Sephora's Beauty Retail Playbook

Idea In Short

Sephora runs on a simple reversal: let shoppers open, sample and use products on the sales floor instead of sealing them behind glass counters. That single retail choice, made in a Paris perfume shop in the 1970s, still defines how the company competes today. Sephora has operated as a subsidiary of LVMH Moet Hennessy Louis Vuitton (LVMH) since 1997 and now runs more than 3,000 stores across 35 countries, forming the largest piece of LVMH's Selective Retailing division. Its Beauty Insider loyalty program counts 46 million members who drive most of Sephora's sales, giving the retailer purchase data it uses to court roughly 300 brand partners. This article traces how a testing counter became a global retail platform and where pressure from Amazon and TikTok Shop now tests that model.

A Paris Perfume Shop Goes Global

Sephora opened as a small perfumery in Paris in 1970. Dominique Mandonnaud, a French entrepreneur, bought the chain in 1993 and merged its 38 stores with his own 12-store perfume business, Shop 8. He renamed the combined company Sephora and rebuilt its stores around open shelves where customers could open bottles and try products without asking a clerk first, a break from the locked glass cases common in French perfumeries at the time. LVMH bought Sephora in 1997 and used its scale to push the chain into Italy, Portugal, Spain and Poland, then into North America, where the first US store opened in New York's SoHo neighborhood in 1998.1

Selling Without a Counter

Most beauty retailers in the 1990s kept perfume and cosmetics behind a counter, staffed by a clerk who fetched product on request. Sephora removed the counter and let shoppers pick up testers, apply them and compare brands side by side on open shelving. The approach lowered the barrier to trying a new brand, which matters in a category where fit and scent are hard to judge from packaging alone. It also changed Sephora's role in the transaction: instead of pushing a single house brand, the store became a neutral space where competing brands sat next to each other and let the product do the selling. That neutrality, more than any single product line, is what separated Sephora from department store beauty counters and drugstore shelves.

One Global Retailer, Hundreds of Brand Partners

Sephora operates as a wholly owned unit of LVMH, sitting inside the group's Selective Retailing division alongside travel retailer DFS and the Paris department store Le Bon Marche. Guillaume Motte has run Sephora as global president and chief executive officer since 2023, after leading the chain's Europe and Middle East business and a stint as deputy CEO of LVMH's fashion group. At a brand summit in New York in early 2026, Motte described Sephora's position to roughly 200 brand partners this way:

> We are the only worldwide player and we do have a track record of incredible brand partnerships

That claim shapes how Sephora prices its shelf space. Brands get access to Sephora's store fleet and customer base in exchange for exclusivity or early-access deals and Sephora uses that leverage to negotiate wholesale terms that a single-country retailer could not match.2

Turning Loyalty Into a Data Asset

Sephora launched its Beauty Insider loyalty program in 2007 and later added spending-based tiers, Very Important Beauty Insider (VIB) and Rogue, that unlock earlier access to launches and larger discounts. Membership has grown to roughly 46 million people and those members now account for about 80% of Sephora's annual sales. Because nearly every purchase runs through a Beauty Insider account, Sephora can track which brands a customer tries once and abandons versus which ones she reorders, data it feeds back to brand partners and uses to decide which products get prime shelf placement. That feedback loop gives Sephora more influence over merchandising decisions than a typical retailer gets from a supplier relationship.3

Physical Stores as Digital Showrooms

Sephora built a chain of Teach, Inspire, Play (TIP) stores, starting in San Francisco in 2015, that pair staff-led demonstrations with iPads, augmented-reality mirrors and Wi-Fi so shoppers can look up reviews or ingredient lists mid-visit. The Sephora app carries the same loyalty account, wish lists and virtual try-on tools shoppers use on the website, so a customer can scan a product in-store and see the same recommendations she would get online. This blending of channels matters because Sephora's core shoppers tend to research online before buying, whether they complete that purchase digitally or in a store afterward. Competing on digital tools has become as important to Sephora as competing on product assortment, particularly as marketplaces without physical stores push into prestige beauty.4

Growth Under Pressure

LVMH's Selective Retailing division, in which Sephora is by far the largest contributor, grew organic revenue 4% and operating profit 28% in 2025, a result LVMH called a bright spot against softer results elsewhere in the group. Sephora added roughly 100 stores that year and plans to keep opening around 150 stores annually for the next three years, including new markets such as Belgium and Croatia. That growth has not landed evenly everywhere: Sephora holds about 50% market share in its strongest market and closer to 5% in its weakest and it faces a fast-growing threat from Amazon's prestige beauty push and from TikTok Shop, which became a top-10 beauty retailer within two years of launch.5

The Cost of Running an Open Floor

Selling almost every major beauty brand under one roof creates friction a single-brand retailer never has to manage. Competing brands sometimes object to how they sit next to rivals on the shelf and some have pulled back exclusivity when Sephora pushed too hard on terms, a tension Motte has had to manage directly with brand partners. Sephora has also weathered public criticism, including a 2019 racial-profiling incident that led the company to commission an outside study on bias in retail, along with employee complaints about working conditions in some stores. Leadership has been unsettled too: Sephora cycled through multiple global chief executives between 2020 and 2023 before Motte's appointment restored stability to the role. Maintaining the technology behind TIP stores, the app and the loyalty program also carries a real, recurring cost that smaller competitors do not have to fund.6

Key Partners

Sephora's roughly 300 brand partners, including its own Sephora Collection, supply nearly all the merchandise on its shelves, spanning prestige fragrance houses and smaller founder-led lines. Beauty influencers and content creators help launch new products and drive traffic to stores and the app, a relationship formalized through paid partnerships and early-access programs. Third-party logistics providers move inventory between distribution centers and more than 3,000 stores across 35 countries. LVMH itself functions as a partner too, sharing real estate, sourcing relationships and capital across its Selective Retailing division.

