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# The Sephora Mobile-App and Its Relationship to Customer Loyalty

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**Abstract**

In this paper, we study Sephora's mobile app and its use, opinions about its efficacy, and its relationship to customer loyalty. We consider three traditional measures of customer loyalty—satisfaction with the app, likelihood to use the app for purchases in the future, and likelihood to recommend the app to others. Various relationships were found between different perceived benefits of the app and the measures of customer loyalty.

**Keywords:** Customer loyalty, Mobile apps, Multiple regression, Sephora

## 1. Introduction

The explosion of mobile technology has changed the way people live. Nowadays, mobile devices account for more than half of all personal computing time (Gibbs, 2016). Customers are always carrying their mobile devices no matter the time-of-day or location. As they spend more time using mobiles and tablets, the challenge for companies is to connect with customers through all these devices in real time and create campaigns that work across social media and e-commerce.

Many companies have already caught up with this trend, and have started to gain competitive advantages by capturing the benefit of mobile usage. One successful example is Starbucks, where use of a mobile app has become one of their core strategies. In 2013, 11% of sales volume was generated from its mobile app (Forbes, 2014). That represented four million mobile payments per week, and, over the year, eight million different consumers using mobile apps to pay. In 2016, more than 21 percent of the transactions at company-owned U.S. Starbucks stores came through the app. In February 2016, about 7 million orders were placed through mobile devices in U.S. cafés (Kharif & Patton, 2016).

We wish to discover whether the use of a mobile app is driving more customer loyalty for a specific company, Sephora. Although there are many articles indicating the importance of mobile marketing, there is a gap in studying the relationship between customer loyalty and mobile-app usage. Sephora is a pioneer in adopting new mobile technologies that enhance the customer shopping experience. Recently, they introduced a new feature called *Virtual Artist* on their mobile app. This technology uses artificial intelligence to apply makeup, teach new makeup-techniques, and shows the user what various looks can appear on the user's face. With their great emphasis on mobile technology, we expect to see that *the using of the mobile app increases customer loyalty*.

## 2. Background/Literature Review

Today's cosmetics customers are not particularly loyal to one brand. Instead, they treat beauty purchases as treasure hunts. And, a place where they can easily test virtually any product is an ideal location for them. That is the way Sephora is successful—by satisfying this trend of customer needs. Sephora is a leading beauty and perfume retailer founded in 1969. It operates approximately 2,300 stores worldwide. In addition, the Sephora.com website was launched in 1999 in the U.S. It is a prestige beauty-website where customers can engage with an inclusive beauty community. It also makes beauty purchases at Sephora more convenient and unlimited.

In order to stay competitive in the market and keep delivering value to customers, Sephora opened an innovation lab in San Francisco to test new technologies to be used in stores. With the development of mobile usage in recent years, the Sephora app helps customers to purchase beauty products whenever and wherever they want. With the new launch of *Virtual Artist* features on the mobile app in early 2016, Sephora customers now can try beauty products digitally, and learn application techniques in step-by-step virtual tutorials. Furthermore, products used during the tutorials or trials can be saved to each client's "My

Favorites" list, or added to a shopping basket for purchase. "Sephora *Virtual Artist* has been an unprecedented success, with Sephora clients trying on over 70 million lip shades digitally since launching. Live Tutorials are a revolutionary new way to learn new application techniques and trends, on the customer's own face, one step at a time. The ability to leverage this exclusive augmented reality technology to mirror our Sephora store makeover experience on your own device is a game changer for our users," said Bridget Dolan, VP of Innovation at Sephora (Caldwell, 2016).

Realizing the importance and influences of a trend is not enough for companies to survive in the market. According to the article, Planning and Implementing Effective Mobile Marketing (Berman, 2016), a company needs to understand, and capitalize on, the strategic advantages of mobile marketing. As provided in the article, there are three dimensions of advantages. First, mobile devices are always on, always connected and always with the customers. Therefore, a company such as Sephora can send customers beauty tips and makeup content through the app at any time. And, customers will be able to view the information whenever and wherever they want. Second, mobile marketing is able to generate location-sensitive offers. In this case, Sephora can use this information to identify loyal customers when they enter the store. The last advantage is about sending personalized messages and offers using data gathered from the mobile app. The Sephora app has a feature of sending the latest product content to customers based on their skin type or preferences. And, it also sends alerts to remind customers to redeem their loyalty points. Another important feature on the Sephora app is the sending of exclusive mobile offers and promotions. This is consistent with the idea of developing effective mobile coupons mentioned in the article. We developed a survey to collect data, designed to ask questions about the specific Sephora app features which are consistent with the advantages mentioned in this article.

