

THE BEAUTY WARS: ULTA vs SEPHORA¹

Introduction

Ulta (NASDAQ: ULTA) announced record-breaking financial performance in FY2021. After experiencing a pandemic induced decline in revenues of 16.8 percent to \$6.152 billion in FY2020, Ulta Beauty rebounded in FY2021 by posting a 40.3 percent increase in revenues to \$8.631 billion.¹ Net income also increased significantly by over 460 percent from 2.86 percent in FY2020 to 11.42 percent in FY2021. This occurred as a result of a greatly improved gross margin of 39 percent in FY2021 from 31.68 percent in FY2020 and carefully managed SG&A expenses, which dropped from 26.57 percent in FY2020 to 24.53 percent in FY2021.² As a result, shares of Ulta grew 103.82 percent during 2021. Additional financial information for Ulta Beauty is presented in **Exhibit 1**.³

Ulta experienced a remarkable rise in success thanks to the visionary leadership of Mary Dillon. Dillon transformed Ulta from a respectable regional mass beauty retailer into a powerhouse in the beauty marketplace. Ulta was uniquely positioned as a one-stop shop for beauty offering both mass (e.g., CoverGirl, Maybelline) and prestige brands (e.g., Lancome, Clinique, Bobbi Brown, Nars, Mac) in one store.⁴ According to Brian Yarbrough, an analyst at Edward Jones & Company, Ulta changed “the way people shop as they have allowed people to buy both mass and prestige, as well as get salon, brow and other services which historically would have been done at multiple locations. No other retailer offers all three in the same spot.”⁵ As a result, the retailer experienced a compound annual growth rate of over 20 percent from 2013-2018 and 10 percent during that most recent few years.

During this same time, Sephora emerged as a formidable competitor renowned for its modern aesthetics, fashion-forward brand assortment and innovative customer experiences. In 2016, Sephora made the pivotal and highly controversial strategic decision to dedicate significantly more shelf space to LVMH (Sephora’s parent company) beauty brands such as Benefit Cosmetics, Make Up For Ever, Mark Jacobs Beauty, Fenty Beauty By Rihanna and others.⁶ This placed considerable pressure on large traditional prestige brands such as Smashbox (Este

¹ This case was prepared by Professor Ron Hess, Associate Professor of Marketing, and Lauren Cunningham, MBA 2022 as a basis for class discussion. It is not intended to illustrate either effective or ineffective management. Some sections were based on a previous case Ulta Beauty (2017) prepared by Yanhua (Rita) Liu, MBA 2017, Lawrence J. Ring, and Ron Hess. Copyright, 2022, by the Raymond A. Mason School of Business Foundation.

Lauder) and Urban Decay (L’Oreal) to be less reliant on Sephora and explore alternative channels.⁷

Sephora was also widely recognized for its in-store and digital innovation. In 2015, Sephora launched the Innovation Lab which focused on innovating and improving the customer experience. Since its inception, the Innovation Lab introduced many ground-breaking technologies including Virtual Artist, Color Match and Fragrance IQ, among others.⁸

The retailer was also highly regarded for its efforts in engaging its customers. Sephora established popular online beauty communities, launched beauty tutorials across a wide spectrum of social media channels, developed one of the most respected loyalty programs in all of retailing (Beauty Insider), utilized artificial intelligence to produce personalized marketing communication and customized online experiences and created unique customer experiences in-store and online.

As a result, the rivalry between Ulta and Sephora has become one of the most intense in all of retailing. While each retailer achieved similar market shares in the U.S.², Sephora recently entered suburban neighborhoods, which were dominated by Ulta, by agreeing to open Sephora beauty stores within Kohl’s department stores. This move will place hundreds of Sephora locations in the same shopping centers as Ulta stores throughout the U.S. within the year.

Furthermore, department stores, after squandering beauty sales for over a decade, have drastically transformed their beauty spaces by removing brand silos and adding high-touch services. “Right now, the competition in beauty in general is as crazy as it’s ever been. You’ve even got department stores that are testing out new concepts and really removing that traditional beauty counter type thing, making it more open-sell. So they’re mimicking the Sephora’s and Ulta’s.”⁹

Additionally, many larger prestige beauty brands have been successful managing their own online business (e.g., Estelauder.com, Clinique.com, Tarte.com, Pattern.com), reducing their reliance on specialty retailers. According to Steph Wissink, managing director at Jefferies, “DTC companies are selling about 70% through their own channels and 30% through retailers.”¹⁰

Taken together, there has never been a more competitive time in beauty retailing. In order to continue to thrive, Ulta and Sephora must continue to implement innovative retail approaches to enhance customer loyalty and maintain future growth.

Beauty Market

The beauty products and salon service market was relatively large in terms of sales and represented a significant opportunity. According to Euromonitor International and IBIS World Inc., beauty products and salon services combined represented \$140 billion in overall sales in 2021.¹¹ Approximately \$91 billion was from beauty products including cosmetics (15%),

² Ulta 6.15% and Sephora 5.01%, Source: Statistica Report on Ulta Beauty

haircare (15%), fragrance (9%), bath (11%), skincare (24%) and other (26%) which included salon styling tools and other toiletries.¹² Ulta estimated that it held approximately 9 percent share of the beauty products industry. The remaining \$49 billion consisted of the salon services that included hair, skin and nail services. Ulta held less than 1 percent of the salon services.¹³

The beauty market was expected to maintain a slow and steady growth, with an anticipated annual compound growth rate of 2-4 percent over the next three years.¹⁴ Although the recovery of the overall beauty market following the pandemic was strong at 9 percent during 2021, the market for prestige brands had not yet recovered fully as it posted negative growth during all four quarters of 2021.¹⁵

During normal economic times, the beauty market exhibited less sensitivity to economic fluctuations compared with other markets. However, seasonality significantly impacted the beauty market. The holiday season from October to December generated more than 25 percent of the industry's annual revenue.¹⁶ Fragrance and gift set revenue typically peaked during the winter holidays, Mother's day, and Valentine's Day.¹⁷

ULTA BEAUTY

Ulta Beauty: History

Founded by Richard E. George in 1990, an Illinois based company, Ulta Beauty (NASDAQ: ULTA) was the largest specialty beauty retailer in the U.S. and a one-stop destination for cosmetics, fragrance, skin care products, hair care products and salon services.¹⁸ In the early 1990's, beauty products were sold in distinct retail channels including department stores for prestige products, drug stores and mass merchandisers for mass products, and authorized retail outlets and salons for professional hair care products.¹⁹

Ulta Beauty began as a discount beauty retailer and focused on delivering an unique customer shopping experience and developed a successful business model - "All things beauty, All in one place™". Ulta offered a full range of beauty categories, brands and price levels. The retailer offered prestige, mass products and full salon services in one retail store so customers could find everything they needed during a single shopping trip. The business model allowed Ulta to serve female customer of all ages, demographics and lifestyles.²⁰

In 1990, the first five stores opened in Naperville, Illinois, under the original name "ULTA 3 Cosmetics and Salon". From 1990 to 1999, Ulta changed company names four times, from "Ulta3, Inc.," to "Ulta 3 The Cosmetic Savings Store, Inc.," to "Ulta 3 Cosmetics & Salon, Inc.," and to "Ulta Salon, Cosmetics & Fragrance, Inc."²¹ The frequently changing names indicated that Ulta was continuing to improve the store image and provide more sophisticated services. In 1998, the retailer launched Ulta.com.²²

By 2000, Ulta operated a total of 84 stores in 12 states. During this time, new store layouts were introduced for improving the display of prestige cosmetics and skin care brands, including

moving cash registers to the front of store, making room for salon services, and adding sleeker and modern design elements. Considerable growth occurred for Ulta during the next decade. By 2010, Ulta operated 390 stores in 41 states. On October 24, 2007, the company became publicly traded on the NASDAQ (NASDAQ: ULTA).²³

Ulta Beauty: Place

Store Locations and Size:

By the end of 2021, Ulta Beauty operated 1,308 stores in 50 states in the U.S.²⁴ Company records revealed that 88 percent of Ulta Beauty customers remained interested in shopping in the physical stores.²⁵ Thus, the retailer planned to open 50 new stores and renovate 35 during 2022.²⁶ During a recent analyst conference in October 2021, the retailer announced that it expected to reach 1,500-1,700 stores in the U.S.²⁷ **Exhibit 2** provides a summary of store growth from 2018 to 2021 and a map of store locations in the U.S.

Ulta stores were mainly located in primary super center and strip center locations. These types of retail centers were frequently adjacent to major traffic arterials and tended to be self-contained with pedestrian connections to surrounding neighborhoods. To capture more suburban, middle class customers, Ulta preferred neighboring retailers such as Target, Best Buy, T.J.Maxx, Trader Joe's or Whole Foods Market rather than convenience and dollar stores.²⁸ The company also examined consumer consumption data to identify favorable locations for new stores.²⁹

Over time, Ulta increased its store size from the original 7,500 square-feet to accommodate its business strategies. By 2022, the average store size was approximately 10,000 square feet, including 950 square feet devoted to a full-service salon.³⁰ The salon area included a concierge desk, skin treatment room or dedicated skin treatment area and semi-private shampoo and hair color processing area.

