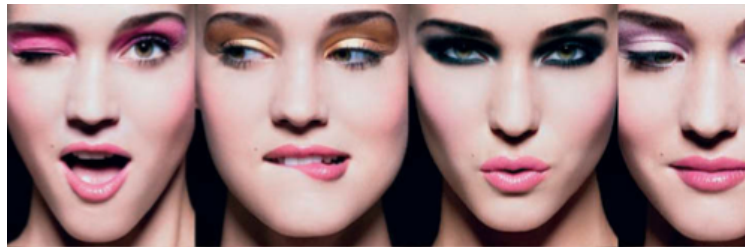# MAKE SEPHORA A LOVE BRAND FOR THE YOUNGER SEGMENT

WORK PROJECT

Due date: June 6th, 2013

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The following report was outlined for the French renowned brand and cosmetics retailer, Sephora, and is centered on the Business Project *"How to transform Sephora into a Love Brand for the young generation"*. The objective of this report is to define a new communication concept that will permit Sephora to become a Love Brand for its entire customer base by transforming the current communication approach. Moreover, this project will bring additional insights about the content and course of the Business project, while it will also extend on the main personal areas of learning.

Finally, it is important to bear in mind that this report was thought and written before the final presentation with the company, which made the content to be highly focused on the project's methodology and research.

BRIEF CONTEXT

CLIENT

Sephora is currently present in 30 countries around the world, a global position that has been triggered by the significant investment obtained from the luxury group LVMH, which acquired the company in 1997[1] after recognizing its positive financial performance and growth potential.

As one of the leading retailers of cosmetics and fragrances in the world, Sephora brings consumers a vast product assortment including more than 100 brands divided between selective brands, exclusive brands, Sephora brand and services. These labels include internationally renowned brands; brands distributed exclusively in Sephora stores; private label products and beauty bars services. Besides of its strong product offering, Sephora's added value to customers derive from its high quality service, core to the brand since its beginnings in 1970 with the motto of bringing "free shopping experience for luxury & mass beauty"[2].

In terms of retailing concept, Sephora focuses on a differentiation strategy built strongly on its image of beauty expertise, premium service and its innovative and exclusive product offering. Focusing on a wide target of both women and men between 13 and 80 years old, Sephora counts with a premium pricing strategy, which makes it one of the most expensive cosmetics retailers

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[1] Sephora. *História Sephora.* Available: www.Sephora.pt.
[2] Sephora (2013). Psychedelic Party. Business Project presentation.

globally in relation to its competitors. However, the brand succeeds by extracting most of its revenues from clients over 40 years old, which despite of being less in number represents the highest source of yearly sales *(See Exhibit 1 for Average yearly sales per group).*

Considering distribution and communication, Sephora counts with an online store and 1785 selling outlets worldwide including standard stores, corners and flagship stores in some countries[3]. These flagship stores are also one of the main sources of Sephora's communication due to their exclusive locations, showcasing the brand and positioning it closer to luxury. Moreover, the brand doesn't use TV communication but focuses mainly on Internet, street billboards, PR and customer programs.

MARKET OVERVIEW

As the only global selective retailer of perfumes and cosmetics[4], Sephora encounters different competitive rivalry levels among the countries where it operates. However, for the purpose of this project we will focus only on the French market and its main players *(See Exhibit 2 for Competitive positioning in France).*

Considering this market, we can observe that Sephora competes in three main areas: product assortment, service and pricing. Considering the first, the French market counts with both multi-brand and mono-brand retailers, which bring consumers approximately the same diversity of products (i.e. considering only product functionality), but usually with different levels of quality service. In terms of multi-brand retailers, Marionnaud, Douglas, Nocibé and Monoprix (Supermarket from the Casino Group), offer consumers a diverse range of different brands, however, they don't reach even close the vast offering from Sephora. Meanwhile, Sephora also competes with mono-brands such as KIKO and Yves Rocher, which offer all product lines but only from their own label. From these six companies, only Marionnaud, Douglas and Nocibé compete with Sephora in the sale of fragrances.

Secondly, Sephora differentiates from all these six competitors by offering a premium quality service that allows its customers to enjoy the shopping experience and that brings them the possibility to benefit from assistants' expertise. The competition on the other hand, lags behind

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[3] Sephora. *História Sephora.* Available: www.Sephora.pt.
[4] LVMH. (2012). LVMH Annual Report 2012.

by offering also quality service but by lacking the focus on shopping experience. This difference is highlighted by a lack of "young" and "fashionable" ambience with very accessible store assistants, music and different Sephora in-store product selections, which are defined to guide the customer in their purchasing decision. Those competitors that are not playing poorly in France in terms of service are Marionnaud and Douglas, which offer also shopping assistants but still lack some of the main characteristics from Sephora.

Finally, pricing strategies become an important competitive topic in cosmetic retailing. While multi-brand retailers differentiate through variety of product assortment and service, many competitors have found an opportunity for winning additional market by proposing cheaper prices with the sales of their mono-brands or by decreasing the quality of service. Competitors such as Monoprix and KIKO have started to earn market share, especially within the younger segment, by rendering from in-store service and by offering cheaper brands such as L'Oreal and private label products.

