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Beyond The Green Market Hype: An Analysis
of Sustainable Marketing Practices of Green
Beauty Products at Sephora



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by

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I hereby recognize and pledge to fulfill my responsibilities as defined in the Honor Code and to maintain the integrity of both myself and the College as a whole.

Kylie Rimes

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Abstract

The cosmetics industry is undergoing a significant shift towards sustainability, ethical practices, and transparency. This senior project seeks to answer the question: What are the key challenges and opportunities facing Sephora and other cosmetics retailers in promoting sustainable beauty, and how can they work to overcome these challenges and capitalize on these opportunities? Exploring the challenges facing Sephora and other cosmetic retailers in promoting responsible and sustainable beauty and proposes ways to overcome them. Key challenges include greenwashing, lack of standard definitions and guidelines, and the potential limitations of the tragedy of the commons in driving systematic change.

To capitalize on the growing demand for sustainable and ethically sourced beauty products, retailers must overcome these challenges. One way to do so is through investing in reliable third-party certifications, which can help to combat potential greenwashing. Additionally, retailers can advocate for government regulations, collaborate with smaller brands, and adapt to changing market trends.

By promoting sustainability and ethical practices, the cosmetics industry can drive positive change for the environment and society as a whole. Through their efforts, Sephora and other cosmetics retailers have an opportunity to lead the industry in this shift towards a more sustainable future.

CHAPTER 1: The Intersection of Marketing, Sustainability, and Ethics in the Cosmetic Industry

Marketing is a crucial component of the cosmetic industry, which employs various techniques to reach and influence potential customers. The concept of marketing was pioneered by Kotler, who introduced it in his article "the generic concept of marketing" (Kotler, 1972). Companies can improve their market performance through measures such as brand loyalty, market shares, and price premiums. However, the cosmetic industry has faced concerns over issues such as animal testing, land degradation, and the overuse of ingredients and single-use plastics. To address these concerns, organizations like the Humane Society International have launched campaigns such as "Be Cruelty-Free" to put an end to animal testing. Many companies, including Sephora, are also promoting sustainability factors to support the movement towards eco-friendly and ethically produced products. While these efforts are commendable, issues such as greenwashing, standardization, and reliable certifications remain. In this article, we will explore these topics in more detail and discuss their impact on the cosmetic industry.

CHAPTER 2: Marketing Strategies and Performance Measures: Navigating the Competitive Landscape

In today's world of fast-paced businesses, technology has been heavily relied on, which unsurprisingly has led marketing techniques to be overhauled. From traditional techniques to the invention of digital marketing, the way companies have had to change their promotional approaches to interact with customers has evolved. One company that has found a way to stay relevant in this crowded online marketplace would be Sephora, a leading beauty retailer that leverages the power of technology to create a unique shopping experience online. As this digital age of marketing continues to grow, companies need to react to the increased competition and one way to do that is with Porter's Five Forces. Porter's Model is a framework used to analyze the operations of a competitive business. This helps to determine the intensity of competition and profitability of the industry. In Porter's model there are five forces of competitiveness and profitability, they are: "threat of new entry, intensity of rivalry among existing firms, pressure from substitute products, bargaining power of buyers, and [lastly] bargaining power of suppliers" (Ormanidhi & Stringa, 2008). By using this framework, the strengths and weaknesses of Sephora can be explored. There are three main strategic options in Porter's model that can be explored. They are differentiation, cost leadership, and focus. Differentiation is creating a unique and valuable product that isn't easily replicated. There are a few ways to achieve this whether that is innovation, quality of products, design(s), image of the brand, or the offered customer service. Cost leadership is finding a way to achieve the lowest price of production and operation. If done correctly, this lets the company offer lower prices while still retaining a profit. Focus is a strategy that combines elements from both of the earlier strategic options. When a company focuses on a market segment, like a specific product category, to then create a specialized product that meets preferences of the consumer. By combining elements, a company can achieve differentiation while also achieving cost leadership. A firm's ability to differentiate its products from competitors can create an advantage and an increase in market power. Marketing plays a very important role in that differentiation by creating a value proposition unlike competitors and a brand image that a consumer can identify with. With the addition of customer loyalty, the marketplace can become more difficult to enter and gain market share. By creating strong bonds like these with customers, a firm reduces the bargaining power of buyers and urges them to choose the firm's brand over the

competitor. There is consistency when working with this model that shows a comprehensive understanding of how firms strategically compete.

Although originating in Greece and being mainly used by the military, the concept of strategy has long been understood, yet it was only in the twentieth century that it became respected as a marketing term in business (Shaw, 2012). In the early 1900s, marketing strategy was known as marketing management, which would add more context to the amount of 'management' economists that aided in the development of marketing. With different approaches to exemplify marketing strategies, there tends to be borrowed wordage from other disciplines.