An article entitled, "An Examination of the Determinants of Customer Loyalty in Mobile-Commerce Contexts" (Lin & Wang, 2006) defined customer loyalty as the customer's favorable attitude toward a brand, resulting in repeat purchase behavior. Moreover, the article indicated that customer satisfaction has a positive effect on customer loyalty. With these definitions in mind, we added questions to the questionnaire about satisfaction with the Sephora app shopping experiences, the likelihood of purchasing through the app in the future, and the likelihood of recommending the Sephora mobile app to others. The survey is presented in Appendix A.

## 3. Methodology

To obtain insights about customer loyalty, we decided to examine three dimensions (customer satisfaction with the app, likelihood of future purchases using the app, and likelihood of recommendation the app to others).

### *3.1 Data Collection Procedure*

Based on the research objectives, we created a survey to collect customer data. The survey content was created on https://www.typeform.com/. The survey contains questions with several types of scales:

* Yes/No

* Multiple choice - Select all that apply

* Ordinal scale (never, rarely, sometimes, frequently)

* Multiple Choice - Select one choice

* Interval scale (e.g., 1 = strongly disagree, 5 = strongly agree, or equivalent scale)

* Direct questions

* Other (assumed) interval-scales e.g., income, education

The survey questions can be grouped into 3 parts

A. Warming up questions

B. Detailed questions about mobile-app shopping experiences

C. Demographic questions

The survey questions were put on social media platforms for individuals to take. The duration of data-collecting time was 5 days. We collected 103 responses.

## 4. Selected Frequencies

Here, we present the frequency distribution for selected questions on the questionnaire.

***Except for Sephora, where do responders shop for beauty products? (Q2)***

Looking at Tables 1, 2, and 3, it is interesting to note that the top three choices for shopping beauty products (not including Sephora) are Official stores or websites, Nordstrom, and Saks Fifth Avenue.

Table 1. Frequency of official stores and websites

| **Official Stores or Websites** | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | | 32 | 31.1 | 31.1 | 31.1 |
| | Official Stores or Websites | **71** | **68.9** | 68.9 | 100.0 |
| | Total | 103 | 100.0 | 100.0 | |

Table 2. Frequency of Nordstrom

| **Nordstrom** | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | | 46 | 44.7 | 44.7 | 44.7 |
| | Nordstrom | **57** | **55.3** | 55.3 | 100.0 |
| | Total | 103 | 100.0 | 100.0 | |

Table 3. Frequency of Saks Fifth Avenue

| **Saks Fifth Avenue** | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | | 49 | 47.6 | 47.6 | 47.6 |
| | Saks Fifth Avenue | **54** | **52.4** | 52.4 | 100.0 |
| | Total | 103 | 100.0 | 100.0 | |

***The gender of responders (Q19)***

From Table 4, we can see that 87.4 percent of the responders are female, and 12.6 percent of responders are male. Therefore, not surprisingly, it confirms that most of Sephora's customers are female.

Table 4. Frequency of gender

| **Gender** | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Female | 90 | 87.4 | 87.4 | 87.4 |
| | Male | 13 | 12.6 | 12.6 | 100.0 |
| | Total | 103 | 100.0 | 100.0 | |

***Are you a Sephora Beauty Insider? What is your membership status? (Q5 & Q6)***

A Sephora customer can purchase products from Sephora without having a Sephora account. However, only the customers who have accounts at Sephora can enter the Loyalty Program and get exclusive rewards. From Table 5, we can observe that 81.6% of responders have an account at Sephora. And, from Table 6, we can observe that, within the responders who have accounts, 36.9% are BI (the lowest level in the Sephora Loyalty Program), 25% are VIB (the middle level in the Sephora Loyalty Program), and 38.1% are VIB Rouge (the highest level in the Sephora Loyalty Program).

