

# LULULEMON



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# HISTORY & EVOLUTION

- Lululemon was founded in 1998 in Vancouver, Canada by entrepreneur Chip Wilson.
- The brand emerged from Wilson's previous ventures in surfing and skateboarding. Wilson first started a surfing company called Westbeach Sports, which then led to the creation of a skateboarding brand known as Homeless Skateboards.
- After selling his skateboarding brand in 1997, Wilson began exploring new opportunities. Lululemon initially operated as a design studio by day and a yoga studio by night, opening its first storefront in 2000.



(MARCOCENTRAL, 2024)

- Recognizing the emerging trend in yoga apparel, Lululemon introduced its signature product: black stretchy pants made from a durable, cotton-like fabric.
- These pants gained popularity not only among yoga enthusiasts but also among runners and athletes.
- Over the years, Lululemon has thrived on its reputation for high-quality, exclusive, and flattering athletic wear, especially during a time when options for women were limited in the early 2000s.

Lululemon evolved by incorporating feedback from customers, brand ambassadors, and athletes, enhancing their product design, branding, and overall shopping experience based on valuable input.



# PRODUCT LINE

- Sizes 0-20 are available on some women's apparel such as leggings but most apparel items offer sizes 0-14 or XS-1X.
- Deep and curated assortment of products.
- Wide range of categories, products, and color offerings.

## WOMEN'S CLOTHES →

Leggings

Bodysuits

Coats & Jackets

Dresses

Hoodies & Sweatshirts

Joggers

Jumpsuits & Rompers

Long Sleeve Shirts

Pants

Polo Shirts

Shirts

Shoes

Shorts

Skirts

Sports Bras

T-Shirts

Tank Tops

Underwear

## ACCESSORIES →

Backpacks

Bags

Belt Bags

Crossbody Bags

Hair Accessories

Hats

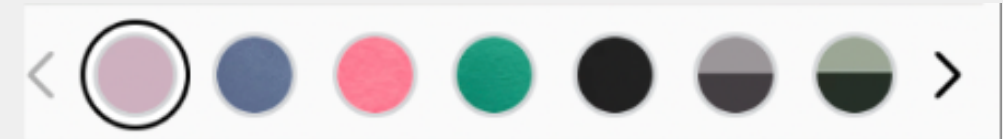
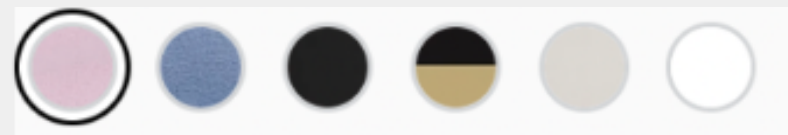
Socks

Water Bottles

Yoga Mats



# PRODUCT LINE





# PRODUCT LINE

- Men's clothing is offered in sizes xs-3xl or 28-46 for pants.
- There is a wide range of colors, especially neutrals.

## MEN'S CLOTHES -->

Pants

Button Down Shirts

Coats & Jackets

Half Zip Sweatshirts

Hoodies & Sweatshirts

Joggers

Long Sleeve Shirts

Polo Shirts

Shirts

Shoes

Shorts

Socks

Sweaters

Swim Trunks

Tank Tops

Trousers

T-Shirts

Underwear

## ACCESSORIES -->

Backpacks

Bags

Belt Bags

Caps

Crossbody Bags

Duffle Bags

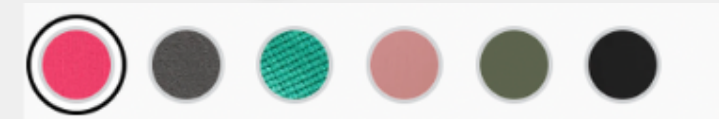
Hats

Water Bottles

Yoga Mats



# PRODUCT LINE





# PRODUCT LINE

- Women's shoes are offered in sizes 5-12; Men's shoes run from 7-14.
- Women's shoes come in 17 styles while men's shoes are only offered in 4.