In 2021, Ulta Beauty announced a partnership with Target to open 100 small stores within Target.³¹ The relationship was highly unique as teams from both retailers joined together to design the new concept. Together, the retailers installed specialized beauty displays, areas dedicated for discovery and a carefully curated assortment of merchandise within Target stores. The Ulta Beauty at Target shops were located adjacent to Target's beauty area and fully staffed by Target employees that were trained by Ulta.³²

As Kimbell noted, "In just nine short months, the Ulta Beauty and Target teams worked together to design a space that feels authentic to both brands. We connected two independent loyalty programs. We made it easy for guests to link their accounts. And we onboarded more than 50 prestige and emerging brands."³³

According to Ulta, the partnership was highly successful, with over 1 million customers linking Ultimate Rewards and Target Circle rewards member accounts. Ulta planned to open 250 more locations in Target stores by the end of 2022.³⁴

In addition to physical stores, Ulta operated a highly successful e-commerce business. According to 1010data, Ulta online grew 67 percent compared with only 25 percent for Sephora during 2021.³⁵ Also impressive, the retailer experienced a 55 percent compound annual growth rate for online sales from 2016 to 2020.³⁶

Persuading customers to shop across multiple channels (both physical and online channels) represented a significant opportunity for the retailer. According to data provided during a recent investors conference, omnichannel customers (those who shopped both physical and online channels) spent three times as much as those customers who were exclusive to only a single channel (physical or online). Also notable, the frequency of purchases were also significantly greater (8 times) for omnichannel customers than those that utilized only a single channel. See **Exhibit 3** for a summary of these omnichannel shopping behavior results.³⁷

Layout and Design:

Ulta's store concept included layout, displays, lighting and quality finishes that consistently supported its business strategy of integrating service, mass, and prestige all in one place and targeting a mainly suburban market.³⁸

The design of Ulta stores included white as the primary color, combined with accents of bright and feminine colors of orange and pink which created an inviting shopping experience. The store was divided into three areas that contained mass brands, prestige brands and salon services. Wide aisles allowed shoppers to browse leisurely between mass and prestige products with little effort or intimidation.

When originally conceived, the stores were based on a church-like design. "For example, the alter piece at the back is the salon with an illuminated arch to describe it and illuminated arches around the perimeter that are the chapels of a church. Instead of one aisle, we created two aisles, so you are forced to loop around like you do at Church. You need to have an experience to present. Not just product".³⁹

The beauty products were arranged in self-service displays and full-service boutiques in a bright open store environment that encouraged customers to enjoy discovering new products and services. Four to five boutiques that included prestige cosmetics and skin care brands appeared along the side walls and center isles of the store.⁴⁰

For many years, Ulta partnered with large prestige brands to add unique and dedicated display areas for products in the stores. Recently, the retailer also encouraged large mass brands to design specialized, in-store fixtures to create a similarly exclusive environment on the mass side of the store. Many mass brands were designing more dynamic and engaging fixtures in Ulta that included lighting and areas for sampling products.

According to Bruce Teitelbaum, chief executive officer of RPG, a retail design firm in New York, "Most mass brands have a very large stockkeeping count, and when presented on a wall or

gondola, the product is extremely dense. They traditionally haven't thought along the lines of prestige, in that you can have good merchandising, good navigation, impact and vision and you can do it an efficient fashion with a great appearance. That thought process is starting to change."⁴¹

Ulta Beauty: Product

Product Assortment:

Ulta Beauty carried more than 25,000 prestige, mass and professional beauty products from over 600 well-established and emerging beauty brands across all categories and price points.⁴² Including both both mass and prestige brand assortments was highly unique for most beauty retailers which focused on either a low or high price segment. According to Erin Schmidt, senior analyst at Coresight Research, "with consumers shopping high and low cosmetics, Ulta is actually even better positioned I believe than Sephora. Ulta is the number one destination for teens right now."⁴³

According to Monica Arnaudo, senior vice president of merchandising, "We definitely see a lot of guests coming in that are brand new to Ulta start out shopping in mass and they only buy mass. As they continue to shop within Ulta, we see that in year two and year three they begin to enter into the prestige side."⁴⁴

The retailer claimed that this combination of high and low priced assortment was paying significant dividends. Seventy-seven percent of Ulta customers shop both mass and prestige. Customers who shop both spend four times as much per transaction than those that purchase only mass or prestige.⁴⁵

Over the past several years, the company was highly successful at adding popular brands to both the prestige and mass merchandise assortments. With prestige, Ulta recently added MAC, Bumble and Bumble, Olaplex, Fenty Beauty, Keihl's and Chanel, a brand that was only available through luxury department stores such as Saks Fifth Avenue and Neiman Marcus. The retailer also offered exclusive products from prestige brands such as Tarte Shape Tape concealers, among others.⁴⁶

The retailer also worked with mass brands to offer exclusive items from many brands including Revlon and Neutrogena. Ulta also carefully monitored those brands that were requested by customers, promoted by influencers and trending on social media. This often included adding newly emerging brands that appealed to the Millennial and Gen-Z segments. In addition, the retailer also offered private label products called Ulta Beauty Collection.⁴⁷ The company managed this collection from research inception to delivery. By 2022, the Ulta Beauty Collection (including exclusive products) represented approximately 4.5 percent of total company sales.⁴⁸

Ulta also introduced a diversity program to support beauty brands that were owned or targeted Black, indigenous or people of color (BIPOC). Fenty, owned by Rihanna, is one of several brands introduced through the program.⁴⁹

The retailer also launched a program called MUSE 100 to “Magnify, Uplift, Support and Empower Black voices in beauty. The program acknowledged over one hundred Black artists working in beauty, hair, make-up, as well as activists and authors with a grant for \$10,000. In addition, Ulta established Conscious Beauty to recognize and promote beauty brands that were eco-friendly, cruelty-free and sustainable.⁵⁰

Ulta offered products across a wide variety of categories including makeup, skincare, haircare and tool, fragrances, services and others. As shown in **Exhibit 4**, the retailer experienced a shift in sales across categories between 2018 and 2021. While makeup remained the largest category in terms of sales for Ulta, it fell to 43 percent in 2021 from more than half of its sales in 2018.

The second largest category for Ulta was haircare products and styling tools which reached 20 percent of total sales in 2021. Skincare, which exhibited the most significant increase in sales, increased to 17 percent in 2021 from 12 percent in 2018. Finally, fragrances and bath and salon services represented 14 and 4 percent, respectively.⁵¹

Growth rates across categories were also changing as shown in **Exhibit 5**. While all categories exhibited significant increases in 2021 compared a year prior, fragrance and bath increased more than other categories at 129 percent in 2021. Skincare, a new focus for the retailer, also revealed strong, consistent increases since 2018. This reflected the self-care trend that had evolved since the pandemic.⁵²

Salon Services

Salon services represented a key differentiator for Ulta. The strategy was to drive awareness and trial of these services with new customers and accelerate the frequency of existing visits to physical stores. Ulta established partnerships with leading salon companies to provide high quality and consistent services from licensed stylists. For example, with haircare services, Ulta had a strong partnership with Rodney Cutler of Redken for haircare services, Dermalogica for skin services and Benefit Brow Bars for brow services in most stores.⁵³

In 2021, salon services accounted for 4 percent of total company revenue, which was slightly lower than 2018 at 5 percent. According to company records, the salon customer spent approximately three times more than non-salon customers, over 50 percent purchased products following their salon services and visited five more times than non-salon customers.⁵⁴

Ulta Beauty: Value

It is a general practice that prestige brands do not discount products. Thus, Ulta generally followed manufacturers' suggested retail prices for prestige products and was similarly priced

to other competitors. Offering special free gifts was a way to differentiate itself and attract shoppers to buy prestige brands from Ulta. For example, free gifts were often provided when customer purchased brands such as Clinique, Bvlgari, and ESTÉE LAUDER.

Ulta Beauty: People/Service/Technology

In 2021, Ulta Beauty employed 40,500 people, with 16,500 full-time and 24,000 part-time employees.⁵⁵ Beauty consultants and salon professionals were an important ingredient for Ulta to provide distinctive, high quality customer service. The beauty consultants were well trained and provided customers with unbiased and customized recommendations. Approximately 5,400 beauty salon employees were licensed professional stylists and estheticians that offered high quality in-store salon service and informative experience, including consultations, styling lessons, skincare regimens, and at home care recommendations.⁵⁶

To keep up with fashion trends, Ulta formed a dedicated artistic team to develop haircut, color, and finishing techniques that were reflective of current trends. They created and delivered high impact training programs integrating hair and make-up looks straight from the runway to all of their salon professionals.⁵⁷

Ulta also offered a wide variety of fulfillment options for customers. In addition to having orders shipped directly to their residences, customers could also buy online and pick-up in stores (BOPIS) and pickup products curbside at stores. In 2021, the retailer also offered 'Store to Door' which allowed customers to order in-store and have products shipped to their homes same-day in specific markets.⁵⁸ The retailer was highly committed to BOPIS which grew by 277 percent in 2020 and represented 17 percent of total online sales in 2020.

Employee Climate

In 2021, Ulta had an associate engagement score of 77 which was higher than the retail industry benchmark score of 72 percent.⁵⁹ Ulta was committed to continually developing their associates and providing career advancement opportunities. They used a combination of existing managers, promoted associates, and outside hires to support new stores.

The retailer had received many awards in 2021 about its employment and diversity practices. Specifically, Ulta was named one of "America's Best Employers", "Best Women's Employer" and "Best Employers for Diversity" by Forbes. In addition, the retailer was named Top 50 Companies for Diversity by Diversity Inc. and leader in Bloomberg's Gender Quality Index.⁶⁰

Ulta Beauty: Communication

Ulta employed a multi-faceted set of marketing tactics to expand overall brand awareness and drive customer traffic to the physical stores, website and mobile application. These tactics were also intended to increase membership in the loyalty program (Ultamate Reward Program) and enhance customer retention. Ulta Beauty employed both digital and traditional communication including print (flyers for events), digital, social media, television and radio.

Ultamate Reward Program

The Ultamate Reward Program was one of Ulta`s most important assets. The program enabled customers to earn points based on their purchases which were valid for at least one year and could be redeemed on any product that Ulta sold. Customers could join the program at either an Ulta store location or Ulta.com and did not require a purchase or membership fee.