CURRENT CLIENT SITUATION

Sephora has been praised for its excellent performance in 2012, after having captured more than 20% share of the cosmetic and fragrance market in the United States and also by having won market share in all its regions[5] *(See Exhibit 3 for LVMH's Selective Retailing Annual Results).* Its sustained growth can be highlighted by the strengthening of its competitive position in France and Italy and by the continuation of global development in other countries in Europe and Asia.

Additionally, renowned for its constant innovation on the beauty-retailing segment, Sephora launched several advanced features for improving customer service in the U.S. (e.g. mobile payment system). However, Sephora's decisions are taken locally and so is the implementation of new technologies, which makes Sephora in other regions of the world to be a little apart from the best practices implemented in the U.S. Considering the current situation in France, we can see in terms of innovative retailing that Sephora is planning to adopt some of the solutions implemented by its global subsidiaries, however, it is first attempting to understand the local

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[5] Loeb, W. (2013). *Sephora: Department Stores Cannot Stop Its Global Growth.* Available: http://www.forbes.com/sites/walterloeb/2013/04/18/sephora-department-stores-cannot-stop-its-global-growth/

market needs.

Sephora has also been implementing new strategies in France to target the different segments within its wide customer base. Yet, its overall retail concept (i.e. store layout, product offering and CRM practices) still seems to be more welcoming to older customer segments, allowing Sephora to extract a larger volume of sales from a smaller volume of customers, while losing some potential from younger segments.

Even though Sephora has been defining new strategies to target customers within 12 and 25 years old, it still fails in connecting with them and to grow customer spending[6]. In other words, thanks to its fashionable and innovative retailing, the younger customer segment visits Sephora and enjoys its shopping experience, but prefers to purchase from cheaper alternatives as Monoprix or KIKO[7]. This situation proves the inexistence of an emotional link with the brand and the lack of willingness to pay a price premium, which leads the younger segment to choose cheaper alternatives.

THE BUSINESS PROJECT CHALLENGE

Having noticed the potential of increasing the young customer base and of influencing their spending patterns *(See Exhibit 4 for Segment Potential)*, Sephora challenged our team to define the necessary strategies to increase the conversion rate from the younger segment and to create a long-term relationship that will guarantee their loyalty in the future.

Sephora required these strategies to be also directed to achieving a higher outcome:

Transforming Sephora in a Love Brand for the Young Generation

This concept has been in vogue for the last couple of years, as it separates common brands from *Loved Brands*, which more than merely successful brands are those who managed to create such a strong relationship with their customers that the public would demand them if they went out of the market. The consequences of becoming a Love Brand comprise brand loyalty, willingness to pay a price premium, positive word-of-mouth and resistance to negative information, characteristics that Sephora still doesn't master among the youngest segment.

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[6] Sephora (2013). Psychedelic Party. Business Project presentation.
[7] Business Project Research

REFLECTION ON THE WORK DONE

THE CHALLENGE

Bearing in mind the objectives established for the Business Project, it was clear that the main challenge would be to generate sufficiently effective strategies as to transform an already strong brand, such as Sephora, into a *Love Brand* for the young generation. Having this idea in mind, we agreed that in order to reach this objective we would have to surpass some stages, which are defined as follows:

1. Reach the 13 – 25 years old target segment and extract relevant information.
2. Analyze data to understand the target consumer according to the different target subgroups.
3. Find a clear definition of *Love Brand*.
4. Define an action plan tailored to the younger segment and that is aligned with overall identity of Sephora.

It is crucial to bear in mind that this work project was thought and written during the execution of the business project. Accordingly, the final results and the evaluation from Sephora team had not been unveiled at the time, which may lead to some inconsistencies with the final result of the business project. This situation led the content of this report to change several times, for which I apologize for possible mismatches within this section[8].

THE ORIGINAL APPROACH

For the purpose of this work project, it will be explained in more detail the evolution of the methodology and its influence over the action plan. This will be crucial for introducing the central topic of this work project and for understanding the necessity of an alteration in Sephora's overall approach. Certainly, if Sephora desires to become a Love Brand for the younger segment, it will need to align its entire overall strategy to achieve this objective.

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[8] Since the action plan was still being finalized during the writing of this report, the main focus has been inevitably related to research and adapted to include parts of a new strategy for the brand.

STAGE 1: RESEARCH

To simplify reading, the completion of this task is divided in a four-step approach.

Step 1: visit of stores to understand the consumer and to define possible behavior patterns to test in our survey.

The main task was to observe the general situation of these stores, concerning female and male visitors younger than 25 years old and to discretely follow some of these consumers to understand their shopping behavior. In order to obtain some standard results, we designed a grid to be filled by each team member, which included the estimated age of the client being observed, his/her behavior in store and his/her preference of products. Additionally, we had the mission of evaluating the performance of each store according to ambience, assistants' approach to customers and type of visitors.

These visits allowed us to observe a big contrast between stores, where visitors younger than 18 years old seemed to occupy most of the store space by visiting in groups and by testing all kind of products. It was also possible to observe the overwhelming ambience in-store and the complex interaction between the young segment and the remaining customers. This overall ambience, with loud music and insistent shop assistants, seemed more welcoming to younger visitors than to the older customers. Moreover, the latter group seemed to visit the store with a pre-defined intention to purchase and left quickly after.

Step 2: gather the insights from market research and divide the 13 - 25 years old segment in subgroups with similar behavior.

