



# Analysis of the Sephora Company – Model of a Sustainable Transnational Corporation

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## ABSTRACT

Transnational corporations offer goods and services internationally and are principal players in globalisation. Attempts to define transnationals have been based on the number of countries they operate in or their net worth. Sustainability may be defined as development that satisfies present needs without compromising the needs of future generations. Sustainability may be economic, i.e. development without jeopardising resources for the future or financial, i.e. capacity to attract funds for adequate waste management. We attempted apply these definitions to the beauty industry, using Sephora company as an example. To this end carried out an online data search and bibliographic analysis. In 2022, Sephora posted sales of over US\$14billion, with over US\$7billion in North America, making it the leading worldwide beauty company. Sephora's clientele is younger than other competitors, 37years old on average, 40% are very passionate about beauty and 60% utilise Tik-Tok for information. They are also the wealthiest and are the generation most concerned about the future of the natural environment. Sephora appears to be meeting these concerns by eliminating metals and sand from its makeup; using recyclable carton boxes, printed with vegetable ink and donating to such causes as "Woman Safe". Sephora aims to use only vegetable-based makeup in its own Sephora Collection line by 2025, thereby eliminating silicon, parabens, sulphates and mineral oils. Sustainability is a concept that encompasses economic and environmental viability of a transnational company. The Sephora example suggests that this can be achieved without negatively impacting the financial outlook of the company. Sustainability, therefore, may be a source of mutual gain for both transnationals and the nations that they operate in.

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## 1. Introduction

A transnational company is a company, which produces goods or offers services on an international scale, beyond the borders of the mother company, which has its headquarters in the country of origin. Also, transnational societies are principal factors in economic globalisation.

The process of globalisation intensifies the need for economic development, which remains an urgent global requirement. Although many countries have achieved substantial growth in national revenue, more than one billion of the planet's residents continue to live in poverty. Economic inequities within countries remain considerable and there is little hope of convergence of the income levels of different countries of the world. In reality, a series of developing countries face an increasing risk of marginalisation.

Moreover, globalization has its risks, one of the most important being the risk of marginalization of countries less prepared for competition on a global scale, each country must be able to capitalize on its development potential, including through the use of direct foreign investments.

In the economic literature there are several attempts to define transnational societies, which, in general, take into account various quantitative elements, such as:

- ✧ the number of countries in which the respective company operates (for example, according to specialist Vernon, this must be at least 6)
- ✧ the size of the turnover (for example, over 100 million dollars);
- ✧ the minimum share of assets held abroad as a proportion of total assets the company;
- ✧ the share of the labor force employed abroad as a proportion of the total employed labor force, etc.

The British economists Neil Hood and Stephen Young believe, for example, that a minimum number of 5-6 countries and a minimum share of assets held abroad as a proportion of total assets of 25% is necessary and sufficient.

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Specialists' opinions differ regarding the size of the parent company's participation in the capital of the new entity, which would allow it to exercise control, namely, the optimal size is estimated to be between 10% and 25%.

OECD analysts consider a share between 10% in the USA and 20-25% in the European Union states as sufficient (bibliography here).

Of significant importance, for the attempt to define the transnational company, is the holding of assets generating added value abroad and their coordination within a common policy and strategy developed by the parent company.

The best-known and most cited general definition of the concept of sustainable development is contained in the so-called Brundtland Report of the World Commission on Environment and Development: "sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

Thus, sustainability implies meeting all the present needs of mankind, without compromising the resources intended for future generations.

The concept of sustainable development starts from the idea that the Earth's resources are exhaustible, therefore limited, so they must be used responsibly and conservatively, in order to reduce the harmful effects that can negatively influence the environment. One of the best examples of this is the ever-increasing amount of waste present in both water and land, which has quite a large impact on the quality of life of people and animals, contributing to pollution.

Sustainable development falls to both the general population and economic operators, but the latter produce more waste, which is why they can contribute to a greater extent to the protection of the planet.

Currently, there are two concepts of sustainability: economic and financial sustainability.

**Economic sustainability**

An economically sustainable business is a company that has mechanisms and plans or projects in mind to help it develop without jeopardizing the resources it has at its disposal, or rather, that it plans to use.

**Financial sustainability**

The financial sustainability of a company can be achieved by raising funds through various innovative methods of waste collection. Before implementing them, however, it is good to know that all companies have various obligations when it comes to the use of packaging.