Ulta offered three tiers within the program to influence shopping behavior and attract customers to spend more. The three tiers were Members (basic membership), Platinum and Diamond. Each tier provided unique benefits. For Members, no minimum annual spend was required and provided basic free gifts with purchases. Those members that reached \$500 in total purchases during a calendar year became Platinum members. These members were provided all the lower tier benefits plus accelerated point accumulation (1.25 points for every \$1 spent), \$10 coupon, exclusive gifts, early access to sales and events and additional free gifts. Customers who spend \$1200 in a calendar year were designated as Diamond members. This tier provided customers with more accelerated point accumulation (1.5 points for every \$1 spent), all Platinum membership benefits, \$25 service award, Platinum-level gift and free shipping over \$25.

The Ultamate Reward Program also included an app to keep track of points and a credit card that provided extra benefits for members.⁶¹ Rewards were mostly discount-based and tiered with higher spending lined with a higher discount. The point accumulation and reward levels included: 100 points (\$3 discount), 250 points (\$8 discount), 500 points (\$17.50 discount), 750 points (\$30 discount), 1000 points (\$50 discount) and 2000 points (\$125 discount).⁶² A summary of the benefits of membership and rewards are presented in **Exhibit 6**.

The Ultamate Reward Program was extremely successful for Ulta. From 2016 to 2019, membership in the Ultamate Reward Program grew by an average of 14 percent per year reaching 34.3 million in 2019. In 2020, membership dropped to 30.7 million due to the pandemic. Membership rebounded to 37 million in 2021, which represented 7 million more members added during the year.⁶³

Ulta relied on the customer data collected from Ultamate Reward Program to send personalized coupons using email and SMS to its best customers. The retailer also offered ‘buy more save more’ deals and sales on mass brands throughout the year.

In October 2021, Ulta established a media company called UB Media. With 37 million members, the Ultamate Rewards Program was the strongest first-party, transaction data in the beauty industry.⁶⁴ UB Media was established to share purchase data with partnering brands. The data and insight gathered from this data was used to enhance the efficiency and expand the reach of advertising provided by brands.⁶⁵

Weekly Flyers

Ulta loyalty member would receive the flyer weekly. The flyer was prominent on specials and discounts on popular brands and products. The weekly flyer created a continuous physical

touch point between Ulta and customer and added incentive for the consumer to get in touch sooner.

Sales Events

Ulta also held large sale events throughout the year including '21 Days of Beauty', 'Georgous Hair Event' and 'Love Your Skin Event' that offered customer discounts on products. '21 Days of Beauty' was the most important annual promotion event on Ulta's calendar. This event allowed customers to shop popular brands with up to 50 percent over a three-week period. These deals were limited time events and changed every 24 hours.⁶⁶

SEPHORA

Sephora: Company History

Sephora is a personal care and cosmetics retailer founded in France by Dominique Mandonnaud. What started as a perfume shop in 1970 has grown to become one of the most innovative, unique, and trendy brands in the beauty space⁶⁷. It was acquired by LVMH, a leading luxury goods group, in 1997 and opened its first store in the United States in 1998.⁶⁸ Sephora carefully curated its image through the prestige brands it offered, layout of its stores, early adoption of the e-commerce beauty space, and a successful private label brand called Sephora Collection. The retailer also strived to be an inclusive brand for both employees and customers, launching the new tagline "We Belong to Something Beautiful" in 2019 to reinforce its dedication to belonging.⁶⁹

Company Demographics & Shopping Behavior

Sephora targets 25-35 year old millennial women, as younger women tend to look up to this age group and older women tend to wish they still were in this age group. Sephora caters to all levels of beauty product users, from those constantly in search of the newest products to those who need guidance about where to begin with makeup.

Customer shopping for beauty utilize a combination of online and in-person shopping, with both being important channels in the customer journey. Conducting customer journey research revealed that 70 percent of shoppers who visited Sephora online before making an in-store purchase did so within 24 hours and over half of these online shoppers did so on mobile devices.⁷⁰ Sephora also noticed a 13 percent increase in purchase value for those customers who visited online before shopping in person.⁷¹

Sephora: Place

Sephora operated over 2,700 stores across 35 countries globally, with 500 being located in the U.S. (2). These retail locations contained sleek and iconic black-and-white striped entrances and were mostly located in shopping malls. While some high-end beauty stores can be intimidating to those less familiar with the category, Sephora was one of the first cosmetics retailers to

encourage customers to try products at one of their beauty counters without pressuring them to make a purchase. Its retail employees were also very well-versed in all products sold at the store and willing to help, unlike at traditional department store cosmetics counters where salespeople specialize in specific brands.

While retail locations were important to customer experience and brand perception, Sephora focus on an omnichannel approach, where its website and app play a significant role in the Sephora experience. It launched its U.S. website in 1999 not only as a retail website, but as a place for shoppers to interact with other members of the Sephora community through its interactive Beauty Talk and learn about makeup tips through its Beauty Board.⁷²

Sephora developed its app in 2010 as a means to emulate its knowledgeable retail employees in a virtual setting.⁷³ The app was meant to complement, not replace, the in-person shopping experience where customers could quickly pull up product reviews and quickly locate the products they had purchased in the past. It includes app-only specials, a daily content section, and loyalty program membership details.⁷⁴ In 2017, Sephora combined its digital and retail teams to rebuild customer profiles including data from both shopping locations, and allow them to more accurately track the customer journey.⁷⁵

In late 2021, Sephora began a partnership with Kohl's, an U.S. mid-market department store. Previously, Sephora had a similar partnership with J.C. Penney. Cosmetics departments in some Kohl's stores were replaced with Sephora-branded shops. In early 2022, Sephora announced that it had expanded this partnership, where the remaining 850 generic Kohl's cosmetics departments would be converted within the year.⁷⁶

Sephora: Product

Sephora described its product offering as “revolutionary”, featuring emerging, lesser-known products, trusted classics, and a private label brand called the Sephora Collection.⁷⁷ Product categories included makeup, skincare, hair, fragrance, beauty tools & brushes and bath and body. While Sephora had traditionally focused on prestige brands, it introduced its own brand at a lower price point to attract new customers who could eventually trade-up to more expensive products in the future.⁷⁸

Sephora initially partnered with a wide variety of prestige brands such as Estee Lauder and L'Oreal, who who were interested in selling through different channels as department stores lost market share of the traditional beauty customer.⁷⁹ However, brands owned by Sephora's parent company, LVMH, slowly became more prominent in stores. Marc Jacobs Beauty, Make Up For Ever, The Sephora Collection, and other LVMH brands soon took up half the store (see a full list of LVMH perfume and cosmetics brands in **Exhibit 7**). As discussed previously, this was a radical strategic departure for Sephora. **Exhibit 8** shows the updated floor space dedicated to LVMH brands.

This was a radical departure from its past as LVMH brands only comprised 15 of the 200 plus brands Sephora sold.⁸⁰ Sephora also became more demanding with non-LVMH brands and required exclusive rights to sell the most popular products from a brand to ensure prominent shelf space.

With these increasing demands and higher gross margin demands, which often reached 60 percent, many brands began to seek alternative distribution channels.⁸¹ Some turned to Sephora's competitors (Ulta), while others launched direct-to-consumer channels to compete against Sephora directly.⁸²

Sephora: Value

Sephora held two Seasonal Savings events each year where loyalty program members received discounts on their orders (10% for Beauty Insiders, 15% for VIB and 20% for Rogue). **Exhibit 9** shows a promotional email for the spring savings event for a Beauty Insiders member. Loyalty program members also enjoyed free shipping with a \$50 minimum for Beauty Insider, \$35 minimum for VIB, and any order for Rogue membership status.

As a prestige beauty brand, Sephora rarely holds large discount events outside those for loyalty program members. However, the website contained a sale section where it sells older products at discounted prices.

Sephora: People/Service/Technology

Sephora launched the San Francisco-based Innovation Lab in 2015 to develop and implement innovative shopping technologies for both in-store and online experiences.⁸³ By sourcing employees from a variety of backgrounds and industries, Innovation Lab developed chat bot innovations, Sephora-specific emoticons (graphical representations of human emotions), and conceived several highly unique tools and technologies that improved customer service execution.⁸⁴

Virtual Artist:

One of Sephora's most significant technological developments, Virtual Artist, brings the in-store shopping experience to the online environment (app). It used A.I. and facial recognition to allow users to virtually try on thousands of shades of makeup products. It included more than 20,000 products sold at Sephora, including highlighters, blushes, concealers, lipsticks, eye shadows and false eyelashes.⁸⁵

Virtual Artist incorporated a facial tracking system so users can go through makeup tutorials digitally and apply the techniques to their own face.⁸⁶ Mary Beth Laughton, Executive Vice President of U.S. Omni-Retail, stated, "Sephora Virtual Artist is a really good example of where there was a real customer need. It can be overwhelming coming into our stores or shopping online, but this makes it easy to help you find your favorite shade and save you time".⁸⁷

Color Match:

Sephora recognized that many customers came to stores to uncover the right shade of foundation for their skin tone. In response, it partnered with Pantone to create a service that identified the correct color based on a customer's uploaded photo.⁸⁸ The color-matching concept was also used in stores with Color IQ, a handheld device that examined a customer's skin tone and provided them with a Color IQ number to match to various products in the store.⁸⁹

Fragrance IQ:

In select North American stores, Sephora used its first-to-market technology called InstaScent in its Fragrance IQ service.⁹⁰ Fragrance IQ used a dry-air delivery system to allow customers to try up to 18 different perfume scents and offered them recommendations based on the personalized preferences they provided. The innovation allowed customer to test many fragrances without actually trying them on. This alleviated the problem of layering scents when testing perfumes in stores.⁹¹

Sephora also sourced new innovations from outside the Innovation Lab. The Think Tank program allowed younger employees to pitch new ideas to upper management. Idea Central program sourced ideas for improving the shopping experience from employees at both headquarters and stores nationwide.⁹² Sephora even used feedback from customers in social media comments to continue to innovate.⁹³

The company was also willing to test new innovations that had not been used previously. For example, Sephora launched seven Beauty TIP (Teach, Inspire, Play) Workshop concept stores.⁹⁴ In these stores, Sephora customers learned together through group beauty classes, Virtual Artist iPad stations, the Beauty Board gallery of user-generated makeup content. These stores also introduced Tap and Try, a new technology that allowed customers to immediately try on lip and lash products showcased on end-caps through Virtual Artist and RFID scanning.⁹⁵

Fulfillment

In early 2022, Sephora announced a partnership with the shopping and delivery company Shipt, to offer a one-hour delivery service to customers' homes.⁹⁶ Interestingly, Shipt is a wholly owned subsidiary of U.S. retailer Target (As discussed previously, Target recently partnered with Ulta to open stores in hundreds of Target locations).