At this stage we analyzed all the information we had gathered until that moment and distinguished three potential sub-segments within the young group defined by Sephora. So, we divided the younger segment in the three subgroups we estimated to be more alike in terms of needs and behavior - 13 to 15 years old, 16 to 19 years old and 20 to 25 years old.

Step 3: consider the potential characteristics of sub-segments and construct a questionnaire to test their perception of the brand.

Once we evaluated the results from our store visits and defined the potential characteristics of the

sub-segments, we delineated a set of questions for our survey that would address mainly four subjects: *brand preference, consumer behavior in-store, priority given to retailing features and consumer perception of Sephora regarding its competitors*.

Step 4: conduct a focus group to obtain further information about the target consumers.

For the purpose of the focus group we invited six HEC female students, with ages ranging between 22 and 24, to join us for a set of questions. Our objective was to gain additional insights about their personal purchasing habits in-store and online, and also to know more about their opinion about Sephora and its in-store service *(See Business Project for Focus Groups Results)*.

STAGE 2: ANALYSIS

Analyzing first the results from the quantitative research, we considered the questionnaire to be successful as it reached 324 answers from which 68% were women and 72% were in the age range of 20 to 25 years old. Adversely, only 17 % of respondents were between 16 and 19 years old, while only 11 % (35 respondents) were in the 13 to 15 years old range. The small sample size of the latter sub-groups decreased the reliability of these results, impeding us to consider the outcomes for these segments as conclusive. However, it gave us a clear understanding on the perception from the eldest sub-group within the younger segment, which also gave us some hints about the general perception from more adult consumers. Indeed, the 20 to 25 years old group seemed to be the most discordant segment, showing more mature needs, preferences and purchasing habits than those displayed by the two remaining sub-groups.

Once we had analyzed our results from the three research sources, we were able to understand in more depth Sephora's current pitfalls and weak areas *(See Business Project for Research Conclusions)*. We were able to assess that the majority of respondents certainly evaluated Sephora to be either "too aggressive" or "too young" for their age[9]. These remarks were especially interesting considering that these results were confirmed both in the surveys and in the focus groups, which included only customers between 20 and 25 years old. Moreover, the summary of store visits resulted in the same shocking conclusion, as many stores were crowded with girls younger than 18 years old and who tested all products but did not make any purchase.

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[9] Again, it is important to bear in mind that the majority of respondents were part of the 20 to 25 years old group.

STAGE 3: CONCEPTUALIZE

Once we reached our final conclusions about the younger segment, it was time to extend our research to understanding the concept of *Love Brands*, since we wanted to show Sephora a richer conceptualization of the theory and to give them some examples that could help them picture the wide range of different possibilities they could follow to become one. For this purpose, we selected an extensive analysis from Rajeev Batra, Aaron Ahuvia and Richard P. Bagozzi (2012), which affirmed love brands to be identifiable by five criteria[10]:

1. Facilitator of passion-drive behaviors
2. Symbol of self-brand integration (customer identifies him/herself with the brand values)
3. Creator of positive emotional connections
4. Example of anticipated separation distress (customer would demand the brand if it disappeared)
5. Holder of a sense of long-term relationship

Bearing this in mind, we could see that Sephora was not playing that far from those considered to be Love Brands, however, it still lacks some of the previously listed characteristics. According to our research results, Sephora has failed to develop a sense of identification with the brand within its consumers and to create an emotional connection with them. This fact was mostly a consequence of Sephora's communication message in France and its aggressive store ambience, which led costumers to feel emotionally unattached from the brand. Indeed, missing these features were the main cause for Sephora's young generation to lack brand loyalty and the willingness to pay a premium price.

STAGE 4: DEFINE STRATEGY

After having reached the final conclusions from our research, it seemed clear that the concept of Sephora was more welcoming to younger girls, who would visit the stores to test but would not buy due to the high prices. Despite of enjoying from positive results and steady growth[11], this factor seemed detrimental to the overall image of Sephora, since the concept did not seem to

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[10] See Business Project presentation for further detail
[11] LVMH. (2012). LVMH Annual Report 2012.

guarantee conversion from the youngest but remained misaligned with the expectations of the eldest and most valuable customers of the brand.

Bearing this in mind and having uncovered the needs of the younger segment and their opinion about Sephora's performance, we proposed to separate the younger segment from the rest of consumers and to define a new brand tailored to them. Accordingly, we suggested the introduction of the new sub-brand and concept *CRUSH* by Sephora. This new space would involve all the special activities for the younger segment and would include only certain products from the current assortment adequate to this segment's budget (i.e. exclusive brands and branded products, such as MAC, Benefit and Sephora).

We believed that defining a new concept for Sephora should be aligned with the identity of the brand. However, since our new concept was focused on emotional benefits rather than on functional benefits, there would be a mismatch between the new concept and the current communication approach. Consequently, we proposed to define a new brand positioning for Sephora brand as a whole and to change the communication approach accordingly to this new message. We believed this would be crucial if Sephora expected to become a Love Brand.

EVOLUTION OF THE ORIGINAL APPROACH

Even though we planned our methodology to follow the four-phase stages we described previously, during the process we had to adapt some of our practices to the changing expectations of Sephora.