Table 5. Frequency for beauty insider membership

| Are you Beauty Insider | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 0 | 19 | 18.4 | 18.4 | 18.4 |
| | 1 | 84 | **81.6** | 81.6 | 100.0 |
| | Total | 103 | 100.0 | 100.0 | |

Table 6. Level of beauty insider

| | | | | BI | VIB | VIB Rouge | |
|---|---|---|---|---|---|---|---|
| Are you Beauty Insider | 0 | Count | 19 | 0 | 0 | 0 | 19 |
| | | % within Are you Beauty Insider | 100.0% | 0.0% | 0.0% | 0.0% | 100.0% |
| | 1 | Count | 0 | 31 | 21 | 32 | 84 |
| | | % within Are you Beauty Insider | 0.0% | **36.9%** | **25.0%** | **38.1%** | 100.0% |
| Total | | Count | 19 | 31 | 21 | 32 | 103 |
| | | % within Are you Beauty Insider | 18.4% | 30.1% | 20.4% | 31.1% | 100.0% |

***Do you have Sephora's app installed on your phone or any mobile device*? (Q6 & Q7)**

From Table 7, we note that 47.6% of responders have Sephora app installed on their mobile devices. And, from Table 8, we see that within these responders who have the Sephora app, 30.6% of them are BI, 24.5% of them are VIB and 44.9% of them are VIB Rouge. This seems to indicate that the most loyal customers (VIB Rouge) are more likely than others to have Sephora app on their mobile devices. Moreover, within those responders who don't have Sephora app, 29.6% of them are BI. This would seem to indicate that the least loyal customers are more unlikely than others to have the Sephora app on their mobile devices.

Table 7. Frequency of installation on mobile app

| Sephora app installed on mobile device | | | | | |
|---|---|---|---|---|---|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 0 | 54 | 52.4 | 52.4 | 52.4 |
| | 1 | **49** | **47.6** | 47.6 | 100.0 |
| | Total | 103 | 100.0 | 100.0 | |

Table 8. Sephora app installed * Sephora membership status - Crosstab

| | | | Sephora membership status | | | | Total |
|---|---|---|---|---|---|---|---|
| | | | | BI | VIB | VIB Rouge | |
| Sephora app installed on mobile device | 0 | Count | 19 | 16 | 9 | 10 | 54 |
| | | % within Sephora app installed on mobile device | 35.2% | **29.6%** | **16.7%** | **18.5%** | 100.0% |
| | 1 | Count | 0 | 15 | 12 | 22 | 49 |
| | | % within Sephora app installed on mobile device | 0.0% | **30.6%** | **24.5%** | **44.9%** | 100.0% |
| Total | | Count | 19 | 31 | 21 | 32 | 103 |
| | | % within Sephora app installed on mobile device | 18.4% | 30.1% | 20.4% | 31.1% | 100.0% |

## 5. Regression Analyses

Our first analysis aims at examining the relationship between **Customer Satisfaction** (dependent variable), Q15, and the different app features (independent variables), the 7 sub-questions "under" Q12. From the output in Table 9, we can observe that the coefficient of the independent variable (Easy to use) is significant at $\alpha = .05$, with $p = .022$, and the coefficient is positive. It means that an increase in the perception of the ease of use of the app increases the customer satisfaction with the app shopping experience, holding the other variables in the model constant.

Our second analysis considers the relationship between **Likelihood to use the app to make purchases in the future** (the dependent variable), Q16, and the same set of independent variables as in the above analysis - the 7 sub-questions under Q12. From the output in Table 10, we can see that "Makes beauty purchases more convenient" ($p = .040$) and "Easy to find the nearest Sephora store" ($p = .001$) are both significant at $\alpha = .05$, and both coefficients are positive. Holding the other variables in the model constant, an increase in the perception that the app makes beauty purchases more convenient increases the likelihood of repurchasing through the app in the future. Also holding all other variables in the model constant, an increase in the perception of the ease of finding the nearest store through the app increases the likelihood of repurchasing through the app in the future.

Our third analysis looks at the relationship between **Likelihood to recommend the app to others** (the dependent variable), Q16, and the same set of independent variables as in the above analyses—the 7 sub-questions under Q12. From the output in Table 11, we can see that "Easy to find the nearest Sephora store" ($p = .000$) and "Love the exclusive promotions and offers" ($p = .024$) are both significant at $\alpha = .05$, and both coefficients are positive. Holding the other variables in the model constant, an increase in the perception that the app makes it easier to find the nearest Sephora store increases the likelihood of recommending the app to others. Also holding all other variables in the model constant, an increase in the perception of loving the exclusive promotions and offers increases the likelihood of recommending the app to others.