Sephora was the first beauty retailer to partner with Shipt. Service from Shipt were available at 500 Sephora retail locations in the U.S. Although customers ordered directly through the Shipt app for delivery, they were still able to earn Beauty Insider rewards points for their purchases.⁹⁷

Sephora: Communication

Beauty Insider Rewards Program

Sephora initially launched its Beauty Insider loyalty program in 2007, which was free to join and allowed customers to earn one point for every \$1 spent at Sephora.⁹⁸ Beauty Insider members

could redeem points for free products and were given additional perks including early access to purchases of select new products, a free birthday gift, and free samples with purchases. In 2009, the VIB (Very Important Beauty Insider) program was added for Beauty Insider members who had spent at least \$350 during a calendar year. VIB status unlocked even more benefits. In 2013, Sephora added the third tier of its loyalty program called Rogue, for those customers who had spent at least \$1000. Rogue members received more gifts and invitations to exclusive events.⁹⁹ As of 2022, the three-tier program was still in place, with select saving, sample, and experience rewards for each level. **Exhibit 10** provides a full list of rewards for each tier.

Sephora relied strongly on its cultivated community of customers, with unified communication to address their needs both online and offline. Through extensive market research, the company discovered that shoppers routinely use their smartphones while shopping in-store for information like product reviews, recommendations and lower prices elsewhere. In response, Sephora was one of the first beauty retailers to launch a mobile site, and soon after an app, where customer reviews, product ratings, and even past purchases were all listed in one convenient place.¹⁰⁰ All interactions a customer has with the Sephora app lead to a more personalized experience based on the data collected, such as more nuanced product recommendations.

Social Media Strategy

Sephora considered its social media channels as cultivating two-way conversation with customers and encouraging greater engagement from followers. The strategy included three key pillars: teaching, humor, and community.¹⁰ These pillars allowed Sephora to help customers navigate their never-ending beauty journey in a witty, relatable, and engaging voice. In addition to long-form tutorial content on YouTube, Sephora used Instagram for engaging stories and quick eye-catching posts, and Snapchat and Facebook for live event coverage.¹⁰ An example of a live event is provided in **Exhibit 11**.

Educational Content

Sephora also strived to bring its in-store beauty expertise to a virtual environment with educational content. While product consultants at stores helped customer find beauty products that were best for them in stores, videos on the Sephora app and YouTube channel, in combination with tools like Virtual Artist, helped customers make better purchase decisions while online. The use of video content had increased significantly over the past few years across YouTube, Instagram, and Snapchat.¹⁰¹ Through a combination of marketing campaigns and learning-based tutorial content, Sephora remained top-of-mind through its large presence in the channels its customers use the most.

A great example of Sephora's tutorial content is its very popular Pocket Contour Class. This virtual class combined a video tutorial with Virtual Artist. First, customers uploaded a photo of themselves to the Sephora app and the algorithm determined their face shape. Then, the app walked them through where to apply bronzer and highlighter for the "contour" look based on the unique shape of the user's face.

Personalization

Sephora emphasized personalization in all aspects of its communications with customers. Its in-app messaging could be personalized based on past purchases and information on a customer's profile, such as hair and skin type.¹⁰² The Sephora app pushed notifications that contained personalized recommendations. The use of personalization extended across Sephora's omnichannel approach, using the data for improved email and web promotion, as well.¹² A customer's data from the app, such as answers to beauty quizzes and loyalty points, appeared consistently in email communications and was reiterated by in-store employees when they were checking a customer out and adding to their loyalty points.¹⁰³

Personalization was also used to encourage customers to repurchase. If a customer's account showed that they regularly purchased a product but had not done so recently, they were sent an email with a discount code to entice them to repurchase.¹⁰⁴ The company was also careful not to oversaturate its customers with marketing communications. If a particular customer was not engaging with emails, Sephora reduced the number sent to prevent alienating the customer.

Marketing Campaign and Documentary Film

In 2021, Sephora launched the "*Black Beauty is Beauty*" marketing campaign specifically targeting Black women as part of its efforts to become a more inclusive brand.⁵ The Black-owned brands at Sephora experienced double-digit growth in sales year-over-year since beginning the campaign and the social media response Sephora received about the campaign was 96.8% positive.⁵

Sephora was also experimenting with long-form media. It released a documentary film in partnership with Vox Media's Epic Digital and Vox Creative subsidiaries, available on HBO Max, in early 2022 titled "*The Beauty of Blackness*".¹⁰⁵ The film followed the creation, decline, and relaunch of Fashion Fair, a makeup line exclusively for black and brown women, which returned to the market last year.¹⁰⁶

Sephora decided to illuminate the story of the brand through a series of interviews and storytelling after it became the exclusive retailer of Fashion Fair.¹⁰⁷ "Digital and innovation have always been a part of our DNA at Sephora," said Mary Beth Laughton. "We are very focused on our customers, and we know that her life is increasingly reliant on digital. So we know to be successful as a retailer, we've got to be where our clients are, and give her tools and experiences that meet her needs."¹⁰⁸

Future of the Beauty Wars

Both Ulta and Sephora were on a roll. Sales and profits were at a record high and Ulta's stock price reflected this performance. These successful specialty retailers, however, faced even higher expectations for continued growth and expansion. At the same time, competition was intensifying—from one another, department stores, prestige brands, Amazon.com, large

pharmacy (CVS and Walgreen's) and others. Ulta and Sephora increasingly represented the 'bullseye' for this wide array of large and aggressive competitors to emulate.

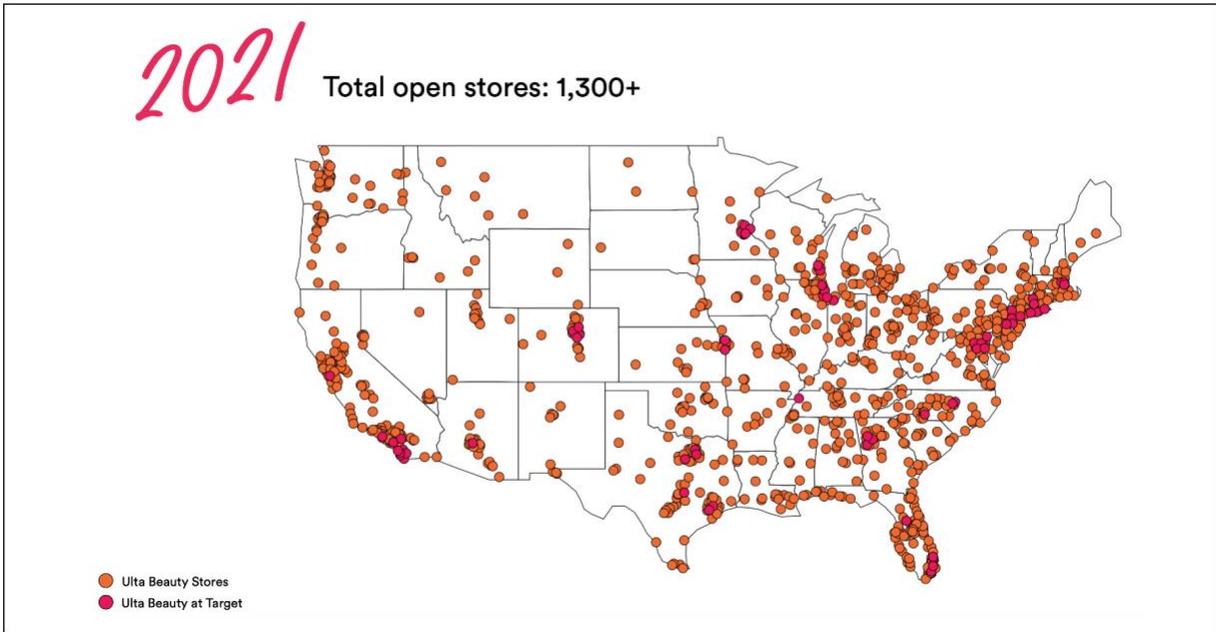
The challenge for Ulta and Sephora is to continue to innovate and stay ahead of these competitors. Which retailer is strongly positioned for the future?