First, before conducting our questionnaire, we had to broaden the scope of our project by Sephora's request and include Germany, Portugal and Turkey in our research. This change was required because Sephora wanted to benefit from the multi-cultural composition of our team to obtain some insights of the markets of our origin. As a consequence, we had to include questions about nationality in our survey and adapt some others to include the local competitors. Moreover, since we would also need the qualitative support, we conducted a second focus group conformed of international students from HEC Paris. This situation led to some bias in our survey results, since many French competitors had to be excluded in order to incorporate international players, leading respondents to rank Sephora within a smaller list of options.

Later we realized that we would need to omit the international scope of our project and focus only on the local market, since extending the project to so many different markets would require much extensive research and customer insights than the one we were able to achieve. Having understood this, Sephora accepted to drop the idea and allowed us to analyze only the results from French respondents.

Lastly, since our team members where older than 23 years old and we were mainly international students, at the beginning of our research we faced great difficulties to obtain French respondents below 20 years old. Consequently, we chose to spend one afternoon in a high-traffic location and approach individuals we estimated to be part of our target, to ask our survey. By doing this, we managed to obtain the 11% and 17% of respondents from our questionnaire below 20 years old.

Finally, now that we had separated the younger segment from the rest of customers, we explained to Sephora team the importance of defining a new concept and overall communication that would be aligned with more mature customers. However, despite of having explained the negative effect of the current brand communication on customers' perception and emotional disconnection, the team required us to stop with this idea, as it was not related to the younger segment.

MAIN LIMITATIONS

Throughout the process of building our strategy, we experienced some restraints that also made the process suffer from unanticipated changes. First, it was a challenge to keep up with Sephora's expectations, as the company would constantly change their requirements despite of having approved our work plan from day one. This factor together with the difficulty of involving all the members of our team in the process, made the stage of research and analysis to be slower than we had envisioned.

Moreover, one of the main limitations of the business project was related to the low reliability of our research. The lack of respondents between 13 and 19 years old constrained us from reaching any valid conclusion, even though we still considered them as guidance for the definition of our action plan. Nevertheless, having obtained 72% of respondents within the 20 - 25 age range was positive at some extent, as it allowed us to estimate the perception of customers over 26 years old and to assess the necessity of dividing the younger segment from the rest.

Indeed, for the creation of a new concept for the Sephora brand we would require a more extensive research, focused on customers over 26 years old and directed to perceive their opinion about the brand. Without this information we still could rely on the answers from the 20 to 25 years old group to assess the weak points, however, having obtained more answers would allow us to tailor the message to older customers and to separate completely *CRUSH*'s concept from Sephora's.

CHANGES TO THE APPROACH

The Sephora team was mainly concerned with tackling the existing potential from the younger segment and to convert their store visits into purchases, thus the scope of the project was constrained to this target group. Consequently, our proposition for redefining Sephora's communication for the oldest segment was disregarded for the business project. Nevertheless, since the CRUSH concept proposition goes against Sephora's current communication approach, the focus of this work project will be on proposing a new concept for Sephora that remains consistent with the current brand identity.

BRAND IMAGE

Focusing on the results obtained from the 20 to 25 years old and assuming that the older segment - starting from 26 years old - also share this group's perception, it is possible to recognize a negative brand image within consumers, consequence of Sephora's store ambience and communication strategy. Recalling the research results previously described, Sephora's store ambience was perceived as "Too young" and "Too aggressive", mainly due to the "Loud and aggressive music" displayed in-stores and the youthful "Store ambience"[12].

This juvenile image seemed to be highlighted by Sephora's communication campaigns, where the brand displays peculiar ads with an unclear message. Considering only the months of April and May, Sephora modified its communication campaign in France at least three times. In the first advert, the message "New Age" was accompanied by an image of a woman with a baby pacifier in her mouth, while the following campaign included the message "Color Obsession"

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[12] Responses obtained from Survey and Focus Groups

and showed a woman being covered by feminine hands *(See Exhibit 5 for Communication Campaign Examples).*

All communication campaigns displayed in 2013 communicate an "eccentric" message and are centered on the functional attributes of the products. In fact, besides being ambiguous, Sephora's communication campaigns focused on colors and product traits, rather than on developing a direct link with customers through the communication of emotional benefits. This situation traduced into a complete inconsistency with the proposed CRUSH by Sephora concept and into a disconnection between the brand identity and the image perceived by consumers.

IDENTITY VS. IMAGE

Brand Identity is the unique set of brand associations that the brand aspires to create and maintain (Aaker, 2002). Thereafter, brands define through *Brand Positioning* the message and set of values that will be communicated, leading to the conception of *Brand Image,* which arises from the customers' perception of the brand after synthetizing all the various brand messages (Kapferer, 1992).

As such, brands act as *Senders* who communicate their intrinsic values through different *Signals* (i.e. brand elements, marketing programs and communication campaigns), which allow the *Receiver* to build his/her personal perception of the brand *(See Exhibit 6 for Process of building Brand Identity and Image).* Since brand image is on the Receiver side, brands must have a clear definition of their identity, in order to design the appropriate Signals to communicate and build the desired Brand Image within customers.

Bearing these concepts in mind and considering the signals chosen by Sephora as part of its brand elements and communication campaigns, it is possible to distinguish a gap between Sephora's Brand Identity and the Image perceived by its consumers (C. Da Silveira, 2012). However, this gap is a main consequence of the Positioning choice rather than of the Brand Identity definition, since the values within the Identity are aligned with the current consumers' trends while the message conveyed does not match these values.