In early strategic marketing concepts, ideas from seminal economists like Borden (marketing mix) and Smith (differentiation and segmentation) helped form the core of modern marketing. Borden's ideas led to the mnemonic 4 Ps, which consists of product, price, promotion, and place. Price signifies the cost; this helps market the product's perceived value. Next is promotion, which is the style of communication firms use to advertise their product(s). The placement deals with the whereabouts of the product, mainly defining if it is an in-store product or online. Lastly is the actual product, understanding the ins and outs of the product being sold. This idea was forged by E. Jerome McCarthy, who reduced Borden's intense marketing checklist (Shaw, 2012). This four-section marketing mix has become beyond popular among marketing educators, and has since been expanded to include three additional Ps: people, process, and physical evidence. People represent the employees and customers who are involved in the marketing process. Process refers to the steps involved in delivering a product or service to the customer. Physical evidence refers to the environment and tangible elements that support the customer experience.

The principles of strategy also extend beyond the world of marketing and can be seen in other areas such as military strategy. Sun Tzu's influential book "The Art of War" has been cited as a seminal work on strategy, with applications in military tactics and business strategy. The book's teachings, such as the importance of knowing oneself and one's enemy, as well as the use of deception and the ability to adapt to changing circumstances, can be applied in a variety of contexts, including marketing (Sun Tzu, 1910/5th century BCE). By combining principles from "The Art of War" with modern marketing

concepts, companies can develop effective strategies to gain a competitive advantage and succeed in the marketplace.

Alongside competitive business strategies, there are marketing-performance measures that brands and firms can use to calculate their success or failure. Measures like brand loyalty, market share, price premium, and the customer lifetime value are used in determining the brands performance (Davicik & Sharma, 2015). Although using marketing, innovation, and differentiation have played factors in strategy, there are still questions that lie unanswered (Davicik & Sharma, 2015). For example, when looking into market structures, it is difficult to tell how the pricing and branding strategies interact and relate, with small and medium enterprise, multinational companies, and retailer brands all being opportune to look at.

There are theories of pricing, like contemporary or premium leading to the ideas that the consumer will pay for the quality of the product or service (Davicik & Sharma, 2015). While the brand's value is dependent on how the brand is viewed by the consumer and competitors (Davicik & Sharma, 2015). When looking into two firms that are competing not only on the price field, it gets increasingly difficult to understand which factors are at play.

As firms began to realize the importance of gaining a competitive advantage, there was a shift in the mid 1900s towards a more nuanced approach to marketing that went beyond simply selling the functionality of a product (Quelch & Jocz, 2008). This led to the introduction of concepts such as customer-oriented marketing, segmentation, and differentiation, which were developed by influential economists such as Peter Drucker, Wendell Smith, and Neil Borden, and continue to influence marketing strategies today. Marketing focuses closely on the psychological and emotional aspects that sell beyond functional properties. Peter Drucker was notably in favor of the marketing concept that firms, above all, “must create value for customers and see the business from the customer's point of view” (Quelch & Jocz, 2008). This was the start of customer oriented marketing, a way for companies to prove to their customers that they were valuing them and placing them in the center of focus. Sephora uses the approach of customer-oriented marketing to create value for its customers. This is achieved by the range of personalized services, their loyalty program, comprehensive online experiences and much more. Sephora

uses segmentation and differentiation in its marketing of products similar to Wendell Smith and Neil Borden's concepts that cater to specific customer segments, like their eco-conscious customers. Smith was notable for his ideas of segmentation for product differentiation. Borden, known for his concept of the marketing mix which would help define a target market. By advancing with these historical developments, Sephora is able to create an effective marketing strategy that captures its target audience and keeps the brand relevant. Sephora also uses customer data to analyze customer preferences and behavior, similar to the concept of conjoint analysis developed by Paul Green. He wrote articles on conjoint analysis, basically explaining consumer preference. Ideas from all of these economists are still used in the twenty-first century and influence the way we continue to innovate marketing (Quelch & Jocz, 2008).

Marketing matrices are tools used by businesses to analyze their product portfolio and make strategic decisions. One of the most well-known matrices is the Ansoff growth strategy matrix, developed by Igor Ansoff, which compares new and existing products with new and existing markets. This results in four strategies: market penetration, product development, market development, and diversification. For example, a beauty company may use market penetration to increase their market share for their existing line of moisturizers in their existing markets. They may use product development to create new moisturizer products for their existing markets, such as a night cream or a daily moisturizer with SPF. Market development would involve selling their existing moisturizer products in new markets, such as a different country or online marketplace. Diversification would involve creating new products for new markets, such as a new line of skincare products designed specifically for men.