Table 9. Multiple regression output for Satisfaction with the shopping experiences

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .710 | .435 | | 1.632 | .110 |
| | Easy to learn | -.066 | .199 | -.062 | -.332 | .741 |
| | Easy to use | .491 | .207 | .459 | 2.372 | .022 |
| | Advice and tips are useful | .188 | .135 | .185 | 1.391 | .172 |
| | Helpful for discovering latest products | -.088 | .231 | -.077 | -.380 | .706 |
| | Makes beauty purchases more convenient | .190 | .238 | .168 | .797 | .430 |
| | Easy to find the nearest Sephora store | .194 | .116 | .190 | 1.683 | .100 |
| | Love the exclusive promotions and offers | .132 | .106 | .159 | 1.255 | .217 |
| a. Dependent Variable: Satisfaction with the shopping experiences | | | | | | |

Table 10. Multiple regression output for satisfaction make purchases in the next 6 months

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -1.085 | .632 | | -1.718 | .093 |
| | Easy to learn | -.231 | .289 | -.159 | -.799 | .429 |
| | Easy to use | .391 | .301 | .270 | 1.302 | .200 |
| | Advice and tips are useful | -.104 | .196 | -.076 | -.531 | .598 |
| | Helpful for discovering latest products | -.173 | .335 | -.113 | -.517 | .608 |
| | Makes beauty purchases more convenient | .734 | .346 | .479 | 2.121 | .040 |
| | Easy to find the nearest Sephora store | .615 | .168 | .443 | 3.662 | .001 |
| | Love the exclusive promotions and offers | .121 | .153 | .107 | .790 | .434 |
| a. Dependent Variable: Make purchases in the next 6 month | | | | | | |

Table 11. Multiple regression output for recommend to others

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -.302 | .514 | | -.587 | .561 |
| | Easy to learn | .175 | .235 | .149 | .743 | .462 |
| | Easy to use | .213 | .245 | .182 | .870 | .389 |
| | Advice and tips are useful | -.192 | .160 | -.172 | -1.200 | .237 |
| | Helpful for discovering latest products | -.029 | .273 | -.024 | -.107 | .916 |
| | Makes beauty purchases more convenient | .074 | .281 | .060 | .262 | .795 |
| | Easy to find the nearest Sephora store | .531 | .137 | .474 | 3.885 | .000 |
| | Love the exclusive promotions and offers | .293 | .125 | .321 | 2.350 | .024 |
| a. Dependent Variable: Recommend to others | | | | | | |

## 6. Conclusions

Based on the regression analyses, our findings show a pattern of positive correlation between app features and customer loyalty. There are four significant correlations and they are all positive. We also gained insights from the frequencies in an earlier section of the paper; most were not surprising, such as finding that most Sephora customers are female, and the most loyal customers in the loyalty program are more likely to have Sephora app on their mobile devices than those not indicated as the most loyal group of customers. Still, many of the potential benefits of the app were not significant for any of the three somewhat-traditional dependent variables - satisfaction with the app shopping experience, propensity to make purchases with the app in the future, and degree to which one would recommend the app to others.

Our research was aimed at filling the gap of analyzing the relationship between app usage and customer loyalty. Thus, the results represent an important step at revealing some key insights. The newly-introduced *Virtual Artist* feature did not receive a lot of responses. The technology is quite new, so that most customers have not had a chance to learn or use it. We can say that, in terms of the perceived efficacy of *Virtual Artist* by customers, the "jury is still out." With the development of innovative technology in the future, Sephora can likely develop improved features for its mobile app, to better serve and attract customers.

## 7. Limitations and Directions for Future Research

This research has several limitations. The sample size is not particularly large, and it would be useful for a larger sample size to be utilized in future studies. Also, the independent variables chosen may be missing other indicators of customer loyalty.

