

THE ALLIANCE BETWEEN EL CORTE INGLÉS AND SEPHORA

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Sephora is a specialist perfumery chain, belonging to the french group Moët Hennessy Louis Vuitton (LVMH), which operates a network of about 1,500 stores in 30 countries in Europe, Asia and America. In Spain began operations in 1998.

In 2005, Sephora and El Corte Inglés established a partnership through the joint venture Sephora Cosmetics Spain, which involved the joint exploitation (50% each partner) of the 18 establishments which by then had the french group in our country. Since the start of operations in Spain, Sephora had consistently presented losses, which were reversed in black numbers since the establishment of the alliance. At the end of 2010, Sephora had 92 selling points in Spain, 34 of which were in commercial areas belonging to El Corte Inglés.

In late summer 2010, the partners decided to strengthen its alliance with the creation of a new joint venture for the exploitation of high-end stores, where profit margins are quite high. The new joint venture, called Perfumes y Cosméticos Gran Vía, was 55 % owned by El Corte Inglés. For future commercial action, the new company had registered its trademark under the new name PCGV Perfumes y Cosméticos Gran Vía El Corte Inglés.

The first store, which had become the symbolic landmark of the chain, opened on November 10, 2010 to take advantage of Christmas season. The new store, located on the Gran Vía (Madrid), was designed similarly to the one that the french group has on New York's Fifth Avenue. It occupied a large area of 640 square meters just at the same place where there was a store formerly called Sfera.

Question: Discuss the advantages and disadvantages of this alliance for El Corte Inglés and Sephora.