The cosmetic industry is constantly bombarding consumers with information about their products, which has led to the emergence of various ways to disseminate this information. One of the increasingly popular methods is promoting green, clean, or environmentally safe products, which are also known as ecological products. This term encompasses a wide range of definitions, such as products that are sustainable, non-toxic, made from recycled materials, or cause minimal environmental damage (Witek, 2020). Socio-demographic factors play a significant role in influencing the green purchase behavior of consumers. For instance, studies show that women tend to be more concerned about

environmental issues like recycling, whereas men view the environment as a "resource for consumption" (Witek, 2020). Age is another factor that can affect purchasing behavior as socio-economic changes continue to have an impact. Despite increasing awareness of environmental issues, attitudes towards green purchase behavior do not always translate into actual purchase behavior. Consumers are primarily influenced by the benefits derived from the product, such as health benefits and quality, rather than simply its features (Witek, 2020).

Environmental issues have influenced customer values, including social and environmental concerns. The concept of socially and environmentally responsible consumption has gained prominence in discussions, referring to consumption patterns that account for future generations while meeting the desires of the present (Dekhili & Mohamed, 2014). In the cosmetic industry, where products are primarily single-use, responsible decisions can offer a competitive advantage if correctly strategized. However, companies may deceive consumers by being untruthful about the number of environmental concerns they face, leaving added green attributes to be taken at face value. Eco-labels have become a widely used voluntary tool over the last few decades, but the lack of confirmed information could pose concerns in the field due to asymmetrical information (Dekhili & Mohamed, 2014). While luxury products and recycled materials may seem disconnected, there are links between premium prices and responsible consumption. However, some consumers reject this movement due to the risk of unequal information, limited knowledge, skepticism of perceived efforts as greenwashing, or limited understanding of the technicalities (Ertz, François, & Durif, 2017). To gain trustworthy information, certifiers must be transparent and share all available information. Eco-labels serve as a way to reassure the consumer and increase transparency.



To differentiate themselves in a competitive market, firms can adopt self-certification strategies. Self-certification allows brands to highlight a specific aspect of their product that would attract

the attention of consumers. While the FDA requires labels to display some ingredients, there is no regulatory approval for the cosmetic industry, leaving brands with room to be questionable in their product creation and sales. Self-certification can be valuable for brands that want to verify the safety of their products. Firms can provide information for consumers to use, even if consumers cannot know everything about a product just by looking at it. One important type of self-certification to consider is eco-labeling. There are two main types of eco-labels: one with only partial information about the environmental quality of the goods, and another with full information about the environmental usage of the firm (Ghazzai & Lahmandi-Ayed, 2022). As environmental issues continue to grow in importance, the public image of firms becomes increasingly significant. However, there are no regulatory requirements from the FDA in regards to eco-labeling, which means most eco-labels for cosmetics are from private party regulators. The use of regulators allows for detailed information about the product and its environmental performance to be made public. The implementation of eco-labeling has demonstrated a positive correlation between a firm's financial success and their environmental practices (Ghazzai & Lahmandi-Ayed, 2022).

Although eco-labeling isn't a required policy measure, it can be used as a tool for developing environmental policies. While allowing consumers to seek out and recognize the types of products they're consuming, the demand for green attributes would be more clearly understood from the the cosmetic industry. Because consumer satisfaction is the ultimate goal in determining utility, the specific features and differences within the cosmetic industry create an opportunity for eco-labeling to have a greater impact if it is implemented effectively. There have been labels like this in other fields, determining green detergents, dolphin-safe labels, among other significant environmental findings, and these have been useful in determining the willingness to pay for these claims (Ibanez & Grolleau, 2008). One issue that arises is the unfair correlation between expensive goods being perceived as luxury and environmentally friendly goods being expensive. While these two factors may be congruent due to their expensive price point, they do not necessarily hold equal value. The price point in which a company chooses to present, is a signal that denotes what type of company the consumer is purchasing from and choosing to support. Eco-labels in the cosmetic industry may not have well-defined and rigid categories, but they do create

various levels that cosmetic products can fit into. This results in a combination of differentiation and confusion among consumers.

CHAPTER 3: The Paradox of Sustainable Production: Avoiding the Tragedy of Commons in a Growing Industry

In *The Tragedy of the Commons*, there is a quote that references philosopher Alfred Whitehead's use of the word 'tragedy' as 'The essence of Dramatic tragedy is not unhappiness. It resides in the solemnity of the remorseless working of things' (Hardin, 1968). This quote speaks to a deeper meaning that relates to the fundamentals of the human condition and the inevitability of certain outcomes. The economic theory known as the tragedy of the commons demonstrates a situation whereby individuals act in their own interest when using a shared resource in a way that leads to a depletion of those resources. This inevitably leads to short-term success but long-term consequences, highlighting the need for collective action to responsibly manage shared resources in a sustainable way.