Exhibit 1: Ulta Beauty: Financial Statements FY2018 – FY2021

Statement of Income:	January 29, 2022	January 30, 2021	February 1, 2020	February 2, 2019 ⁽²⁾	February 3, 2018 ⁽³⁾
Net sales	\$ 8,630,889	\$ 6,151,953	\$ 7,398,068	\$ 6,716,615	\$ 5,884,506
Cost of sales	5,262,335	4,202,794	4,717,004	4,307,304	3,787,697
Gross profit	3,368,554	1,949,159	2,681,064	2,409,311	2,096,809
Selling, general and administrative expenses	2,061,545	1,583,017	1,760,716	1,535,464	1,287,232
Impairment, restructuring and other costs	–	114,322	–	–	–
Pre-opening expenses	9,517	15,000	19,254	19,767	24,286
Operating income	1,297,492	236,820	901,094	854,080	785,291
Interest expense (income), net	1,663	5,735	(5,056)	(5,061)	(1,568)
Income before income taxes	1,295,829	231,085	906,150	859,141	786,859
Income tax expense ⁽⁴⁾	309,992	55,250	200,205	200,582	231,625
Net income	\$ 985,837	\$ 175,835	\$ 705,945	\$ 658,559	\$ 555,234
Net income per common share:					
Basic	\$ 18.09	\$ 3.12	\$ 12.21	\$ 11.00	\$ 9.02
Diluted	\$ 17.98	\$ 3.11	\$ 12.15	\$ 10.94	\$ 8.96
Weighted average common shares outstanding:					
Basic	54,482	56,351	57,840	59,864	61,556
Diluted	54,841	56,558	58,105	60,181	61,975
Other Operating Data:					
Comparable sales ⁽⁵⁾	37.9%	(17.9%)	5.0%	8.1%	11.0%
Number of stores end of year	1,308	1,264	1,254	1,174	1,074
Total square footage end of year	13,770,438	13,291,838	13,193,076	12,337,145	11,300,920
Active Ultimate Rewards members	37,000	30,700	34,000	31,800	28,000
Capital expenditures	\$ 172,187	\$ 151,866	\$ 298,534	\$ 319,400	\$ 440,714
Depreciation and amortization	\$ 268,460	\$ 297,772	\$ 295,599	\$ 279,472	\$ 252,713
Repurchase of common shares	\$ 1,521,925	\$ 114,895	\$ 680,979	\$ 616,194	\$ 367,581

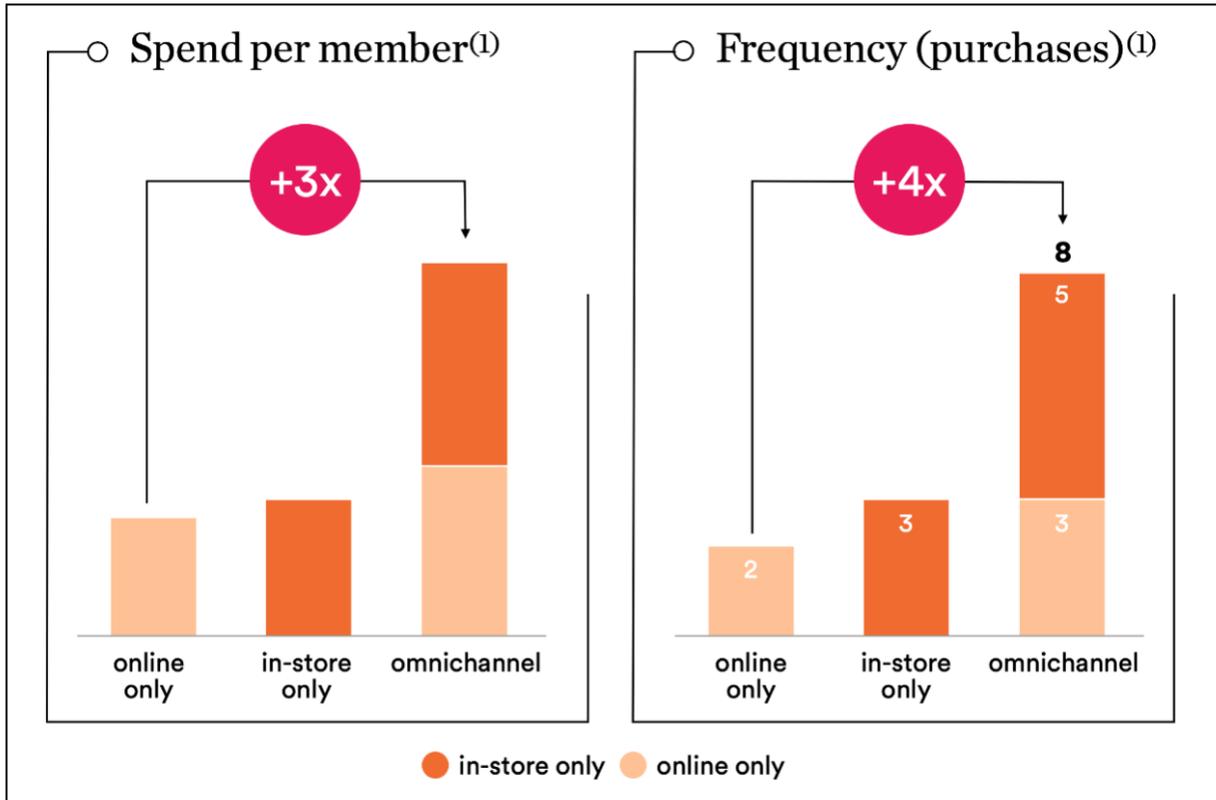
Source: Ulta Financial Report 2021

Exhibit 2: Ulta Stores and Locations



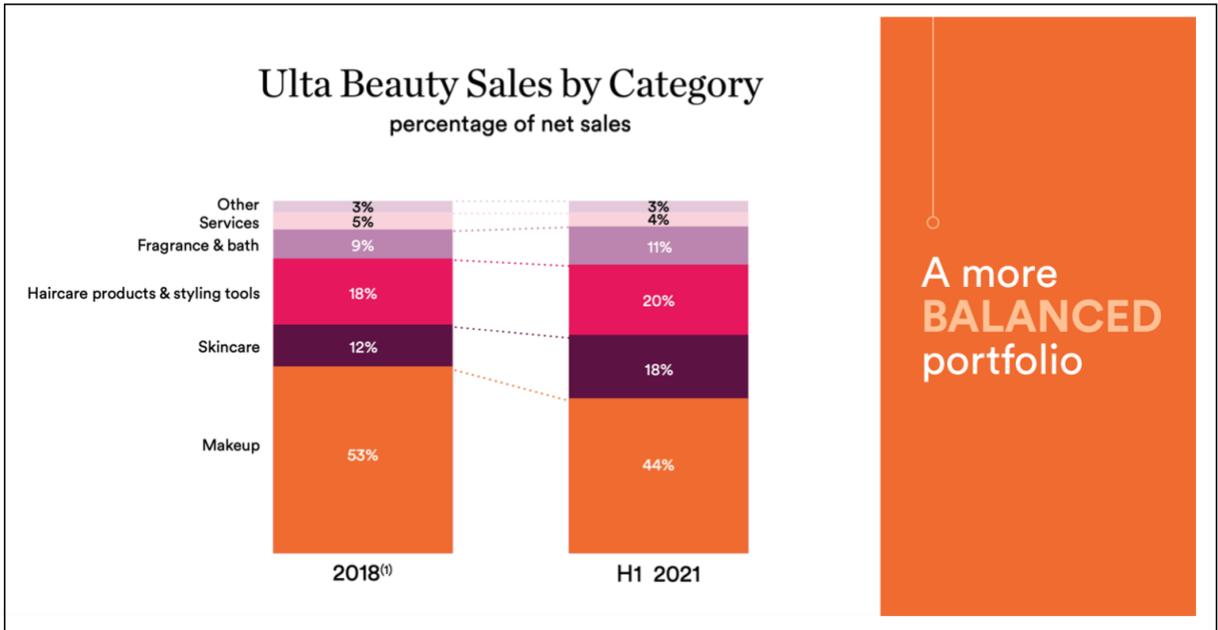
Source: Ulta Investors Conference October 2021

