



Omni-Channel Prepaid Commerce Strategy Drives New Growth for Sephora

CASE STUDY

Sephora is a visionary beauty-retail organization offering a unique, open-sell environment in 1,780 stores in 29 countries worldwide, along with Sephora.com and the Sephora to Go mobile app.



S E P H O R A

8x

**YEAR-OVER-YEAR
DIGITAL GIFT CARD
REVENUE GROWTH**

90%

**YEAR-OVER-YEAR
INCREASE IN DIGITAL
GIFT CARDS SOLD**

CHALLENGE

When re-evaluating its prepaid commerce program and how to best market digital gifting to customers, it became clear that better alignment to its omni-channel strategy was needed to drive differentiation.

SOLUTION

Leverage the cloud-based CashStar Commerce platform to offer personalized, mobile gift cards that seamlessly cross all retail channels, deliver an optimal customer experience and drive revenue growth.

RESULTS

- An 8x revenue growth rate over the prior year for the digital gifting program
- Launching of seamless, omni-channel prepaid commerce experiences leveraging personalization and mobile technologies in less than 2 months
- A 71% lift in average in-store basket size over the initial digital gift card value
- A 51% redemption rate for digital gift cards within the first month of activation (compared to a 33% redemption rate for plastic gift cards)
- A 30% higher initial purchase value from digital gift cards (versus plastic gift cards)
- A 90% year-over-year increase in digital gift card transactions

SUCCESS STORY

Since its founding in 1970, Sephora has prioritized a dynamic, open-sell atmosphere that fosters experimentation and product discovery. Its stores offer a curated assortment of hundreds of world-class brands and more than 14,000 unique products, including classics, cult favorites, emerging collections and the Sephora private label. With over 1,780 locations in 29 countries, an award-winning website and mobile app, and an interactive online community that amplifies in-store experiences by offering clients exclusive access to personalized beauty advice, Sephora has established itself as the world's premier digital beauty destination and an international force in prestige cosmetics.



Sephora has long been an omni-channel retailer, consistently offering digital, in-store and mail-based loyalty programs, product consultations, exclusive offers and more. The company's digital gift card program, however, remained misaligned with the rest of the Sephora omni-channel strategy. This siloed set-up not only proved inefficient for Sephora, but it also limited Sephora gift recipients to online purchases only.

"As we began to rethink our prepaid commerce program and determine how to best market the concept of digital gifting to our customers, it became immediately clear that an omni-channel strategy was essential," said Bridget Dolan, Vice President, Sephora Innovation Lab. "More specifically, we recognized that mobile was the key to unifying our gifting program across all retail channels and supporting the omni-channel experience our customers were already seeking."

MOBILE-FIRST PROVES TO BE A WINNING STRATEGY

Given the omni-channel gifting capabilities made possible with mobile technology, coupled with the existing affinity for iPhone products and apps amongst its client base, Sephora welcomed an invitation to participate in the launch of Apple's Passbook in 2012. By quickly leveraging CashStar's cloud-based platform and integration with Passbook, Sephora was able to launch a mobile-first, digital gifting offering in just two

months and establish itself as a leader in the mobile payments space. Soon after this initial launch, Sephora expanded to include Web-based digital gifting on the CashStar platform, and also added digital gifting to its Sephora to Go mobile app.

"While we knew that our customers were shopping across all channels, mobile was clearly becoming an important way in which customers were researching products, creating wish lists and making purchases," said Dolan. "In our commitment to doing everything we can to support the next generation of digital shoppers, we recognized that mobile is the wallet of

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this next generation. So we needed to incorporate a gifting technology that could allow shoppers to send, redeem and store digital and plastic gift cards in both the Sephora to Go mobile app or their favorite mobile wallet app.”

CashStar’s solution enabled Sephora customers to instantly send digital gifts from any computer, tablet or smartphone, and it also allowed Sephora to focus on its primary business objective – driving revenue growth through innovative customer experiences – rather than spending time and resources developing and maintaining its own prepaid commerce platform.

In partnering with CashStar to create an omni-channel prepaid commerce strategy, Sephora is able to provide customers with digital gifts that support anytime, anywhere digital access, continual balance information and personalization capabilities. Gift givers can personalize digital gift cards by uploading photos and videos, and also have the option of selecting the Beauty Studio Services eGift Card, which comes with the added value of a 45-minute in-store customer makeover in addition to the face-value of the card. By strategically packaging digital gift cards with in-store services, Sephora has driven more store visits through personalized product recommendations. This tactic has also enabled Sephora to re-target messaging to its customers who have purchased gift cards in the past.

“Our customers are not only incredibly digitally savvy, they’re also very thoughtful gift givers,” said Dolan. “So it was important to us to implement a platform that could help our customers deliver the perfect gift at the perfect time. Being thoughtful shouldn’t be difficult; when a customer remembers a friend’s birthday or wants to say ‘thank you,’ a Sephora eGift allows her to act on that impulse and send a personalized eGift Card at just the right moment.”

SEPHORA

OMNI-CHANNEL GIFTING YIELDS FAST BENEFITS

Since implementing CashStar Commerce, Sephora digital gift cards have gained a higher initial value, faster redemption velocity and a higher basket value at redemption. The company's revenue from its digital prepaid commerce program has accelerated eight times faster than the prior growth rate year over year, and digital gift transactions increased by 90 percent just one year after the full digital program was launched from December 2012 to December 2013.



"The results we experienced just aren't possible with plastic gift cards," said Dolan. "Fifty-one percent of our digital gift cards are redeemed within just one month, compared to only 33 percent of our plastic gift cards. And the average initial purchase value from our eGift Cards is 30 percent higher than our plastic cards. Better yet, with gifting integrated in the Sephora to Go app, our customers have one convenient place to store their gift cards and are no longer losing their digital gifts in crowded email inboxes, leaving their plastic gift cards behind at home, or wondering what the remaining balance is on their cards. By being able to create, purchase and manage Sephora gifts cards directly in the Sephora to Go iPhone app, our new digital gifting platform allows Sephora customers to truly make gifting their own."

Omni-channel prepaid commerce will remain a top priority for Sephora in the year ahead, and the company will continue to lead the way. Dolan adds, "The adoption we've seen regarding consumer digital gifting is incredible, and the customer engagement and loyalty benefits are infinite. We expect digital gifting to become a key differentiator for retailers working to drive omni-channel growth, and we look forward to staying at the forefront of this movement by working with CashStar in the years to come."

About CashStar

CashStar, the industry-leading provider of prepaid commerce solutions, enables the world's top retailers and restaurants to grow and innovate in the rapidly evolving retail environment. More than 300 leading brands worldwide rely on CashStar to power the most innovative and advanced prepaid and digital gifting programs, including Best Buy, Brookstone, Coach, Crate & Barrel, Dell, Dunkin' Donuts, Gap, lululemon athletica, Office Depot, Petco, Pottery Barn, QVC, Sephora, Staples, Starbucks, The Cheesecake Factory, The Home Depot and Williams-Sonoma.

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