The cosmetics industry is still facing the issue of the tragedy of the commons, which emphasizes the consequences of reckless exploitation and poor management of natural resources. Therefore, it is crucial to implement sustainable practices to protect the environment and ensure the industry's longevity. The negative effects carry not only to the environment, but the life-span of the cosmetic industry. The cosmetics industry relies heavily on water, plant extracts, and oils in their products, using them at various stages of production and for cleaning and sanitation. However, as water becomes scarcer in some areas, it's crucial for companies to prioritize water conservation practices and help suppliers prioritize water mediation methods. Plant extracts, such as aloe vera and green tea, and oils are commonly used for their beneficial properties, with oils providing emollient properties and plant extracts offering moisturizing and anti-inflammatory benefits. To obtain these ingredients, cosmetic companies can use various methods, such as extracting active compounds with water or ethanol, cold-pressing plant material to extract oils, or infusing a plant in oil. It's also important for companies to evaluate their suppliers and prioritize sustainable and ethical practices to reduce their environmental impact and promote responsible production practices. Overall, prioritizing sustainability and responsible sourcing practices is critical for the cosmetics industry to create safe and effective products while also supporting ethical and environmentally responsible practices. These are all resources that aren't managed properly to allow for sustainable practices, with the overuse and possible pollution introduced. Over-

harvesting of plants and oils can also disrupt the balance of ecosystems and lead to soil erosion, water pollution, and habitat destruction. This can have a negative impact on biodiversity, as well as the livelihoods of local communities who depend on these resources for their own economic and cultural well-being. It's important for cosmetic companies to work with suppliers who prioritize sustainable and ethical practices, such as reforestation, conservation, and fair labor practices, in order to ensure the long-term availability of these resources.

The issue of single-use plastics in the cosmetics industry is a significant concern, as the production and disposal of plastic packaging can have negative environmental and social impacts, including contributing to greenhouse gas emissions and pollution. Many cosmetic products are packaged in plastic containers, which are often used only once before being discarded. This creates a significant amount of waste, as plastic can take hundreds of years to decompose in the environment. Overall, the cosmetics industry is beginning to recognize the importance of addressing the issue of single-use plastics in their packaging practices. By taking steps to reduce plastic waste and promote sustainable packaging practices, such as exploring alternative materials, implementing packaging reduction strategies, and experimenting with new models such as refillable containers, the industry can help to mitigate the negative environmental and social impacts associated with single-use plastics. Reasons like convenience and easy disposal lead to the overproduction and usage of such plastics. Perceived cleanliness would be another reason single-use plastics are used in excess. There is a sense of sterility created, which can be helpful in the marketing of hygiene products that are used on the face and possibly the body.

The negative impacts of plastic pollution on the environment are becoming increasingly apparent. As more plastic enters the ocean, it can harm marine life in various ways. Animals can become entangled in plastic debris, leading to injuries or even death. Additionally, many marine animals mistake plastic for food, which can lead to digestive problems, malnutrition, and death. As plastics degrade, they break down into micro-plastics, which can be consumed by small organisms and work their way up the food chain. This means that micro-plastics are now found in our food and water supply, and the long-term effects on human health are still unknown. The disposal of plastic waste in landfills can also have negative environmental impacts. As plastic waste breaks down over time, it releases chemicals and toxins

into the soil and groundwater. These pollutants can have harmful effects on the environment and human health. In addition, landfills can take up large amounts of space, and many are filled beyond capacity. This can lead to soil and water contamination, as well as other environmental problems. The costs associated with the production and disposal of single-use plastic packaging are often externalized, meaning they are not reflected in the price of the product. As a result, companies and consumers do not fully bear the cost of their actions, while society as a whole bears the burden through taxes for waste management and environmental cleanup efforts. This lack of accountability is a prime example of the tragedy of the commons, where individuals prioritize their own short-term benefits over the long-term common good, leading to negative environmental and social impacts.

While some companies in the cosmetics industry have taken steps towards sustainability, it is clear that there is a pressing need for the industry as a whole to prioritize responsible practices and increase transparency regarding their products and efforts. Although "green" products can contribute to mitigating the tragedy of the commons, the popularity of these products can create a new tragedy of the commons by driving overuse of natural ingredients. The solution is to prioritize sustainable practices that minimize environmental impact. However, companies may face challenges in finding alternative ingredients that deliver the same quality and consumer satisfaction. In some cases, these ingredients come from communities that are dependent on them for survival, and overexploitation can have negative consequences for those communities, including low wages and poor working conditions. As a result, it is essential to consider sustainable factors that could benefit those very communities.