Exhibit 3: Ulta Sales Across Channels



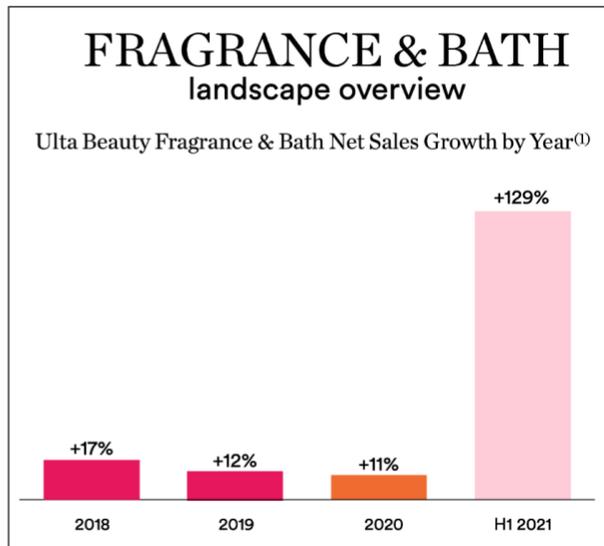
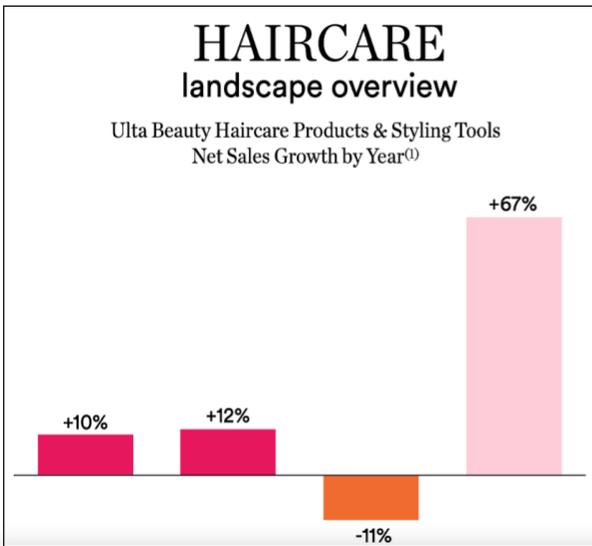
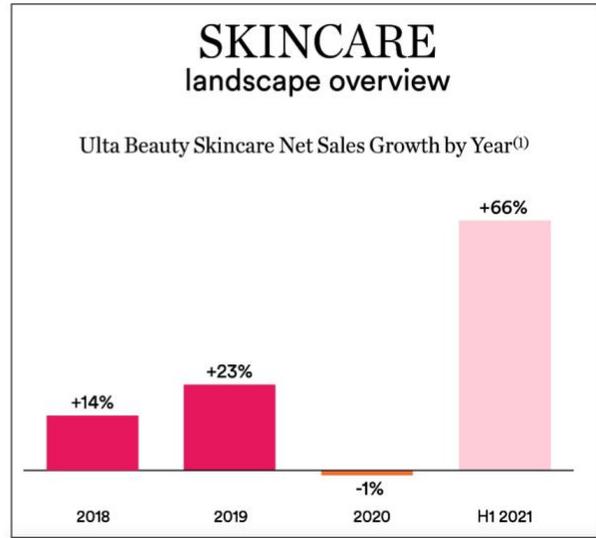
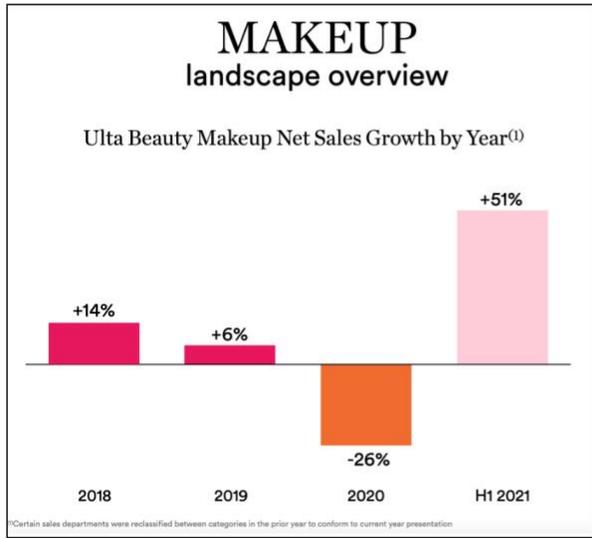
Source: Ulta Investors Conference October 2021

Exhibit 4: Ulta Sales by Category



Source: Ulta Investors Conference October 2021

Exhibit 5: Ulta Sales Growth by Category



Source: Ulta Investors Conference October 2021

Exhibit 6: Details of the Ultimate Rewards Program

	SPEND PER YEAR	MEMBER FREE	PLATINUM \$500	DIAMOND \$1200
POINTS	Points Per \$1	1	1.25	1.5
	Bonus Points & Savings	•	•	•
	Redeem for Discounts	•	•	•
	Points Never Expire		•	•
BIRTHDAY	2X Points Month**	•	•	•
	Free Gift**	•	•	•
	\$10 Coupon**		•	•
EXTRAS	Exclusive Deals, Gifts & Early Access		•	•
	Diamond Gift			•
	\$25 Services Reward ⁺			•
	Free Shipping \$25+***			•

*Members only. Email opt-in and birthday required. Must activate 2X points.
 **Excludes shipments to Alaska and Hawaii.

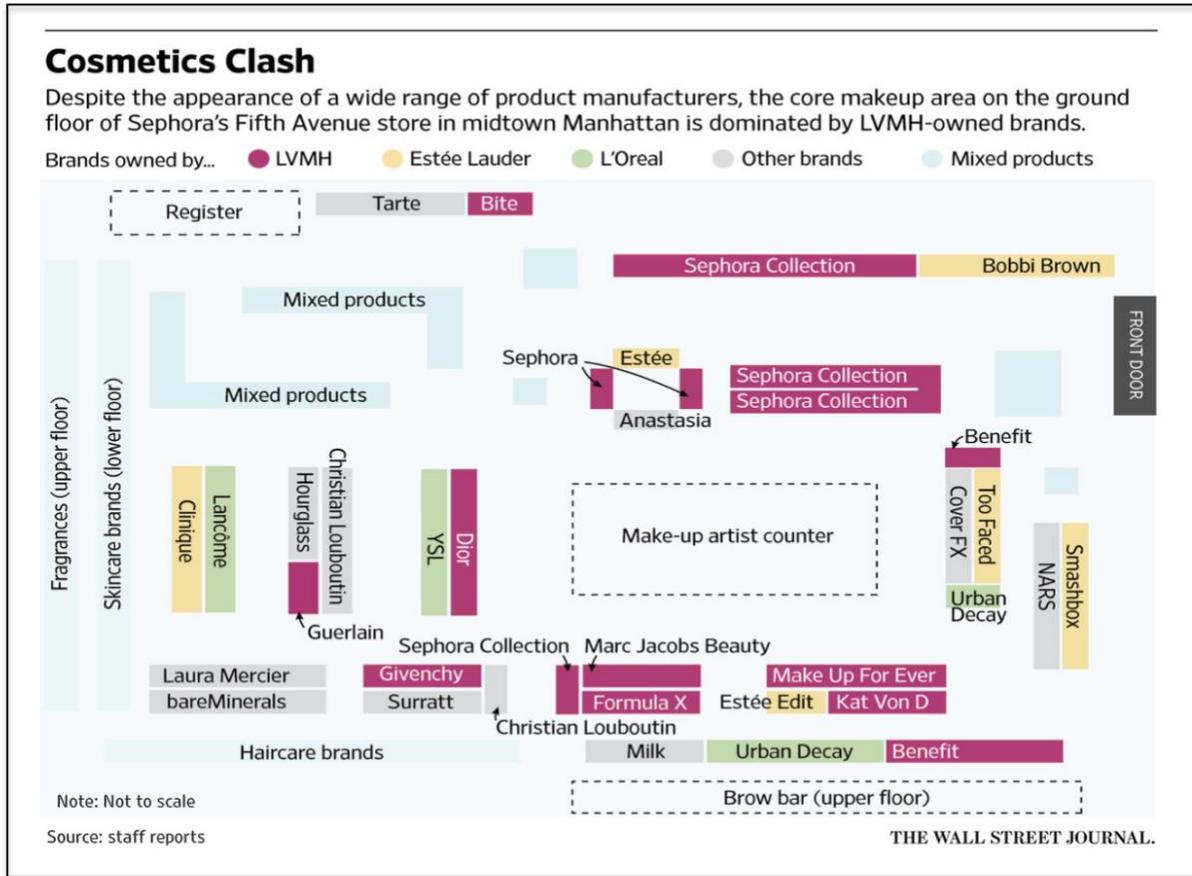
\$3 OFF 100 points	\$8 OFF 250 points	\$17.⁵⁰ OFF 500 points
\$30 OFF 750 points	\$50 OFF 1000 points	\$125 OFF 2000 points

Source: Ulta.com

Exhibit 7: LVMH Perfume and Cosmetics Brands

Officine Universelle Buly
Guerlain
Acqua di Parma
Parfums Christian Dior
Givenchy Parfums
Perfumes Loewe
Benefit Cosmetics
Make Up For Ever
Kenzo Parfums
Fresh
KVD Beauty
Maison Francis Kurkdjian
Marc Jacobs Beauty
Cha Ling
Fenty Beauty By Rihanna

Exhibit 8: Sephora Store Focus on LVMH Brands



Source:

<https://www.wsj.com/articles/as-sephora-adds-products-rivalry-heats-up-at-its-stores-1483876801>

Exhibit 9: Sample Promotional Email

SEPHORA

INSIDER | You have 0 points ▶

Get free shipping on all orders with code **FREESHIP**. See terms.† ▶

 **GET 25% OFF** your first **Sephora** purchase today plus earn 4% back in rewards² at **Sephora** when you open and use either **Sephora** credit card¹. **DETAILS** ▶

18 : 16 : 35
hours minutes seconds

Spring Savings Event

10% OFF*
For INSIDER
Use code **SAVESPRING**

Also!

30% OFF***
All Sephora Collection
No code needed

ENDS TOMORROW!
Monday, 4/11

SHOP NOW ▶

In store and online. Exclusions/terms apply.

Source: Authors Personal e-mail account

Exhibit 10: Details of the Beauty Insider Rewards Program

Savings	INSIDER Free to join	VIB Spend \$350	ROUGE Spend \$1000
Beauty Insider Cash* > <small>Apply 500 points for \$10 off your qualifying purchase</small>	●	●	●
Point Multiplier Events >	2X Points	3X Points	4X Points
Seasonal Savings Events* >	10% off	15% off	20% off
Points for Discount Events >	●	●	●
End of Year Discount* >	●	●	●
Free Standard Shipping >	\$50 min.	\$35 min.	No min.
Rouge Reward > <small>Exchange 2500 points for \$100 off your purchase</small>			●

Samples

Free Birthday Gift* >	●	●	●
Points for Sample Rewards* >	●	●	●
Free Samples with Purchase >	●	●	●
Exclusive Gifts >		●	●

Experiences

Access to App Exclusives >	●	●	●
Exclusive Events >	●	●	●
Meet & Greets, Trips & More >	●	●	●
Points for Services >	●	●	●
First Access to Product >			●

Source: Sephora.com

Exhibit 11: Example of Sephora Live Event

SKIN POSITIVITY WITH GLOW RECIPE CO-FOUNDERS SARAH LEE AND CHRISTINE CHANG



GLOW RECIPE

Join Glow Recipe Co-Founders Sarah and Christine as they discuss skin acceptance and the importance of setting realistic standards for beauty. You will also learn all about Glow Recipe's newest launch -a must have in any skincare maven's routine. One lucky attendee will win a grand prize that includes a full-size of the latest addition to the Glow Recipe product line up as well as the Watermelon Niacinamide Dew Drops, Watermelon Glow Toner, Watermelon Pink Juice Moisturizer, Plum Plump Hyaluronic Serum, and Glow Recipe swag, a US \$248 value!

