

Sephora's Market Challenges in China: Localization, Social Commerce, and Retail Transformation

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Abstract. This paper analyzed although Sephora faces obvious challenges in the Chinese market, and now it continues in expanding globally. It is not scientific to understand Sephora's retail performances as a simple downward sloping curve, instead, it should be seen as an example of localization difference. This difference is caused by structures of channels, consumption behavior, competitiveness, and retail business's differences due to different regions. Globally, Sephora continuously uses LVMH's brand influence and its multi-brand retailing strategies with its high fan loyalty, taking advantage from its rich experience in high-end beauty collections. But in the Chinese market, the consumption of beauty products has already speeded up to platform-based exploration, online shopping, livestreaming, the grown-up of local brands, and a price-sensitive consumption mode. This research concludes that Sephora needs a rapid strategy transformation to practice a deeper localized strategy, strengthens its fusion with social commerce, and improves its overall business adaptation. By modifying these changes, Sephora may be able to align its worldwide ability with detailed environments and later improve its competitiveness in a key growth area.

Keywords: Sephora, beauty retail, localization strategy, social commerce, Chinese market

1. Introduction

Recently, under the influence of digitalization, platform-based consumption and increasing diversity of consumers' preferences, the global beauty retailing business has undergone significant structural reforms. These reforms rebuilt the industry competitive landscape, leading those traditional retailing modes that rely on brand marketing and physical store experience face huge pressure. In the past, beauty retailing's operational workflow followed a clear framework: The consumers walk into a physical store, try the products, gain some professional guidance, compare different kinds that are in the collection, and finally finish the purchase. But nowadays, this consumption has become more fragmentation. Before entering a physical store, the consumers might have already got in touch with some products through TikTok, Xiaohongshu, livestreaming or acquaintances' recommendations. Then they can compare the prices through brands' official websites, e-commerce platforms and even physical stores. So as a result, the retailers don't have the ability to control the whole consumption process through finding a product and finally purchasing it. As a top beauty retailer under the LVMH company, Sephora continues to show a strong growing pattern by virtue of its multi-brand strategy

and its omnichannel integration channel. According to financial reports of LVMH, Sephora has made a significant contribution to the growth of the company's "selective Retailing" sector, especially in the North America and Asia market. Sephora has successfully established a solid foothold in the global market, thanks to the brand endorsement of the LVMH Group, the unique allure of its luxury beauty products, and its stellar reputation for product curation and customer experience. The report that targets Sephora's consumers indicates that the brand has successfully leveraged store design, digital tools, and service elements to create a distinctive beauty shopping atmosphere [1].

However, beneath this overall upward trend, there is a huge local difference hiding. In stark contrast to the relatively robust performance in developed Western economies, Sephora is facing daily growing pressure—but the Chinese market was originally seen as a major enforcement of its long-term growth. According to related reports and some past case studies, retail growth momentum is currently slowing down, and local platforms' competitiveness gradually grows. And also in some places, customer engagement is also showing a downward trend [2]. This raises a question far more complex than simply debating whether Sephora is a success or a failure. If a company's business model has a better performance of adaptation in some markets than other markets, it is totally possible that it shows a strong performance in the overall global market yet faces difficulty in a specific region. It is precisely this contrast that reveals a research topic of greater significance at the analytical level. Therefore, Sephora's current situation should not be simply viewed as a comprehensive decline. Instead, it is essential to conduct an in-depth examination of the company's strategic response plan and the structural differences between different markets. The difference between the Western and the Chinese markets indicates that the problem that this beauty retailer faces is not limited to the level of product quality or brand awareness. It also encompasses a wide range of aspects, including consumer flow patterns across different channels, the pace at which trends rise and fall, the impact of price comparisons on purchasing decisions, and how local competitors can more effectively leverage the digital ecosystem. Considering this, this paper aims to explore the following research proposition: Among the numerous factors contributing to Sephora's lackluster market performance, to what extent can these issues be attributed to the differences between Western and Chinese markets regarding channel strategies, consumer behavior, and competitive structures. And how has this led to a relative decline in its competitiveness in the contest against retailers such as Ulta Beauty and Olive Young.