CHAPTER 4: From Compliance to Commitment: Leveraging Ethical Certifications for Sustainability

Sephora, a subsidiary of LVMH, was founded in 1970 by Dominique Mandonnaud. The company currently has over 2,700 operating stores worldwide and an e-commerce site that was launched in the US during 1999. Their website features interactive self-certification stickers that showcase certain aspects of their products. The Beyond Clean product line has been curated to promote actionable solutions and potential change. The cosmetic industry has started to focus on sustainability to effectively address their environmental impact, although there is still much progress to be made. The industry has faced many issues that need to be addressed in order to move forward.

Before the Leaping Bunny program was created, the cosmetic industry was primarily focused on the effect of products on humans. One of the early methods for testing the safety of cosmetic products was the Draize test, which involved administering the product to animals. This practice was later deemed controversial, leading to civil rights activists getting involved. In 1996, the Coalition for Consumer Information on Cosmetics (CCIC) created the Leaping Bunny cruelty-free certification program to establish a universal standard for cruelty-free cosmetics.

The Leaping Bunny program sets six criteria that companies must meet to use the label. These criteria include not conducting, commissioning, or participating in animal testing of any cosmetics, and not purchasing ingredients or products from suppliers or manufacturers that participated in animal testing after the company's cut-off date. The program also requires companies to implement a supplier monitoring system and provide declarations of product and raw material compliance.

Since the creation of the Leaping Bunny program, there have been many new ways to test cosmetic products before they are accepted into circulation. In March 2014, The Humane Cosmetics Act was signed into law, prohibiting animal testing and the sale of animal-tested cosmetics in the U.S. ("The



corporate standard of Compassion For Animals," n.d.). The Leaping Bunny logo is one example of how adding a sticker that the consumer can link with aspects they admire is a reliable way to convey information about environmental and societal concerns.

Before the Leaping Bunny program, different companies created their own bunny logo and expectations for their version of cruelty-free. However, this was confusing and inconsistent. The CCIC, a nonprofit organization made up of multiple animal protection groups, created the Leaping Bunny program to eliminate confusion and establish a universal standard for cruelty-free cosmetics. Finally, the program also requires companies to recommit annually and submit an independent audit from an accredited auditing firm provided by or commissioned by the CCIC ("The corporate standard of Compassion For Animals," n.d.).

The Leaping Bunny program encompasses all seven elements of the marketing mix, including product, price, promotion, place, people, process, and physical evidence. It offers certified cosmetic items as the product, and the Leaping Bunny logo serves as a promotional tool to communicate a company's commitment to animal welfare and ethical practices. These certified products can be sold in various retail locations, including online and brick-and-mortar stores, and the logo serves as physical evidence of a company's commitment to ethical practices that may influence consumer purchase decisions.

Additionally, the program allows companies to promote their commitment to animal welfare and appeal to consumers who value ethical practices. By meeting the criteria and obtaining certification, companies can differentiate themselves from competitors and eliminate confusion and inconsistency in claims of cruelty-free practices. Furthermore, the program highlights the importance of establishing a universal standard for ethical marketing practices and reflects the societal marketing concept, which emphasizes meeting consumer needs while considering the long-term welfare of society.

Additionally, Leaping Bunny is a third-party certification program that requires companies to meet strict criteria and undergo regular audits to maintain their certification, while Sephora's program is an internal initiative that the company uses to promote its sustainable products. Leaping Bunny is recognized by various animal welfare organizations and has a higher level of credibility among

consumers who are specifically looking for cruelty-free products. On the other hand, Sephora's green labeling may appeal more to consumers who are concerned about the environmental impact of their purchases. While both programs have their own strengths and limitations, they both contribute to the growing trend of promoting ethical and sustainable products in the beauty industry.

In the context of Sephora's sustainability efforts, it's important to understand the motivations that drive consumption and the strategies that can effectively communicate a company's sustainability practices to consumers. By considering the values that are important to society and addressing both resource preservation and the climate crisis, Sephora can use labels and other communication methods to transparently showcase their sustainable products and practices. To effectively showcase their sustainable products and practices, Sephora uses labels and communication methods that appeal to consumers' values and motivations for consumption. Their Beyond Clean and Planet Positive seals, for example, highlight products from "the most ambitious clean brands on a mission to change the beauty landscape, and the earth, for the better" ("Eco-friendly Beauty: Clean & planet positive," n.d.). To earn these seals, products must meet a range of criteria, including the use of acceptable packaging materials that eliminate unnecessary and single-use plastics. Sephora also sets specific goals for recyclable content in product packaging, starting with a minimum of 50% in 2021 and increasing to 75% in 2023 and 90% in 2025. To ensure proper disposal, products must provide suitable instructions for recycling or composting. Sephora's Reimagine page outlines the requirements for new product launches, which include incorporating upcycled or biomaterials, using infinitely recyclable primary packaging, avoiding non-recyclable materials, featuring refillable components, sourcing sustainable biomaterials, and avoiding secondary packaging.