There are two scenarios through which economic operators can achieve these objectives. The first is by organizing your own mechanisms, and the second by using the services of a Responsibility Transfer Organization (O.I.R.E.P.), which can take over this task.

The concept of sustainable development covers all the forms and methods available to both the population and businesses to use natural resources in such a way that there is a balance between social, economic and ecological aspects for the protection of the environment.

A company can do several projects, based on which some of its objectives can propose the sustainability of the business. Among them can be found:

- ✧ projects related to the adoption of a responsible behaviour towards the environment;
- ✧ scheduling courses through which employees can use new, innovative resources;
- ✧ sponsorships and donations for ecological causes that can attract tax exemptions, therefore ensure the financial and economic sustainability of the business;
- ✧ procurement projects of ecological machinery;
- ✧ projects for the creation of modern sites for packaging storage;
- ✧ projects for the selective collection and sorting of waste.

## **2. Methodology**

The real purpose of this work is to analyse the need and impact of sustainability on transnational companies, to see what the effects of the implementation of different methods for the selective collection and use of recyclable materials are, in an environment increasingly in need of attention from people. In order to finalise this scientific process, several research methods were used, such as the collection of data and information, as well as their interpretation. Also, information was sought in the online environment, data correlation and information summary, as well as own contribution were carried out.

## **3. Sephora-statistics & facts**

Most beauty aficionados have their favourite shop where they can browse through the aisle, discover new product launches, and test and try the items they are interested in, and for many, this place is Sephora.

The French retailer was founded over 50 years ago and thanks to its widespread presence in more than 30 countries and a great number of stores, it is now one of the leading shopping destinations for beauty supplies. In the late 90's, Sephora became part of the company Louis Vuitton Moët Hennessy (LVMH) and expanded its activity to the United States, with the opening of its first shop in New York.

In the following years, Sephora managed to enter many other markets, including the Middle East and Canada.

### Sephora's impact

In 2022, Sephora boasted more than 14.5 billion U.S. dollars in worldwide sales, of which nearly seven billion was generated in the United States. These outstanding results led Sephora to be listed in a ranking of the fastest-growing retailers in the North American country. However, Sephora is also very popular in its country of origin, taking up the third spot as the leading beauty retail company based on turnover and the first spot as French beauty consumers' preferred brand in 2023.

### Identifying the Sephora shopper

In the United States, the Sephora customer is about 37 years old on average, younger than other stores offering a selection of beauty products, such as Walmart or Ulta Beauty. During the same period, female US Sephora clients had the greatest income. Some 40 percent of its customers declared themselves very passionate about body care, skin care, and hair care product categories and more than sixty percent preferred Tik Tok as an information source for beauty products.

### Young consumers and the Sephora frenzy

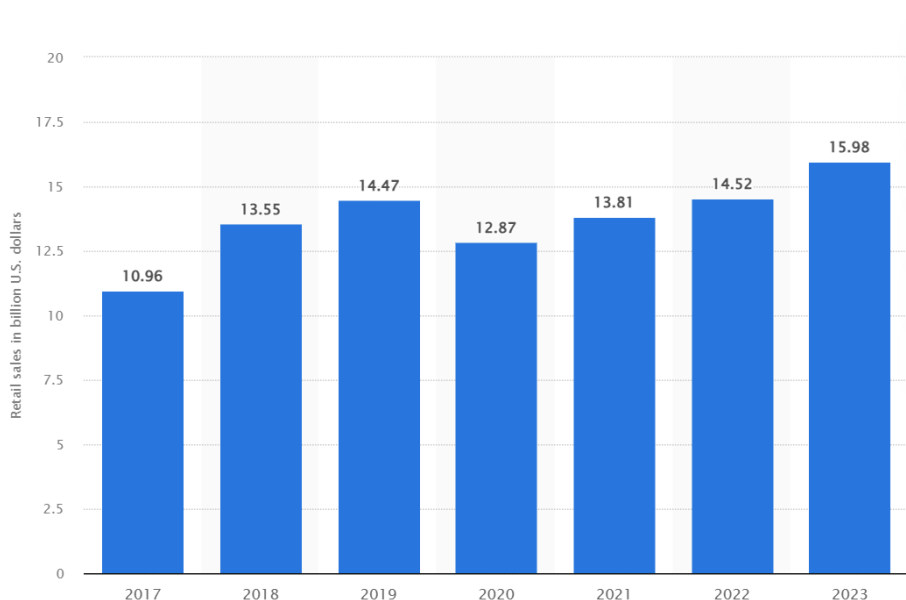
Sephora recently made the headlines because of the plethora of beauty lovers and influencers belonging to Generation Alpha that appear to be keen on prestige brands like Drunk Elephant. They have caused controversy as a result of their behaviour in the company's stores. Sephora has always been a preferred brand for younger generations: based on a recent survey, it is in fact the leading beauty preference for Gen Z in the U.S., followed by Ulta Beauty and Target.