This paper employs a comparative analysis approach to explore this issue. After reviewing the historical factors that contributed to Sephora's success, the article proceeds to examine the causes of the market pressures it currently faces, with a particular focus on the Chinese market.

2. Historical drivers of Sephora's success

Although Sephora made achievements in the past, now the marketing environment it is in is much more complicated. The pressure it faces now is not merely an isolated error, but rather the result of a series of structural changes impacting both domestic and global markets. The most critical part of these structural changes is the separation of the "product discovery" and "product purchase" stages. In Sephora's early business mode, customers were able to finish finding, trying, comparing and purchasing, the whole process, in the same retail environment. However, in the current landscape, each of the aforementioned stages can occur independently across different platforms: product discovery might originate on Xiaohongshu, short-video platforms, or TikTok; the trial phase could take place in physical retail stores; price comparisons might be conducted across various e-commerce platforms; and the final act of purchase could be realized through livestream commerce

or various promotional campaigns. This fractured journey undermines the retailer's control." Sephora is still able to bring people into the stores, but foot traffic doesn't always translate to retail revenue. Sephora could be used as a showroom by a customer and then the product could be bought for cheaper prices elsewhere. This generates a kind of channel disintermediation whereby the store gives knowledge, experience and trust but another channel captures the final transaction. The pressure is especially high when online platforms are providing aggressive discounts, faster delivery or more integrated social material [3].

However, Sephora has a more premium centered stance which might be a limiting element in attraction for consumers who are more price sensitive during tough economic times. Premium branding can help build brand equity but can also be a barrier if consumers are looking for more cheap solutions, local alternatives or special deals. It's particularly true in China, where the fast growth of local beauty companies and cutthroat competition fueled by robust content marketing, cheaper prices and quicker product rollouts has made this more apparent. The second problem is the evolving behavior of the consumer, especially the younger consumer. Platforms like Xiaohongshu and TikTok have transformed the way beauty trends are created and consumed. Consumers are looking for influencers and peer generated content to find products, rather than carefully selected shop places. This means that physical retail is less important as the major avenue for discovering products. That's not to say stores are useless. It indicates that the function of the store has changed. That store could be more valuable for experimentation and brand experience than for the entire purchasing journey.

In China, where social business is quite important, this change is especially significant. More than half of Chinese beauty purchases are influenced by social media and digital platforms. China also differs from the West in that its internet platforms are not just advertising outlets; they are shopping infrastructures. Xiaohongshu guides product discovery through reviews and lifestyle postings. Douyin combines entertainment, suggestion, livestreaming and buying. Tmall and JD.com offer big official e-commerce channels. This is a landscape that rewards quickness, local expertise and a steady stream of fresh stuff. A shop that depends significantly on brand prestige worldwide and uniform retail design may be too slow to this pace. But local competitors and regional players such as Olive Young have been faster to react to fast-changing trends. Olive Young's trend-driven marketing and frequent product selection modifications are popular among younger clientele. Olive Young's model is different from Sephora's in that it is intimately integrated with Korean beauty culture, fast product cycles, and regular discovery of new companies. Consumers sense that the store is always evolving, and they can find new trends when they shop. This freshness is quite valuable in beauty sectors because novelty draws attention. So regional divergence is the outcome of the interaction of numerous forces. In regions where premium beauty curated, shop exploration and loyalty rewards continue to appeal to customers, Sephora's approach remains attractive. But in China, social proof, internet content, pricing, domestic trends and quickness may be more important to consumers. So, the same business concept might lead to various outcomes depending on the retail ecosystem around it. That's why the pressure on Sephora in China doesn't disappear with its global expansion.

3. Consumer transformation

It is a rare situation because it established its beauty retail system through strong platform integration. In many Western nations, shops still play the primary role in orchestrating access to products and consumer trust. In China, digital platforms and content communities typically do these

things more powerfully. Consumers may trust a beauty blogger's before-and-after demo, a peer review, or a livestream host's discount more than they trust a retail display.