Sephora's clean product seal can be analyzed using Porter's Five Forces framework. The first is the threat of new entrants. The availability of green products in the beauty industry has increased, and new companies are entering the market with a focus on sustainability and clean beauty. This could increase the threat of new entrants for Sephora, as customers may choose to buy from these new companies instead of Sephora. The second is bargaining of power

of suppliers. Suppliers of green ingredients and materials may have more bargaining power than those supplying traditional ingredients and materials, as there may be fewer suppliers of green ingredients and materials. Organic or sustainably sourced ingredients may require more intensive farming or harvesting methods, which could increase production costs. Additionally, there may be additional costs associated with obtaining certifications for these ingredients or materials. If suppliers of green ingredients and materials have more bargaining power, this could potentially increase costs for Sephora if they are unable to negotiate favorable prices or if there is a shortage of green ingredients and materials. The third is the bargaining power of customers. Customers who are interested in green products have more options for where to buy these products, which could potentially give them more bargaining power. If Sephora wants to attract and retain customers who are interested in green beauty products, they may need to offer competitive prices to remain competitive with other retailers selling similar products. Customers may also choose to buy products that are not sold at Sephora, such as those sold by direct-to-consumer brands or specialty retailers. With the increasing popularity of green beauty products, this could potentially decrease the demand for Sephora's green products if customers are finding comparable products elsewhere. The fourth is the threat of substitutes. Customers who are interested in green beauty products may choose to buy products from other retailers, even if they have shopped at Sephora in the past. This can result in lost sales for Sephora and a decrease in demand for their green products. Additionally, customers who are loyal to specific direct-to-consumer brands or specialty retailers may be less likely to switch to Sephora's green products, even if they are of comparable quality and price. The fifth is intensity of competitive rivalry. Sephora faces competition from a range of retailers selling beauty products, both online and in brick-and-mortar stores. However, Sephora's focus on green products and sustainability may differentiate it from some of its competitors and provide a unique selling proposition. Moreover, since Sephora has made a public commitment to sustainability and green beauty, they may be under greater pressure to prioritize the use of green ingredients and materials in their products, which can put them in a more vulnerable position when negotiating with suppliers. If Sephora is unable to secure the necessary green ingredients and materials, they may be forced to either increase the price of their green products or reduce their green product



offerings, both of which could negatively impact their sales and profitability. The use of sustainably sourced or organic ingredients may also require more intensive farming or harvesting methods, which could potentially limit the availability of these ingredients. This scarcity could potentially give suppliers of these ingredients more bargaining power, leading to higher prices for Sephora.

Despite challenges in the beauty industry, Sephora has prioritized sustainability as a core identity. They have implemented various strategies, such as using renewable energy sources and responsible sourcing, to reduce their environmental impact and promote sustainability. This not only takes responsibility for their actions but also demonstrates their commitment to creating a more sustainable future. Sephora has made significant commitments to address the climate crisis and promote sustainability. They aim to reduce their carbon footprint by 25% by 2025, and have implemented strategies such as using renewable energy sources, improving energy efficiency, and reducing waste. Additionally, Sephora is committed to responsible sourcing and has set targets for sourcing ingredients sustainably, including achieving 100% Roundtable on Sustainable Palm Oil (RSPO) certification for palm oil by 2022 and ensuring their mica supply chain is responsible and sustainable through their partnership with the Responsible Mica Initiative. Sephora is committed to responsible sourcing and has identified 19 micro-plastics that are harmful to the environment. These micro-plastics, including Polyethylene, Polypropylene, and Polymethyl Methacrylate, are absolutely prohibited from use in their products ("Eco-friendly Beauty: Clean & planet positive," n.d.). By avoiding the use of these materials, Sephora is taking a step towards reducing their impact on the environment.

In terms of waste reduction and circularity, Sephora has set a goal to divert 90% of their waste from landfill by 2025. They have also launched a program to collect and recycle empty beauty products, as well as promoting the use of reusable and refillable packaging. Furthermore, Sephora has committed to donating 1% of their annual retail sales to support social and environmental causes through the Sephora Stands program. Finally, Sephora requires their suppliers to verify that all their products are cruelty-free by 2022, and supports various non-profit organizations working on sustainability issues. Overall, Sephora

is taking concrete steps to reduce their environmental impact and promote sustainable practices in the beauty industry.

The motivations that drive consumption can be determined by surveys that allow the customer to express their wants and needs. As the values deemed important by society continue to change, the strategies and communication styles need to be expanded. When determining whether or not to use labels to create differentiation, it's important to keep in mind how crucial the consumer finds the information. The most common and socially normalized sustainable behaviors are quicker to be identified as significant. Addressing both the preservation of resources and the climate crisis allows companies to transparently show their sustainability efforts.