Key Activities

Sephora's core activity is buying beauty products wholesale and reselling them across stores, the website and the app. Curating which of its roughly 300 brands get shelf space, endcaps and exclusive launches is a constant task that shapes both revenue and brand relationships. Running the Beauty Insider loyalty program, from tier upgrades to personalized offers, keeps repeat purchases flowing. Sephora also produces in-store events, tutorials and TIP workshop sessions that double as marketing for the retailer and its brand partners.

Key Resources

Sephora's most valuable resource is its access to roughly 300 beauty brands, many under exclusivity terms competitors cannot match. Its network of more than 3,000 stores, including flagship TIP-format locations, gives brands physical distribution at a scale few retailers offer. The Beauty Insider database of 46 million members is a resource in its own right, feeding merchandising and marketing decisions. LVMH's balance sheet and store associates trained in product knowledge round out what keeps the model running.

Value Propositions

For shoppers, Sephora offers an open floor where any product can be tested before purchase, spanning affordable Sephora Collection items to prestige fragrance and skincare. Its Beauty Insider program adds personalized recommendations, birthday gifts and early access to launches, rewarding frequent buyers over time. For brand partners, Sephora offers fast access to a large, loyal customer base and physical and digital shelf space that would be costly to build alone. Smaller and newer brands in particular gain credibility from being sold alongside established luxury names.

Customer Relationships

Sephora maintains relationships through trained store associates who offer consultations and product matching in person. Its app and website extend that relationship digitally, using purchase history to personalize recommendations and offers. The tiered Beauty Insider program, moving from free membership to VIB and Rogue status, rewards spending with escalating perks and keeps members engaged between visits. Active social media accounts and in-store events, including makeup tutorials, sustain a sense of community around the brand.

Channels

Sephora sells through more than 3,000 physical stores worldwide, including standalone locations and shop-in-shop formats inside partners such as Kohl's. Its website and iOS and Android app handle a growing share of transactions and double as the home for the Beauty Insider account. Social media channels, run by both Sephora and its brand and influencer partners, drive discovery and traffic to the other channels. Retail media placements and marketplace partnerships extend Sephora's reach beyond its own properties.

Customer Segments

Sephora's primary consumer segment is women between 18 and 34 who are comfortable shopping across digital and physical channels and are willing to pay for prestige products. A broader group of older and more value-focused shoppers uses the Sephora Collection and lower-priced sections of the assortment. A smaller but growing segment includes men and gender-neutral shoppers buying skincare and grooming products. On the business side, Sephora serves brand partners themselves, ranging from emerging founder-led lines seeking distribution to established luxury houses seeking a retail footprint in new markets.

Cost Structure

The largest cost is the wholesale price Sephora pays brands for inventory, even at the discount its retail scale commands. Store leases, buildout and staffing across more than 3,000 locations add substantial fixed and labor costs. Marketing spend, including influencer partnerships and loyalty program rewards, is a recurring cost tied directly to customer acquisition and retention. Technology investment in the app, in-store digital tools and TIP-format stores adds an ongoing cost that smaller competitors do not carry.

Revenue Streams

Retail sales of third-party brand products make up the largest share of Sephora's revenue, earned on the spread between wholesale and retail pricing. Sales of the Sephora Collection private label add a second stream with wider margins than third-party goods. The Sephora Visa credit card and related loyalty tie-ins generate incremental revenue and repeat visits. Fees and marketing support tied to exclusivity and prime placement arrangements with brand partners round out the revenue mix.

- 1Sephora company profile
- 2Sephora CEO Guillaume Motte outlines global ambitions
- 3Why 30% of Sephora's 46 million loyalty members now play games to shop
- 4Sephora is everything Amazon is not
- 5LVMH hails remarkable Sephora performance in 2025
- 6Sephora CEO reportedly out after nearly two years

Summary

Sephora's growth still traces back to the decision to let customers open a product before paying for it. That model, built in a Paris store in the 1970s, scaled because LVMH supplied capital and reach and because Sephora invested early in loyalty data and digital tools that turned casual shoppers into repeat members. The chain built its private label, TIP-format stores and a 46 million member loyalty program to match and it now delivers outsized profit growth inside LVMH's Selective Retailing division even as Amazon and TikTok Shop chase the same prestige beauty customer. Sephora's next stretch of growth depends less on opening new stores and more on defending the market share it already holds, especially in the United States, where the company says the most room to win remains.