This is important because curating is Sephora's old strength. It picks products, stocks them in a beautiful store, educates workers and offers premium experience. But when curation moves from retailer shelves to algorithmic feeds and influencer ecosystems, Sephora's edge is less automatic. The corporation has to fight for attention on highly competitive content channels, not just shelf space or shop visits. If a product isn't spoken about, reviewed or displayed online, even if it's on sale in a Sephora shop, it can be invisible to the younger customer. The growth of indigenous beauty brands is another major element of the Chinese market. Local brands can adjust swiftly to Chinese consumer preferences in packaging, ingredients, product claims, skin-tone needs and marketing language. They may also know local festivals, platform trends and popular cultural references quicker than global retailers. Sephora has global status, but that alone may not be enough as consumers become more experimental and more likely to test local alternatives. A local brand that can go to market fast, communicate well via social media and offer a lower price can compete very well against imported or premium products.

The Chinese market also puts pressure on inventories and product turnover. Online trends change fast, and retailers need to be ready to move assortment and stock levels at a similar pace. Slow product modification can lead to a disconnect between what consumers are talking about and what the store has to offer. Sephora's global supply ties and brand standards may enhance consistency but also may hinder adaptation. In a dynamic digital market, operational flexibility is a type of competitive advantage [4]. Price transparency also crosses the typical retail model. In a premium retail environment, it needs to prove why it's worth more when consumers can easily compare prices. Sephora has the ability to charge more for service, authenticity, samples, experience and loyalty points. But those perks have to be powerful enough to overcome reductions elsewhere. If consumers think they can find the same product cheaper on another official channel, Sephora risks becoming a testing location and not a buying place. When it comes to, channel planning has one of the most immediate effects on performance [5]. The China pressure for Sephora should be read in the context of a structural mismatch and should not be seen as a simple managerial blunder. The brand still has awareness, and the store experience still delivers value. The issue is that the market around it has developed faster than the traditional model has. Consumers increasingly want beauty retail to be social, rapid, localized, price-transparent and extremely involved. The difficulty for Sephora is to maintain the trust and authority of its brand worldwide, while being able to flex more in how it addresses local consumers.

4. Comparative analysis

Comparisons to Ulta Beauty and Olive Young can place pressure on Sephora's model. These rivals have distinct approaches to beauty-retail challenges. Ulta Beauty is a great example of the importance of pricing and dedication. Olive Young is a lesson on how fast local trends spread and where to shop.

Sephora proves premium curation can survive market fragmentation but not prosper. Ulta's biggest strength is that it includes the price point. Ulta has mass-market, premium, salon and beauty-service businesses that can reach more clients. This structure works because customer income, confidence and buying patterns fluctuate over time. The customer may stay with Ulta if they can pay less. Sephora costs more. That identity is helpful for the brand's image but could limit flexibility if consumers are looking for cheaper, more practical choices [6]. Ulta's reward program gives clients a financial incentive to come back, helping the company stay where it is. Beauty store loyalty is more

than just feelings. And inexpensive. Consumers may think that it's a good thing to stick with one merchant for points, discounts, targeted offers and prizes. Good loyalty program at Sephora. In China, where platform promotions are aggressive, a loyalty system may not be attractive enough, but it can be if it's paired with local buying behavior and platform activity.

Olive Young tells you otherwise. Strength: marketing beauty products and setting trends. The retail environment and product assortment indicate speed, freshness and local relevance. "Consumers don't come to Olive Young to buy a product they were planning to get anyway," he added. "They come to see what is new." This is especially true as beauty consumption is driven by novelty and social sharing. If a retailer is constantly replenishing its product, the store could become a discovery platform. The comparison demonstrates that Sephora's biggest problem isn't brand strength, it's flexibility [7]. Tops in luxury curation, but Ulta is leading in pricing range and loyalty economics, Olive Young in trend speed and local freshness, and Chinese social-commerce platforms in content influence and transaction convenience. Sephora's brand identity won't allow it to replicate competitors.

It can learn from them by creating a more flexible model. Neither does this comparison view allow for a straightforward conclusion [8]. A crucial strength is the preservation of Sephora's premium status. If it discounts too much, it risks losing its successful brand authority. The best method is to change selectively, maintaining high quality but also offering entry level options, local businesses, digital content, and faster product cycles. Instead of turning into Ulta or Olive Young, Sephora is trying to reconcile its global presence with the specific needs of the Chinese market.