According to the data that can be seen in the figure below, there is a slight increase in 2019, but in 2020, the year of the Covid-19 pandemic, when everything took an unfavorable turn in such a business, which almost everything depends on trying the products by the customer. The Sephora company has implemented new rules and strategies at a rather alert pace, this can be seen that starting with the year 2021 there is an increase in turnover by approx. 1.5% per year. This was due to the fact that Sephora has invested significantly in online sales in recent years, and these have come to represent 70-80% of the total, since the beginning of the pandemic, Jean-Andre Rougeot (CEO Sephora Americas) said in - an interview for wwd.com.

During the crisis caused by the new coronavirus, the cosmetics retailer strengthened its ties with brand partners, paying its contracts on time (30 days, not 90, as other retailers did)

Customers are encouraged to use virtual consultations and apps like the Shade Finder on Sephora.com, along with the Virtual Artist feature found in the Sephora app.

Given that Sephora has a strong and stable online presence, it was very helpful to implement and adapt to the pandemic climate. For customers who want the experiences and benefits of in-store shopping, a strategy has been implemented that includes the use of in-store beauty advisors to guide online product inquiries via video chat or text. Paid virtual consultations have also been offered, offering a more in-depth conversation with specialists, alongside in-store queuing, allowing customers to check in and be notified when it's their turn. All this allowed for an experience close but safe from the health point of view to that of a visit to the store.



**World retail sales of Sephora from 2017-2023 (billion US dollars)**

Source: Sephora - retail sales worldwide 2017-2023 | Statista

Today, Sephora has more than 600 stores in Europe and approximately 1900 stores internationally, present in 29 countries around the world. In Romania, Sephora has been present on the market since April 2007. At the beginning of this year, Sephora Romania had 36 stores nationwide.

The turnover for Sephora Romania was 482,317,893.00 RON in 2023, with a net profit of 53,514,311.00 RON.

Compared to the previous year, the company recorded a 24.67% increase in turnover, and the number of employees also increased, to 379; where in 2022 it had a turnover of 386,887,171.00 RON, and the number of employees was 354.

Economic Presentation with Data for the last 5 years in Romania. Turnover, profit, employees.

	2017	2018	2019	2020	2021	2022
Turnover - Ron	229.384.509	263.982.996	303.704.013	247.867.375	311.250.585	386.887.171
Total income - Ron	229.840.487	264.191.370	304.165.267	251.636.012	311.523.272	387.501.744
Total Expenditure - Ron	208.013.307	240.602.419	272.604.087	234.648.434	279.698.079	343.655.254
Gross Profit/Loss - Ron	21.827.180	23.588.951	31.561.180	16.987.578	31.825.193	43.846.490
Net Profit/Loss - Ron	17.668.673	19.162.676	26.361.988	14.922.656	27.712.565	37.334.116
Employees	311	330	372	333	327	354

We can see from the economic balance sheet that Sephora is profitable even in 2020, in the midst of a pandemic year. The year 2022 had a spectacular comeback, which allowed them to hire more people. The various marketing strategies, such as the development of applications for finding the most suitable skin shade (Shade Finder) or the collaboration with Instacart offering same-day delivery; the partnership with Klarna, allowing more flexible payment options. Also became the first beauty retailer to partner with Instagram Checkout.

### Sustainability in Sephora

Sephora- was launched in 1970 by Dominique Mandonnaud and in 1997, it joined the Louis Vuitton Moët Hennessy group and entered the Romanian market in April 2007.

Sephora- we care for good performing products, more natural and vegan formulas, a reliable development process.