BRAND IDENTITY

In order to appreciate Sephora's Brand Identity, the six facets of the Brand Identity Prism from Kapferer (1992) were assessed after reflecting on the internal data shared by the company *(See*

Exhibit 7 for Sephora Identity Prim). According to Kapferer, the purpose of Brand Identity is to specify the brand's meaning, aim and self-image, thus dividing the Prism in an external component, which defines the values that the brand aims to communicate externally, and an internal component, which sets the values to be recognized internally. The externalized values comprise the elements of *Physique, Relationship* and *Reflection*, while the internalization facet covers the brand's *Personality, Culture* and *Self-image.*

Regarding the externalization component, Sephora's *Physique* or tangible brand features can be considered the brand's innovative products (especially in terms of private label), the beauty expertise and the "Zebra" logo. Meanwhile, the brand *Relationship*, which implies the way the brand relates with its customers, involves Sephora's beauty expertise and its premium shopping experience. Finally, considering customer *Reflection*, which represents the desired consumer type for the brand, Sephora projects its consumers as "In top of trends, young at heart and confident".

Now, regarding the internal component of the Brand Identity, Sephora adopts a character by interiorizing a brand *Personality*, which defines it as "Bold, fashion and edgy". In addition, the brand *Culture*, which represents the brand ideology and core values, is embodied in Sephora with the notion of a "Mansion of beauty: where the beauty beats". Lastly, Sephora defines its target customer *Self-image* to be "I am Fashionable. I am following trends". This last element describes the aspired target's internal mirror, in other words, the values the brand aspires the target customer to feel after consuming the brand.

BRAND POSITIONING

Positioning entails emphasizing the distinctive dimensions of the Brand Identity that makes the brand different from competitors and appealing to the public (C. Da Silveira, 2012). Branding is then about creating differences that can be tangible or intangible, symbolic and emotional (Kapferer, 2003). As such, Positioning is the part of the Identity that should be communicated.

Hence, looking at the existing gap between Sephora's Brand Identity and the Image perceived by its customers, it is possible to affirm that the existing misalignment is mainly a consequence of a Brand Positioning centered on the wrong facets of the Brand Identity. Recalling Sephora's communication campaigns and store ambience, it is possible to affirm that the Brand Positioning

has been focused on the internal values that describe Sephora's *Personality* and *Culture*. Indeed, within all the elements of its Brand Identity, Sephora has highlighted its "Bold, Fashion and Edgy" personality and its culture of "Where the Beauty beats". Thus, its communication campaigns and marketing elements have attempted to communicate especially the boldness and fashionable side of Sephora, however, emphasizing these values in excess.

Same situation is observed in the design of the store ambience, where Sephora's Personality and Culture are also highlighted in an aim to differentiate the brand from competitors. As such, the ideal of "Maison de la Beauté: Where the beauty beats", is constructed around the store layout and ambience, transforming it into an extremely young and aggressive environment.

RECOMMENDATIONS

Reflecting on the conditions previously described, it is clear that Sephora requires an alignment between its internal values and the message communicated externally if it desires to eliminate the existing gap between the Identity and the Image of the Brand. Moreover, in order to become a Love Brand, it is necessary for Sephora to transmit a set of clear values to the public for them to feel identified and emotionally connected to the brand, a position that has proven to lack for Sephora.

Considering that the current Brand Positioning triggered this misalignment, it is necessary to redefine the distinctive dimensions of the Brand Identity that will be emphasized and communicated externally. Accordingly, the current focus on the Identity elements of Personality and Culture should be reconsidered. Thus, recalling the facets of the Brand Identity and aiming to maintain the focus on the most distinctive elements of the brand to contrast with competitors, a new Positioning should maintain the focus on *Culture* but should emphasize the customer *Reflection* rather that the brand Personality.

Recalling the values described as part of Reflection, Sephora projects its desired consumer as "In top of trends" "Young at heart" and "Extremely confident". Thus, Positioning itself according to these characteristics would make the values clearer and less aggressive than the ones described as part of the brand Personality. Thus, a new Positioning for Sephora should be described as follows:

"For all the young at heart and confident, who want to be in top of trends (Target), Sephora is the Mansion of Beauty/cosmetic retailer (Frame of Reference) which provides a premium shopping experience (Points of Difference) because of its vast range of innovative products and its beauty expertise (Reasons to believe)".

This new Positioning remains aligned with the CRUSH by Sephora concept suggested in the business project, while it permits the separation of messages without undermining the existence of a clear Brand Identity. Accordingly, CRUSH by Sephora would be tailored to the younger segment within Sephora's customer base, while Sephora as the main brand, would redefine its concept to be less aggressive and young. Nevertheless, Sephora will maintain some of the youngness in its marketing elements and store ambience, without highlighting it in excess and conveying an "eccentric" image.

REDEFINING MARKETING ELEMENTS

As aforementioned, after having redefined the brand Positioning, the selection of marketing elements and communication campaigns must also be altered so the brand can communicate the appropriate signals to the public. Bearing this in mind and considering the new Positioning statement, it is necessary for Sephora to adapt its current strategy in terms of store ambience and communication campaigns.