5. Strategic consequences and suggested solutions

Localization, especially in China, is the solution. This includes localizing marketing techniques to local digital ecosystems, growing local firms, and tailoring product selection to local tastes. Sephora would better meet consumer expectations and compete regionally. International luxury brands and fast-growing Chinese beauty enterprises with strong online communities and customer familiarity should be in a localized assortment. Communication requires localization too. Ingredient claims, skin concerns, product texture, and peer-tested results often bother Chinese beauty clients. Sephora could create more platform-specific content about how products work for local skin issues, climate, and beauty regimens. Sephora's knowledge in shoppers' digital channels might be better shown. Sephora needs to assert its professional authority on social media instead of waiting for customers. Localization includes service design [9]. Trend-based events, creative collaborations, local brand debuts, and bespoke consultations that are easy to publish online could help Chinese stores integrate social content. The store must be attractive and informative. Sephora may boost web traffic by sharing retail experiences, product trials, and special events on social media.

Sephora might benefit from more flexible pricing. To become more accessible, it can expand into mid-range product categories while preserving its premium positioning. This could help expand client base and reduce sensitivity to consumer buying trends. Sephora's goal is to offer more choice, not lower prices. The store should be accessible to all price points, not only luxury shoppers. A better private label strategy can help. The Sephora Collection helps the company offer cheaper products while maintaining margins. Sephora may localize its private label products in China by color, texture, packaging, and category. Smaller volumes, trial kits, and value packs could minimize buying barriers. Such options let purchasers try things without spending a lot. Pricing should reflect loyalty. Sephora needs a greater rationale to sell through its own channels if platform discounts drive customers away. Unique samples, member-only sets, services, early launch access, or bespoke

awards are examples. Not all price drops are direct [10]. Competitors may struggle to match their economic and experience value.

Digital platforms are influencing consumer decisions; therefore, Sephora needs to do more social commerce. Such collaborations might take the shape of working with content creators and influencers, live product demos and sales, and advertising on the site. Such strategies would attract and involve younger clients. Social commerce must be more than advertising. It affects product selection, inventory planning, customer service and loyalty [11]. Develop influencer partnerships. Sephora doesn't need to rely on celebs or influencers. Smaller creators appear more trustworthy and specialized. Credibility is king for beauty products. "Consumers want real texture, shade performance and honest comparison. Sephora collaborates with designers of various skin types, budgets, styles and product categories [12]. The corporation could aim at more consumer segments. Livestreaming may teach, not just sell. Sephora knows good livestreams since product comparison, routine formulation, ingredients and application techniques are part of it. This is what sets Sephora apart from cheap sites. Sephora can blend trust, knowledge and convenience into social commerce without diluting its brand identity.

6. Conclusion

Sephora's market pressure isn't only about losing performance; it's about a transformation in the retail cosmetics sector. Despite its resiliency in Western markets, the company's problems in China point to structural restrictions. The big problem is the failure of Sephora's original model. In a market for beauty retail that is platform-driven, socially influenced, locally competitive, and price-transparent, the model's strength premium curation, shop experience, and worldwide brand authority—are eroding. The regional slowdown and the contrast with global growth highlight the need to react to local market conditions, changing consumer behavior and competitive digital ecosystems. Sephora's restricted pricing freedom, channel homogeneity and trend responsiveness are challenged by competitors such as Ulta Beauty and Olive Young on several fronts. Ulta is about price range and loyalty; Olive Young is about local trend speed and product discovery. Chinese internet platforms showcase the fusion of content and business. To address these challenges, the deliberate move towards localization, diversity of pricing and integration of digital platforms are needed. Sephora should localize marketing and product mix in China, improve social commerce, integrate store testing and internet purchasing, and improve operational response. The correct use of these tweaks might assist Sephora to react to market realities and to become competitive again in important growth areas. Sephora's story is a reminder that worldwide wealth may hide local hardship. A corporation may be strong on paper yet under strategic pressure in some markets. Now the ability of multinational merchants to compete rests on both brand power and the ability to respond quickly to local events. Sephora's success in China rests on using global assets for local relevance. If successful, the company may continue to be a leading beauty retailer in both mature Western and dynamic Asian markets. If the brand fails, it may keep its luxury image but lose its grip on how younger people buy their beauty.

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