When the Sephora Collection product formulas were developed, the most innovative external laboratories specialized in research and development were always chosen. More than 12 years ago, it was decided to exceed the barriers of international regulations and make our own list of prohibited or restricted ingredients. Today, this list contains over 1400 ingredients and is one of the strictest on the market. Thus, the new range of skin care products, "Good for skin.you.all", launched in 2019, is based on a formula that has eliminated parabanes, sulfates, mineral oils and silicone. It is desired that by the year 2025, all Sephora brand products will be vegan, with the exception of the Black Peel-Off Mask, 89.7%-without ingredients of animal origin. During the development process, which can last up to 3 years, most products undergo tests (at least 20): dermatological and clinical, performance evaluation by consulting hundreds of consumers, validation by toxicological experts. These tests are carried out on 3 levels: on the sites of Sephora's suppliers, in its own internal quality laboratory and by independent organizations. The company's biggest challenge is to gradually create 100% recyclable and reusable packaging by 2025. Sephora products are lighter and made from recycled materials: 70% of the metal is recycled and the wood comes from trees from sustainably managed forests. The training department replaced paper with digital platforms, which, in 2019, saved over a ton of paper. The new Sephora Collection warehouse has a high performance HQE environmental certification (High Environmental Quality standards).

Examples of sustainable actions in Sephora:

- ✧ Eliminated sand from Sephora Rouge lipsticks and metal from Colorful eyeshadow and blush palettes, reducing environmental impact.
- ✧ Work with influencers in a responsible manner. They receive the products only after accepting the shipping proposal. Simple boxes made from recycled cardboard are used.
- ✧ 80%\* of Sephora products are manufactured in Europe.
- ✧ In France, all profits from the sales of the Sephora Collection range were donated to the "Woman Safe" association.
- ✧ Sephora Collection won the first R Award for the ecological design initiative of the "Good for skin.you.all" range, awarded by Club Génération Responsable.

- ✧ The cardboard packaging used in the "Good for skin.you.all" range is printed with vegetable ink.
- ✧ Due to supplier selection standards, a network of over 150 reliable and expert partners has been drawn up.
- ✧ The GOOD for RECYCLING recycling program was launched in Sephora in France in 2014, and more than 5 million perfume bottles have been collected to date. In Romania, this program was launched in October 2020. Through this program, anyone can bring cosmetics from any brand to Sephora stores, so that they can be recycled. Each package is sorted according to its origin. Glass or plastic will become secondary materials in the use of new products, and complex materials with various components are used in energy production.

#### 4. Conclusions

The Sephora brand started in France in 1970 as Shop 8 by Dominique Mandonaud. By partnering with the English brand Boots PLC, it takes its first step towards being transnational. The purchase of Boots PLC (called Sephora) by Mandonaud in 1993 makes it truly transnational. The Louis Vuitton Moët Hennessey (LVMH) group buys the brand and makes it global.

The secrets of the brand's success include:

1. Possibility of in-store testing, Mandonaud's concept
2. Flexible product return and exchange policy, customer credit
3. Wide range of brands
4. Many events with the possibility of consultation dedicated to customers.

Therefore, through the policy dedicated to the customers, using the financial power as well as the international connections, a transnational such as Sephora manages to constantly establish itself in the market. Sustainability is a concept that encompasses economic and environmental viability of a transnational company. Sustainability in business has become an important consideration for the future, with many companies committed to finding sustainable ways to create goods and services and deliver them to consumers. The term "sustainable business" refers to a different approach to running a business by developing environmentally, socially and economically efficient strategies. The path to these objectives can be traced through an assessment of the current situation of the companies, through specific measures and a well-structured implementation plan. Discover in this article more information about sustainability in business and its importance in managing environmental as well as social and economic objectives. The Sephora example suggests that this can be achieved without negatively impacting the financial outlook of the company. Sephora brand products are lighter and made from recycled materials: 70% of the metal is recycled, and the wood comes from trees from sustainably managed forests. The new Sephora Collection warehouse is an example of the commitment to promote greener logistics.

It holds a high-performance environmental certification HQE (High Environmental Quality Standards). It can be said about Sephora that it is a transnational company that is very involved in this sustainability process, that's why Sephora Collection won the first R Award for the ecological design initiative of the "Good for skin.you.all" range, awarded by Club Génération Responsable. Sustainability, therefore, may be a source of mutual gain for both transnationals and the nations that they operate in.

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