To investigate how sustainable and ethical product certifications affect consumer preferences, I focused on a comparison of moisturizers at Sephora. According to L'Oréal's data, in 2019, skincare accounted for 40% of cosmetic sales while in 2020, skincare increased to 42% (L'Oréal, 2022). Moisturizers are a popular and essential skincare item that provide hydration and nourishment to the skin. I excluded moisturizers with the words 'masks' 'night' 'night-time' 'limited edition' 'refills' from the comparison, resulting in a total of 98 products and 53 different brands from Sephora's website. These moisturizers contain ingredients such as peptides, hyaluronic acid, and antioxidants to address specific skin concerns, and many of them claim to leave the skin with a dewy or healthy glow. Some of the moisturizers also include SPF to protect against UVA and UVB rays.

To gather information for the comparison, I recorded the brand name, product name, price, product size, highlights, call-outs, web page, and any other notes that seemed important. I excluded sale prices from the pricing analysis.

The data analysis revealed that 36% of the moisturizers at Sephora are labeled as "clean," meaning they are free of certain harmful ingredients. Additionally, 27% of the moisturizers are labeled as vegan, indicating that they do not contain animal products or byproducts. Interestingly, 19% of the moisturizers are labeled as both "clean and planet positive," indicating a commitment to sustainability

beyond avoiding harmful ingredients. Nine products are labeled as both vegan and clean at Sephora, while thirteen products are labeled as both vegan and clean and planet positive. This suggests that there is a growing demand for sustainable and ethical products in the cosmetics industry.

Upon further investigation, I found that some brands stood out for their sustainability credentials, such as Youth to the People, Biossance, and Herbivore. These brands prioritize natural and organic ingredients, recyclable packaging, and reducing their environmental impact. Pricing varied greatly among the moisturizers, with a median price of about \$48 and the highest price point at \$380. Some brands offered unique sizes, such as Tula Skincare's 1.48 oz/ 42 g and NuFaces's 3.3oz/ 97 mL. Overall, the analysis of moisturizers at Sephora provides insights into the importance of sustainable and ethical product certifications for consumer preferences and highlights brands that are making strides in this direction.

The moisturizers analyzed at Sephora demonstrate how some brands are prioritizing sustainability and ethical certifications, such as natural and organic ingredients, recyclable packaging, and reducing their environmental impact. Some of the prominent brands in the beauty industry, such as Youth to the People, Biossance, and Herbivore, are at the forefront of adopting eco-friendly methods in their product creation and packaging. As Sephora is a subsidiary of LVMH, its financial stability and reputation can provide resources for expansion and improvement, as well as access to reliable suppliers and manufacturers that can benefit the quality of its products. However, Sephora's association with LVMH also raises questions about its ability to prioritize sustainability and ethical practices, given the potential conflicts between profitability and social responsibility. Sephora's status as a subsidiary of LVMH has both advantages and disadvantages. One of the advantages is the financial stability and reputation of the parent company, which provides resources for Sephora to expand and improve. Additionally, being part of LVMH's network can provide access to reliable suppliers and manufacturers, which can benefit the quality of Sephora's products.

However, being a subsidiary can also lead to conflicts, particularly when it comes to product offerings and pricing strategies. Sephora has its own identity and values, which may not always align with LVMH's overall strategic vision and priorities. This tension can cause friction between the two

companies, but it's important for Sephora to communicate their priorities and work with LVMH to find solutions that align with both companies' values.

Despite these challenges, Sephora has seen growth in revenue and market share, as reported in LVMH's annual reports. In 2019, the company's sustainability initiatives, such as the Clean at Sephora program and efforts to reduce plastic waste, contributed to this growth. Sephora's retail sales were 5.9 billion US dollars in 2019, which decreased to 5.01 billion US dollars in 2020 (National Retail Federation, 2021). In 2020, Sephora was able to pivot to e-commerce and improve its online presence, thanks to investments in technology and product offerings (LVMH 2019 ANNUAL REPORT Passionate about creativity). The company also implemented health and safety measures in stores to protect customers and employees during the COVID-19 pandemic.

Overall, being a subsidiary of LVMH presents both benefits and challenges for Sephora. The key is to maintain their own identity and values while also working within the framework of LVMH's strategic vision and priorities. Sephora's ability to adapt and pivot to e-commerce during the pandemic has helped them remain successful, and their sustainability initiatives continue to contribute to their growth.

CHAPTER 5: Sephora's Clean Beauty Movement: Pros, Cons, and the Shift Towards Safer and More Sustainable Beauty

There is a criticism of green marketing that is based on the theory of the tragedy of the commons. It argues that sustainable practices and responsible sourcing may not be enough to address the underlying environmental problems, such as overconsumption and economic systems that prioritize profit over environmental and social well-being. Although the adoption of sustainable packaging and reduction strategies is a positive step, the production of alternative materials may have negative environmental and social impacts, such as deforestation, water scarcity, and greenhouse gas emissions. Moreover, the focus on sustainability and responsible practices may overlook other social and ethical issues in the cosmetics industry, such as animal testing, fair labor practices, and diversity and inclusivity in product development and marketing.