Regarding the first, it is necessary for Sephora to modify the current music display towards a less aggressive and loud selection, in an attempt to convey the message of a premium shopping experience. Since a CRUSH independent section has been added in-store, it is possible for Sephora to separate ambiences and to recreate the appropriate setting for the two different target sub-groups. Also, separating beauty experts and exclusive product assortment from the CRUSH by Sephora section will reinforce this tailored concept, allowing the brand to eliminate the overwhelming ambience for the older segments.

Finally, it is crucial for Sephora to modify its ambiguous communication message. Since CRUSH by Sephora was centered on the values of natural beauty and inner glow, current communication campaigns featuring an overly young appearance and unclear values would go against the concept created for CRUSH as a sub-brand. Moreover, the functional aspect in the

communication should be changed towards an emotional approach, in order to guarantee emotional connection and customers' self-brand integration[13].

Thus, it is recommended for Sephora to focus on the emotional benefits of using its products, attempting to generate an aspirational relation within customers. Accordingly, Sephora should display beautiful women with a confident attitude, wearing strong make-up but without falling on "flashy" or extremely bold colors. The central objective must be to show consumers how Sephora products can allow them to reach this desired state, more aligned to the current ideal of the target's internal mirror or Self-image: " I am Fashionable" "I am a Trendsetter".

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[13] Rajeev Batra, Aaron Ahuvia, & Richard P. Bagozzi. *Brand Love*, Journal of Marketing Volume 76, 2012 : American Marketing Association

REFLECTION ON LEARNING

PREVIOUS KNOWLEDGE

MASTERS CONTENT APPLIED

Having focused my Masters in marketing and strategic courses, I can say that my Business Project requirements fitted perfectly with my existing knowledge. Indeed, the construction of an action plan for Sephora required specific knowledge in marketing, especially regarding consumer behavior, CRM practices and integrated marketing communication. Even though the remaining team members had insights in marketing, neither of them had studied in depth any of these three subjects, which made this understanding particularly valuable for our project and for our team discussions.

From the *Consumer Behavior* course with Prof. Luisa Agante, I was able to use some of the concepts from Michael Salomon (2006) regarding *intention vs. behavior* and *group influence* in purchasing. In terms of intention and behavior, we understood that past purchase behavior is considered a better predictor of future behavior than it is behavioral intention. Consequently, we agreed that the store visits' observations and Sephora's internal data were more clarifying in the identification of the younger segment's behavior than the excessively positive results from the survey, which assumed majority of respondents to always purchase from Sephora. Secondly, in terms of group influence, we were also conscious of the social pressure effect on consumers' behavior and purchase choice, despite of respondents tendency to deny this effect. These two topics together certified the existence of specific attitudes that may haven't seemed obvious in our research and also highlighted the necessity of a strong action plan that would convert purchase intention into behavior.

On the other hand, the *Customer Relationship Management* course with Prof. Elizabete Cardoso also brought important insights useful in the design of our final recommendations. By using the *IDIC model* introduced in this course, we first *identified* and *differentiated* the younger segment into sub-groups according to a behavioral segmentation in our analysis, in order to later develop an action plan that *interacted* and *customized* the offer to the customer needs and value. This model was key in the categorization of customers, especially according to needs and product benefits. Moreover, some of the benchmarking examples analyzed in class (i.e. Nordstrom

unique CRM program and concierge service), where also utilized in our analysis and in the implementation of similar practices for Sephora.

Lastly, the knowledge from *Integrated Marketing Communications* with Prof. Jorge Velosa was key in the definition of our *Crush* concept and especially in recognizing the necessity of changing the communication approach. Indeed, the knowledge obtained throughout this course highlighted the higher effectiveness of an emotional approach in communication, in contrast to those campaigns centered on product and functional attributes only. Accordingly, we recognized the necessity of focusing the CRUSH by Sephora concept on the emotional benefits of using the brand and on generating an aspirational connotation within consumers.

MASTERS CONTENT ADJUSTED

Some of the theories I extracted from the content I studied in my Masters had to be adjusted to the new knowledge I had acquired during my time in HEC Paris. These adjustments were more dramatically seen in terms of Consumer Behavior theories and Marketing as a whole, since these topics are focused solely on a mass marketing approach, which is not aligned with premium, fashion or luxury strategies. More specifically, to assure a premium strategy for Sephora, we avoided our action plan to follow general mass marketing frameworks for pricing and product/service.

NEW KNOWLEDGE

NEW METHODOLOGIES AND FRAMEWORKS USED

Extending on the masters' content adjusted and considering that Sephora is positioned as a premium cosmetic retailer, the new methodologies used were especially related to premium and luxury strategies. Indeed, the theories and concepts I was able to obtain from HEC courses in *Luxury Strategies*, *Insights of Luxury* and the *Cult of the Object*, helped notably on the build up of a strategy for Sephora.

Even though our suggested strategy would not transform the company into a luxury brand, we would approximate Sephora to a stage between a Fashion and Premium positioning *(See Exhibit for Luxury, Fashion and Premium Positioning Triangle).* This framework was extremely valuable for our project, since it guided us in the selection of new measures for our proposed action plan by allowing us to recognize a clear positioning for the brand.

PERSONAL EXPERIENCE

PERSONAL STRENGTHS & WEAKNESSES

The Business Project with Sephora was a great opportunity to test my personal work attitudes and to improve several soft skills. Focusing on the latter, I believe that one of the most valuable inputs I could bring to our project was the *work methodology* and *time planning*. In our Masters at NOVASBE, we are required for a high number of deliverables in a short period of time without compromising high quality standards. This fact was extremely valuable for our business project, since it facilitated the definition of a work structure for our team and allowed us to accomplish a tight list of deliverables.