[Watch Clip from 3/30 Event](#)

Source: Sephora.com

1

https://d1io3yog0oux5.cloudfront.net/_ba8f930b3fa7d0e15639b7a97ea873bf/ulta/db/1936/18080/annual_report/ULTA_AnnualReport_2021.pdf

2

https://d1io3yog0oux5.cloudfront.net/_ba8f930b3fa7d0e15639b7a97ea873bf/ulta/db/1936/18080/annual_report/ULTA_AnnualReport_2021.pdf

3

https://d1io3yog0oux5.cloudfront.net/_ba8f930b3fa7d0e15639b7a97ea873bf/ulta/db/1936/18080/annual_report/ULTA_AnnualReport_2021.pdf

⁴ <https://www.wsj.com/articles/a-beauty-retailer-that-knows-what-you-want-1466536921>

⁵ <https://www.bloomberg.com/news/articles/2017-01-27/ulta-shines-as-rare-bright-spot-in-retail-as-makeup-demand-soars>

⁶ <https://www.wsj.com/articles/as-sephora-adds-products-rivalry-heats-up-at-its-stores-1483876801>

⁷ <https://www.wsj.com/articles/as-sephora-adds-products-rivalry-heats-up-at-its-stores-1483876801>

⁸ <https://www.techrepublic.com/article/how-sephora-is-leveraging-ar-and-ai-to-transform-retail-and-help-customers-buy-cosmetics/>

⁹ <https://www.retaildive.com/news/are-sephora-and-ulta-on-a-collision-course/617015/>

¹⁰ <https://www.retaildive.com/news/are-sephora-and-ulta-on-a-collision-course/617015/>

¹¹ <https://www.ulta.com/investor/sec-filings/annual-reports/content/0001558370-22-004330/0001558370-22-004330.pdf>

¹² <https://www.ulta.com/investor/sec-filings/annual-reports/content/0001558370-22-004330/0001558370-22-004330.pdf>

¹³ <https://www.ulta.com/investor/sec-filings/annual-reports/content/0001558370-22-004330/0001558370-22-004330.pdf>

14

https://d1io3yog0oux5.cloudfront.net/_7160f4f11b0d23946cb97dcd7d04fbee/ulta/db/1912/18096/pdf/IR+deck+March+2022_032422.pdf

15

https://d1io3yog0oux5.cloudfront.net/_7160f4f11b0d23946cb97dcd7d04fbee/ulta/db/1912/18096/pdf/IR+deck+March+2022_032422.pdf

¹⁶ <http://www.bidnesstec.com/subindustry/cosmetic/overview/#>.

¹⁷ <http://subscriber.hoovers.com/H/industry360/businessChallenges.html?industryId=1528>.

¹⁸ <http://quotes.wsj.com/ULTA/company-people>

¹⁹ <http://ulta.cms.prod.hodesdigital.com/careers-at-ulta/our-history>

²⁰ [ULTA_AnnualReport_2015.pdf](#)

²¹ <http://www.nasdaq.com/markets/ipos/filing.ashx?filingid=5214573>

²² <https://ulta.knoji.com/>

²³ <http://www.nasdaq.com/markets/ipos/filing.ashx?filingid=5214573>

²⁴ https://chainstoreage.com/ulta-beauty-posts-strong-year-quarterly-annual-sales-soar?utm_source=omeda&utm_medium=email&utm_campaign=NL_CSA+Day+Breaker&utm_keyword=&oly_enc_id=6999J6357667F0A

25

https://d1io3yog0oux5.cloudfront.net/_8718f7bc33c33d61a284cf0de31968fa/ulta/db/1912/18070/pdf/2021+Analyst+Day_FINAL.pdf

²⁶ <https://www.retaildive.com/news/something-is-changing-at-ulta-the-legacy-mary-dillon-leaves-behind-as-ce/601172/>

27

https://d1io3yog0oux5.cloudfront.net/_8718f7bc33c33d61a284cf0de31968fa/ulta/db/1912/18070/pdf/2021+Analyst+Day_FINAL.pdf

²⁸ <http://fortune.com/ulta-beauty-mary-dillon/>.

²⁹ <http://fortune.com/ulta-beauty-mary-dillon/>.

³⁰ <https://www.ulta.com/investor>

³¹ https://risnews.com/ulta-beauty-investing-195m-supply-chain-and-it-expanding-target-partnership?oly_enc_id=6999J6357667F0A&utm_source=omeda&utm_medium=email&utm_campaign=NL_RIS+Weekender+Insights+%26+Reports&utm_keyword=

³²

https://d1io3yog0oux5.cloudfront.net/_7160f4f11b0d23946cb97dcd7d04fbee/ulta/db/1936/18080/annual_report/ULTA_AnnualReport_2021.pdf

³³ https://risnews.com/ulta-beauty-investing-195m-supply-chain-and-it-expanding-target-partnership?oly_enc_id=6999J6357667F0A&utm_source=omeda&utm_medium=email&utm_campaign=NL_RIS+Weekender+Insights+%26+Reports&utm_keyword=

³⁴ https://risnews.com/ulta-beauty-investing-195m-supply-chain-and-it-expanding-target-partnership?oly_enc_id=6999J6357667F0A&utm_source=omeda&utm_medium=email&utm_campaign=NL_RIS+Weekender+Insights+%26+Reports&utm_keyword=

³⁵ <https://www.retaildive.com/news/something-is-changing-at-ulta-the-legacy-mary-dillon-leaves-behind-as-ce/601172/>

³⁶

https://d1io3yog0oux5.cloudfront.net/_8718f7bc33c33d61a284cf0de31968fa/ulta/db/1912/18070/pdf/2021+Analyst+Day_FINAL.pdf

³⁷

https://d1io3yog0oux5.cloudfront.net/_8718f7bc33c33d61a284cf0de31968fa/ulta/db/1912/18070/pdf/2021+Analyst+Day_FINAL.pdf

³⁸ <http://www.alumind.com/download/ULTA-PDF.pdf>

³⁹ <http://www.alumind.com/download/ULTA-PDF.pdf>

⁴⁰ <http://ir.ulta.com/phoenix.zhtml?c=213869&p=irol-reportsannual>

⁴¹ <https://wwd.com/beauty-industry-news/beauty-features/ulta-mass-beauty-shopping-experience-1202636925/>

⁴²

https://d1io3yog0oux5.cloudfront.net/_8718f7bc33c33d61a284cf0de31968fa/ulta/db/1912/18070/pdf/2021+Analyst+Day_FINAL.pdf

⁴³ <https://www.retaildive.com/news/something-is-changing-at-ulta-the-legacy-mary-dillon-leaves-behind-as-ce/601172/>

⁴⁴ <https://wwd.com/beauty-industry-news/beauty-features/ulta-mass-beauty-shopping-experience-1202636925/>

⁴⁵

https://d1io3yog0oux5.cloudfront.net/_8718f7bc33c33d61a284cf0de31968fa/ulta/db/1912/18070/pdf/2021+Analyst+Day_FINAL.pdf

⁴⁶ <https://wwd.com/beauty-industry-news/beauty-features/ulta-mass-beauty-shopping-experience-1202636925/>

⁴⁷ <http://ir.ulta.com/phoenix.zhtml?c=213869&p=irol-reportsannual>.

⁴⁸ <https://www.ulta.com/investor/sec-filings/annual-reports/content/0001558370-22-004330/0001558370-22-004330.pdf>

⁴⁹ <https://www.cnbc.com/2022/03/11/ulta-beauty-sees-brand-partnerships-boosting-makeup-sales-after-covid-slump.html>

⁵⁰ <https://www.rd.com/article/ulta-vs-sephora/>

⁵¹

https://d1io3yog0oux5.cloudfront.net/_8718f7bc33c33d61a284cf0de31968fa/ulta/db/1912/18070/pdf/2021+Analyst+Day_FINAL.pdf

⁵²

https://d1io3yog0oux5.cloudfront.net/_8718f7bc33c33d61a284cf0de31968fa/ulta/db/1912/18070/pdf/2021+Analyst+Day_FINAL.pdf

⁵³ Ulta Annual Report 2015. <http://ir.ulta.com/phoenix.zhtml?c=213869&p=irol-reportsannual>

54

https://d1io3yog0oux5.cloudfront.net/_7160f4f11b0d23946cb97dcd7d04fbee/ulta/db/1912/18096/pdf/IR+deck+March+2022_032422.pdf

55

https://d1io3yog0oux5.cloudfront.net/_7160f4f11b0d23946cb97dcd7d04fbee/ulta/db/1936/18080/annual_report/ULTA_AnnualReport_2021.pdf

56

https://d1io3yog0oux5.cloudfront.net/_7160f4f11b0d23946cb97dcd7d04fbee/ulta/db/1936/18080/annual_report/ULTA_AnnualReport_2021.pdf

⁵⁷Ulta Annual Report 2015. <http://ir.ulta.com/phoenix.zhtml?c=213869&p=irol-reportsannual>

58

https://d1io3yog0oux5.cloudfront.net/_7160f4f11b0d23946cb97dcd7d04fbee/ulta/db/1936/18080/annual_report/ULTA_AnnualReport_2021.pdf

⁵⁹Ulta Beauty 2016 Analyst and Investor Conference. <http://ir.ulta.com/phoenix.zhtml?c=213869&p=irol-presentations>

60

https://d1io3yog0oux5.cloudfront.net/_8718f7bc33c33d61a284cf0de31968fa/ulta/db/1912/18070/pdf/2021+Analyst+Day_FINAL.pdf

⁶¹ https://www.ulta.com/myaccount/learnmore_template.jsp?page=benefits

⁶² https://www.ulta.com/myaccount/learnmore_template.jsp?page=benefits

⁶³ <https://www.ulta.com/investor>

64

https://d1io3yog0oux5.cloudfront.net/_7160f4f11b0d23946cb97dcd7d04fbee/ulta/db/1912/18096/pdf/IR+deck+March+2022_032422.pdf

65

https://d1io3yog0oux5.cloudfront.net/_7160f4f11b0d23946cb97dcd7d04fbee/ulta/db/1912/18096/pdf/IR+deck+March+2022_032422.pdf

⁶⁶ <https://www.insider.com/guides/beauty/sephora-vs-ulta#sales-and-deals-2>

⁶⁷ <https://www.techrepublic.com/resource-library/ebooks/how-sephora-is-leveraging-ar-and-ai-to-help-customers-buy-cosmetics-and-transform-retail/>

⁶⁸ <https://content-na1.emarketer.com/sephora-sees-96-8-positive-feedback-dei-campaign>

⁶⁹ <https://www.techrepublic.com/resource-library/ebooks/how-sephora-is-leveraging-ar-and-ai-to-help-customers-buy-cosmetics-and-transform-retail/>

⁷⁰ Ofek, Elie and Berkley Wagonfeld, Alison. (June 25, 2012). *Sephora Direct: Investing in Social Media, Video, and Mobile*. Harvard Business Publishing.