Sephora's Reimagine page outlines regulations for new product launches that incorporate up-cycled materials, using sustainably sourced biomaterials, and avoiding non-recyclable materials ("Sustainability," n.d.). By setting high standards for their products, Sephora is demonstrating its commitment to addressing both resource preservation and the climate crisis. However, the emphasis on the consumer's ever-changing preferences may not align with genuine environmental change.

Many of the clean beauty brands under Sephora's umbrella were formulated with clean ingredients from their inception, indicating a mindful approach towards ingredient safety ("How Sephora Became Unlikely Leaders of Clean Beauty," n.d.). The fact that these brands are now more visible and accessible to clean and clean-curious consumers through a designated space and a seal of approval is a positive development for the clean beauty movement. The growing awareness of potential risks associated with certain ingredients in beauty products is leading more people to make informed choices and seek out safer alternatives. Sephora's efforts in promoting clean beauty options can further encourage this shift towards safer and more sustainable beauty practices.

While these sustainability initiatives are commendable, there have been some criticisms and limitations of Sephora's efforts. For instance, some critics argue that the Clean at Sephora program perpetuates the myth that "natural" or "clean" ingredients are always better, when in fact many synthetic

ingredients can be safe and effective. Additionally, there have been concerns about the efficacy of some "clean" beauty products, which may not perform as well as their conventional counterparts. Finally, some have noted that Sephora's refillable product program is limited in its scope and only available for a small number of products, which may not make a significant impact on overall plastic waste reduction.

Greenwashing is a significant concern when it comes to green marketing. To avoid this criticism, Sephora could consider investing in a reliable third-party or independent certifier to verify their products. This would increase transparency in the market and allow consumers to trust Sephora more. Providing clearer and more detailed information about the products, including their environmental impact and ingredient sourcing, would also be helpful in enabling customers to make informed decisions.

While Sephora's intention to self-certify is commendable, it may be considered false or misleading marketing. The Leaping Bunny certification process is more rigorous and transparent than Sephora's labeling program. Leaping Bunny requires companies to submit detailed information about their production process, ingredient sourcing, and supply chain, which is then independently verified.

To address these criticisms, it would be helpful to advocate for government regulations in this area and to invest in research and development to create more sustainable technologies. Encouraging or incentivizing sustainability could also help to reduce the amount of packaging waste. When comparing moisturizers, consumers can look for products that have multiple certifications or labels, indicating that they meet various sustainability standards. Overall, Sephora's commitment to sustainability and transparency is a positive step towards more responsible and sustainable beauty practices, but there is a need for industry stakeholders to participate in the discussion to create consistency across the industry and to address the underlying environmental and social problems.

Sephora's initiatives to use more sustainable packaging, provide resources for sustainable practices, and offer personalized virtual consultations and learning experiences are commendable. These actions can set an example for other brands to follow and make a positive impact on the green beauty industry. By adapting to changing market trends and maintaining a commitment to sustainability, Sephora can continue to lead the way in this field.

CHAPTER 6: Navigating the Shift Towards Sustainability and Ethical Practices in the Cosmetics Industry

In recent years, the cosmetics industry has undergone a significant shift towards sustainability, ethical practices, and transparency. One such initiative is Sephora's Clean at Sephora program, which aims to promote clean beauty products that are safe, effective, and environmentally friendly. While the program has received both praise and criticism, it is clear that companies in the cosmetics industry need to work towards eco-friendly products to drive positive change.

One of the main critiques of green marketing is greenwashing, and Sephora can avoid this by investing in reliable third-party certifications and providing more detailed information about their products' impact on the environment and ingredient sourcing. Additionally, there is a concern that a focus on sustainability and responsible practices may overlook other social and ethical issues in the cosmetics industry, such as animal testing, fair labor practices, and diversity and inclusivity in product development and marketing.

However, organizations like the Humane Society International have pushed for the end of animal cruelty in the cosmetic industry, and customers need to stay informed to make critical decisions about products and their potential impact. Sephora can address these challenges and continue to be a leader in the green beauty industry by advocating for government regulations in this area, investing in research and development for sustainable technologies, collaborating with smaller brands, and adapting to changing market trends.

In conclusion, by having cosmetic companies, consumers, and other organizations work together, there can be a more sustainable and ethical cosmetic industry on the horizon. The shift towards sustainability and ethical practices is a positive one, and it is crucial that companies continue to innovate and improve their products and practices to reduce their environmental impact and promote ethical and inclusive practices.

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