Meanwhile, despite of influencing the teamwork with the work methodology, one of my principal weaknesses was related to the *incapacity to motivate* some of the team members. Since six members composed our team, it was difficult to engage all of them equally in the project. As such, in many situations some of us felt the need to communicate with the remaining members, which translated into small periods of worsen relationships. This situation led the individual workload to increase and to be redistributed within a smaller number of group members.

PLAN TO DEVELOP AREAS OF IMPROVEMENT

Considering the difficulty I experienced in managing the team dynamics and in maintaining the initial work division within group members, I understand this is the main area of improvement I must consider in the future. Certainly, in future similar situations I should be able to motivate others as to be equally engaged both in delivering the personal workload and in delivering up to quality standards.

Therefore, my personal goal must be to establish a good communication with all team members and to define together the work allocation and the time plan. In those cases where the team dynamics start to malfunction despite of having clarified these matters, my goal must be to motivate others by reminding them or their importance for the teamwork and the necessity of performing as a team. Also, reminding others of their skills and the need for their input can be valuable in engaging them to perform and to be committed to the team.

BENEFIT OF HINDSIGHT

I believe that one of the areas of our business project that added more value to Sephora was our research in general. Despite of having some standard error in our surveys, we brought Sephora three different sources of research to understand the same target group, which they had usually neglected in terms of research. Also, I believe that helping Sephora in the understanding of the real concept of *Love Brands* allowed them to broaden their expectations and to see clearly in which paths they were lacking the right focus to become a Love Brand.

Moreover, the addition of best practices as a benchmark was strongly beneficial for the company, who could see real examples of strategies that were working very well among the youngest segments and who had learned how to approach them, without undermining the whole brand (i.e. specially PINK by Victoria's Secret).

Finally, in terms of what should have done differently and following on the bias obtained on the research, I would alter some of the features in our survey design in order to increase the level of accuracy. Also, it would be positive to dedicate more days in high traffic areas to conduct our surveys and to obtain more responses from younger customers. Moreover, it would have been extremely beneficial for our team to focus only on the agreed objective for the Business Project and to stay loyal to the initial work plan. Indeed, after each of our meetings with Sephora (scheduled every two weeks), the team would require us to cover new areas or to make additional changes, which not only transformed our Business project into a very consuming task but which also led us to achieve a final project distant from our initial objective.

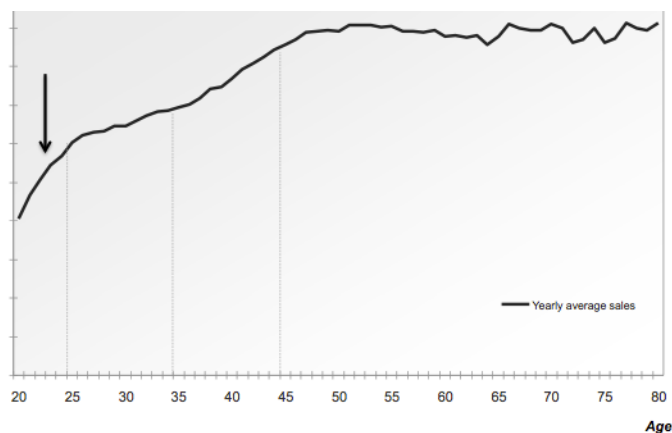# Exhibits

Exhibit 1 – Average yearly sales per age group
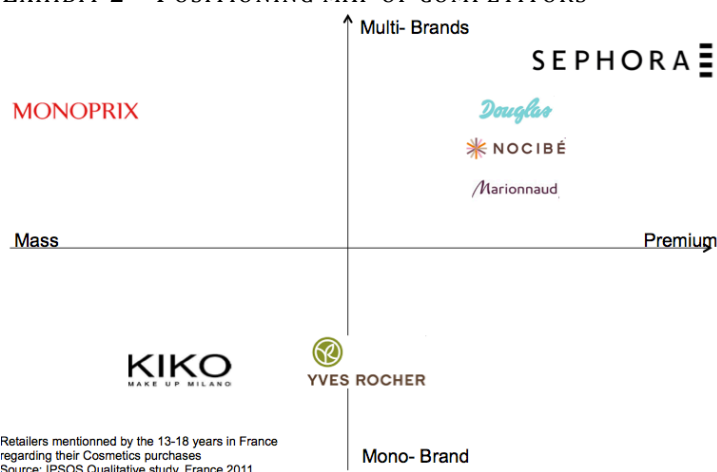

Exhibit 2 – Positioning map of competitors

Retailers mentionned by the 13-18 years in France
regarding their Cosmetics purchases
Source: IPSOS Qualitative study. France 2011

Exhibit 3 – Annual Results of LVMH Group by 2012

REVENUE
(EUR millions)

2012	28,103
2011	23,659
2010	20,320

REVENUE BY BUSINESS GROUP

(EUR millions)	2012	2011	2010
Wines and Spirits	4,137	3,524	3,261
Fashion and Leather Goods	9,926	8,712	7,581
Perfumes and Cosmetics	3,613	3,195	3,076
Watches and Jewelry	2,836	1,949	985
Selective Retailing	7,879	6,436	5,378
Other activities and eliminations	(288)	(157)	39
TOTAL	28,103	23,659	20,320