⁷¹ Ofek, Elie and Berkley Wagonfeld, Alison. (June 25, 2012). *Sephora Direct: Investing in Social Media, Video, and Mobile*. Harvard Business Publishing.

⁷² Ofek, Elie and Berkley Wagonfeld, Alison. (June 25, 2012). *Sephora Direct: Investing in Social Media, Video, and Mobile*. Harvard Business Publishing.

⁷³ Ofek, Elie and Berkley Wagonfeld, Alison. (June 25, 2012). *Sephora Direct: Investing in Social Media, Video, and Mobile*. Harvard Business Publishing.

⁷⁴ Ofek, Elie and Berkley Wagonfeld, Alison. (June 25, 2012). *Sephora Direct: Investing in Social Media, Video, and Mobile*. Harvard Business Publishing.

⁷⁵ Ofek, Elie and Berkley Wagonfeld, Alison. (June 25, 2012). *Sephora Direct: Investing in Social Media, Video, and Mobile*. Harvard Business Publishing.

⁷⁶ *About Us*. (2022). Sephora. <https://www.sephora.com/beauty/about-us>.

⁷⁷ Ofek, Elie and Berkley Wagonfeld, Alison. (June 25, 2012). *Sephora Direct: Investing in Social Media, Video, and Mobile*. Harvard Business Publishing.

-
- ⁷⁸ Sonsev, Veronika. (April 12, 2018). *How Sephora Makes Beauty a Two-Way Conversation*. Forbes. <https://www.forbes.com/sites/veronikasonsev/2018/04/12/how-sephora-makes-beauty-a-two-way-conversation/?sh=389557697f51>.
- ⁷⁹ Safdar, Khadeeja and Terlep, Sharon. (January 8, 2017). *As Sephora Adds Products, Rivalry Heats Up at Its Sources*. The Wall Street Journal.
- ⁸⁰ Safdar, Khadeeja and Terlep, Sharon. (January 8, 2017). *As Sephora Adds Products, Rivalry Heats Up at Its Sources*. The Wall Street Journal.
- ⁸¹ Safdar, Khadeeja and Terlep, Sharon. (January 8, 2017). *As Sephora Adds Products, Rivalry Heats Up at Its Sources*. The Wall Street Journal.
- ⁸² Safdar, Khadeeja and Terlep, Sharon. (January 8, 2017). *As Sephora Adds Products, Rivalry Heats Up at Its Sources*. The Wall Street Journal.
- ⁸³ Goldman, Jeremy. (January 27, 2022). *Sephora Sees 98.6% Positive Feedback From DEI Campaign*. eMarketer. <https://content-na1.emarketer.com/sephora-sees-96-8-positive-feedback-dei-campaign>
- ⁸⁴ Ofek, Elie and Berkley Wagonfeld, Alison. (June 25, 2012). *Sephora Direct: Investing in Social Media, Video, and Mobile*. Harvard Business Publishing.
- ⁸⁵ Goldman, Jeremy. (January 27, 2022). *Sephora Sees 98.6% Positive Feedback From DEI Campaign*. eMarketer. <https://content-na1.emarketer.com/sephora-sees-96-8-positive-feedback-dei-campaign>
- ⁸⁶ Goldman, Jeremy. (January 27, 2022). *Sephora Sees 98.6% Positive Feedback From DEI Campaign*. eMarketer. <https://content-na1.emarketer.com/sephora-sees-96-8-positive-feedback-dei-campaign>
- ⁸⁷ Goldman, Jeremy. (January 27, 2022). *Sephora Sees 98.6% Positive Feedback From DEI Campaign*. eMarketer. <https://content-na1.emarketer.com/sephora-sees-96-8-positive-feedback-dei-campaign>
- ⁸⁸ Goldman, Jeremy. (January 27, 2022). *Sephora Sees 98.6% Positive Feedback From DEI Campaign*. eMarketer. <https://content-na1.emarketer.com/sephora-sees-96-8-positive-feedback-dei-campaign>
- ⁸⁹ Goldman, Jeremy. (January 27, 2022). *Sephora Sees 98.6% Positive Feedback From DEI Campaign*. eMarketer. <https://content-na1.emarketer.com/sephora-sees-96-8-positive-feedback-dei-campaign>
- ⁹⁰ Goldman, Jeremy. (January 27, 2022). *Sephora Sees 98.6% Positive Feedback From DEI Campaign*. eMarketer. <https://content-na1.emarketer.com/sephora-sees-96-8-positive-feedback-dei-campaign>
- ⁹¹ Goldman, Jeremy. (January 27, 2022). *Sephora Sees 98.6% Positive Feedback From DEI Campaign*. eMarketer. <https://content-na1.emarketer.com/sephora-sees-96-8-positive-feedback-dei-campaign>
- ⁹² Goldman, Jeremy. (January 27, 2022). *Sephora Sees 98.6% Positive Feedback From DEI Campaign*. eMarketer. <https://content-na1.emarketer.com/sephora-sees-96-8-positive-feedback-dei-campaign>
- ⁹³ Ofek, Elie and Berkley Wagonfeld, Alison. (June 25, 2012). *Sephora Direct: Investing in Social Media, Video, and Mobile*. Harvard Business Publishing.
- ⁹⁴ Goldman, Jeremy. (January 27, 2022). *Sephora Sees 98.6% Positive Feedback From DEI Campaign*. eMarketer. <https://content-na1.emarketer.com/sephora-sees-96-8-positive-feedback-dei-campaign>
- ⁹⁵ Goldman, Jeremy. (January 27, 2022). *Sephora Sees 98.6% Positive Feedback From DEI Campaign*. eMarketer. <https://content-na1.emarketer.com/sephora-sees-96-8-positive-feedback-dei-campaign>
- ⁹⁶ Neubert, Nathalie. (March 10, 2022). *Sephora and Shipt Partner to Launch Same-Day Delivery*. BW Confidential. Retrieved from Factiva.
- ⁹⁷ Neubert, Nathalie. (March 10, 2022). *Sephora and Shipt Partner to Launch Same-Day Delivery*. BW Confidential. Retrieved from Factiva.
- ⁹⁸ Ofek, Elie and Berkley Wagonfeld, Alison. (June 25, 2012). *Sephora Direct: Investing in Social Media, Video, and Mobile*. Harvard Business Publishing.
- ⁹⁹ Ofek, Elie and Berkley Wagonfeld, Alison. (June 25, 2012). *Sephora Direct: Investing in Social Media, Video, and Mobile*. Harvard Business Publishing.
- ¹⁰⁰ Ofek, Elie and Berkley Wagonfeld, Alison. (June 25, 2012). *Sephora Direct: Investing in Social Media, Video, and Mobile*. Harvard Business Publishing.
- ¹⁰¹ Ofek, Elie and Berkley Wagonfeld, Alison. (June 25, 2012). *Sephora Direct: Investing in Social Media, Video, and Mobile*. Harvard Business Publishing.

¹⁰² Grunberg, Jason. (October 3, 2019). *How Sephora Gets Personalization Right*. Women's Wear Daily. <https://wwd.com/business-news/business-features/sephora-sailthru-report-1203332771/>.

¹⁰³ Grunberg, Jason. (October 3, 2019). *How Sephora Gets Personalization Right*. Women's Wear Daily. <https://wwd.com/business-news/business-features/sephora-sailthru-report-1203332771/>.

¹⁰⁴ Grunberg, Jason. (October 3, 2019). *How Sephora Gets Personalization Right*. Women's Wear Daily. <https://wwd.com/business-news/business-features/sephora-sailthru-report-1203332771/>.

¹⁰⁵ Neubert, Nathalie. (March 10, 2022). *Sephora and Shipt Partner to Launch Same-Day Delivery*. BW Confidential. Retrieved from Factiva.

¹⁰⁶ Neubert, Nathalie. (March 10, 2022). *Sephora and Shipt Partner to Launch Same-Day Delivery*. BW Confidential. Retrieved from Factiva.

¹⁰⁷ Neubert, Nathalie. (March 10, 2022). *Sephora and Shipt Partner to Launch Same-Day Delivery*. BW Confidential. Retrieved from Factiva.

¹⁰⁸ Goldman, Jeremy. (January 27, 2022). *Sephora Sees 98.6% Positive Feedback From DEI Campaign*. eMarketer. <https://content-na1.emarketer.com/sephora-sees-96-8-positive-feedback-dei-campaign>