In fact, only a portion of the questionnaire results were used in the analysis phase of our research. Many of the results in the data set were not used at all; indeed, none of the demographic variables were used in the regression analyses. It is possible that we can obtain a more detailed indication of customer loyalty if we had included the demographics. Perhaps, we would have found that certain genders, or age groups, or people with certain occupations, etc., exhibit different relationships between our dependent variables and the app-related independent variables. Future research may wish to consider these "interaction effects." We do not believe that our “not so large” sample size afforded us the luxury to break down the effects of the independent variables on the measures of customer loyalty separately by demographic categories.

Also, many (non-demographic) questions were unused in our regression analyses. Future research may wish to bring to bear the results from various other questions on the questionnaire, such as how often responders use social media in general, what type of other apps do the responders have on their phone, and other potentially relevant questions.

Our study would have been well served by our having performed stepwise regression analyses along with the traditional multiple regressions. It is possible that, due to multicolinearity, other independent variables may have shown up as useful predictors of customer loyalty.

Finally, the analyses we used for examining customer loyalty are based on three dimensions (customer satisfaction, future purchase, and recommendation to others.) While this appears to be reasonable, and is consistent with prevailing literature, future research may wish to consider additional dimensions that might be indicative of customer loyalty.

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**Appendix A.**

**SURVEY**

**Dear Respondent:**

We are conducting a survey to learn about your shopping experience at Sephora. The following questionnaire will be used for educational purpose only. All answers provided will be held confidential. Your help in completing this project will be greatly appreciated!

1) Have you ever shopped at Sephora?

Yes

No

2) Except for Sephora, where else do you shop beauty products? (Select all the apply)

Neiman Marcus

Saks Fifth avenue

Nordstrom

Bloomindales

Macy's

Official stores or websites

Others (indicate)

3) What kind of apps do you have on your smart phone? (Select all that apply)

Gaming

Business

Educational

Entertainment

Utility

Travel

Social Media

Shopping

Other

4) How often do you use social media tools to obtain information about products and services?

Never

Rarely

Sometimes

Frequently

5) Are you a Sephora Beauty Insider?

Yes

No

6) What is your Sephora membership status?

BI

VIB

VIB Rouge

7) Do you have Sephora's app installed on your phone or any mobile device?

Yes

No

8) How long have you had Sephora's mobile app?

9) Except for Sephora, what other shopping apps do you have on your phone?

10) Have you ever used Sephora's app to make any purchases?

Yes

No

11) Which of the following prompted your recent visits to Sephora store or app? (Select all that apply)

An email I received from Sephora

Pick up my beauty insider birthday gift

Redeem a beauty insider point reward

Learn about something on Sephora app

To check order status

A magazine ad

An online ad

Social media

Recommendation from a friend

Looking for a skincare product

Looking for a beauty product

12) Please indicate the extent of your agreement or disagreement with the following statements about Sephora app with 1= strongly disagree and 5= strongly agree.

The Sephora app is easy to learn

The Sephora app is easy to use

The beauty advice and tips provided on Sephora app are useful

The app is helpful for discovering latest products

The app makes beauty purchases more convenient

It is easy to find the nearest Sephora store by using the app

I love Sephora app's exclusive promotions and offers

13) Do you use Virtual Artist tool (the digital try-on feature on Sephora app)?

Yes

No

14) Did you purchase something after using the Virtual Artist feature on app?

Yes

No

15) Overall, how satisfied are you with shopping experience using Sephora's app with 1= not satisfied at all and 5= very satisfied?

16) How likely are you to use Sephora app to make purchases in the next 6 month with 1= very unlikely and 5= very likely?

17) How likely are you to recommend Sephora app to others with 1= very unlikely and 5= very likely?

18) What is your age?

Under 18

18-24

25-30

31-35

35+

19) What is your Gender?

Male

Female

20) Which of the following best describes your occupation?

Student

Employed

Self-employed

Homemaker

Retired

21) Your Marital Status?

Single

Married

Do not wish to answer

22) What is the highest level of education you have completed?

Less than high school

High school graduate

Bachelor's degree

Master's degree

Doctorate degree

23) Please indicate your approximate annual household income?

Less than or equal to 25,000

25,001 to 40,000

40,001 to 55,000

55,001 to 70,000

70,000 to 90,000

More than 90,000

24) Finally, what is your ethnic group?

White

Hispanic

African American

Native American

Asian/Pacific Islander

Other