EXHIBIT 4 – REVENUE POTENTIAL FROM YOUNGER SEGMENT
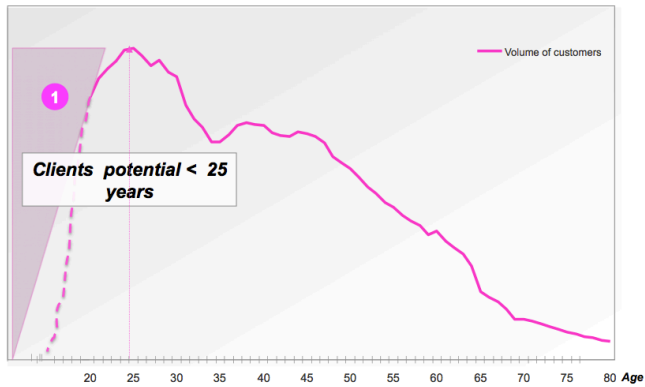
EXHIBIT 5 – COMMUNICATION CAMPAIGN VISUALS

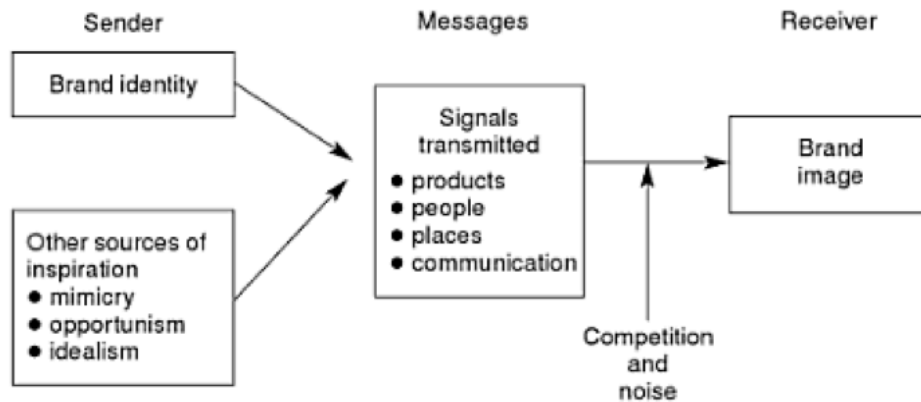EXHIBIT 6 – PROCESS OF BUILDING BRAND IDENTITY AND IMAGE
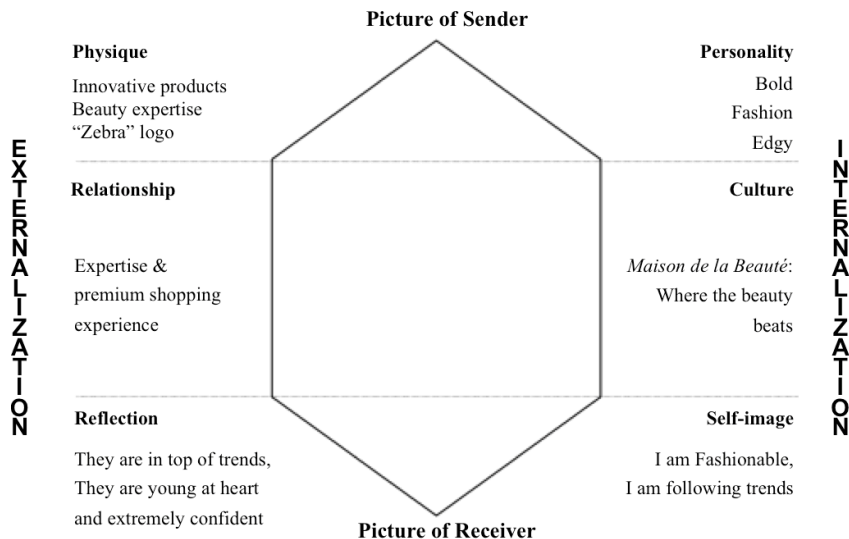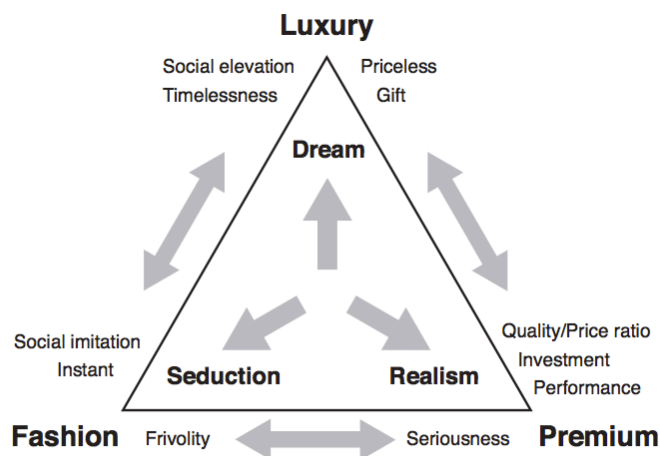

EXHIBIT 7 – SEPHORA'S BRAND IDENTITY PRISM

EXHIBIT 8 – LUXURY, FASHION AND PREMIUM POSITIONING TRIANGLE

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