## SHOES BY GENDER →

Women's Shoes

Men's Shoes

## SHOE TYPES →

Cross Training Shoes

Running Shoes

Slides

Sneakers

Trail Running Shoes

Workout Shoes



# SALES (IN THOUSANDS)

## NET REVENUE IN 2023: ABOUT \$9,600,000

- In 2023, net revenue surged by \$1.5 billion, marking a 19% increase from the previous year's \$8.1 billion, reaching \$9.6 billion.
- The rise in net revenue was predominantly driven by amplified revenue in the Americas region. This boost was primarily attributed to escalated comparable sales, which saw an 8% increase.
- The rise in comparable sales stemmed mainly from heightened traffic, although partially offset by reduced transaction values and conversion rates.

(MCDONALD, 2023)

## PREVIOUS YEARLY REVENUES 2021-2022:

	2022	2021
	<i>(In thousands)</i>	
Net revenue	\$ 8,110,518	\$ 6,256,617
Cost of goods sold	3,618,178	2,648,052
Gross profit	4,492,340	3,608,565





# SWOT

## **Product Innovation:**

Lululemon consistently strives to pioneer progressive activewear that surpasses customer anticipation.

## **Consumer engagement:**

emphasizes the cultivation of authentic interactions and connections with its customers.

## **Social media presence:**

Through consistent and engaging content, Lululemon creates an immersive brand experience that resonates with its followers.

## **Financial growth:**

Net revenue increased 16% to \$3.2 billion.

## **Activewear market growth:**

As the global activewear market continues to grow, Lululemon finds itself presented with opportunities for both revenue growth and market expansion.

## **Expansion into more global markets:**

Expanding into new markets provides Lululemon with the opportunity to extend its market reach and connect with a wider array of consumers.

## **Interest in wellness and self-care:**

As consumers increasingly prioritize their health and well-being, Lululemon has the opportunity to leverage this trend.

## **Sustainability:**

Sustainability and eco-friendliness are gaining prominence in the industry.

## **Digital Integration:**

Brands are embracing digital technologies to enhance customer experience.

## **High product pricing:**

The elevated pricing of Lululemon's products may be viewed as a drawback.

## **Narrow Focus Audience:**

Lululemon mainly caters to fitness enthusiasts and those embracing athleisure, its marketing endeavors might not adequately engage with other demographic segments.

## **decreased market shares:**

Lululemon's shares plummeted towards the end of March 2024 after issuing disappointing guidance.

## **Style limitations.**

## **Foreign exchange risks:**

Currency fluctuations represent a significant risk for Lululemon.

Increased sustainable efforts and attention in the market:

Competitors' improved technological capacity presents multiple challenges for Lululemon.

## **Economic downturn:**

During economic downturns, such as recessions or periods of uncertainty, consumers often prioritize essential expenses over discretionary spending.

## **Increased Competition:**

The athletic wear market is becoming increasingly crowded, with new entrants and established brands alike vying for market share.



# COMPETITORS

## Alo Yoga

### Opportunities:

- **Product Focus:** Alo Yoga has gained popularity by focusing on high-quality yoga and athleisure wear, similar to Lululemon.
- **Aesthetic Appeal:** Alo Yoga is known for its stylish designs and trendy aesthetics.
- **Strong Online Presence:** Alo Yoga has focused on building a robust online presence, including e-commerce and social media engagement.

### Threats:

- **Intense Competition:** The athletic wear market is highly competitive, with well-established players like Lululemon, Nike, and Adidas.
- **Supply Chain Vulnerabilities:** Like other companies in the apparel industry, Alo Yoga may face supply chain vulnerabilities. Disruptions due to geopolitical events, natural disasters, labor issues, or pandemic-related challenges can occur.

## Nike

### Opportunities:

- **Global presence and expansion:** Nike has the opportunity to further expand its footprint into emerging markets and regions where the demand for sportswear and athletic apparel is on the rise.
- **Technological Advancement with Artificial Intelligence:** Product Design and Development is a critical area where AI can significantly benefit Nike.

### Threats:

- **Shifting consumer preferences:** Shifting consumer preferences, especially towards sustainable and ethically manufactured products, pose a significant risk to Nike.
- **Supply Chain Interruptions:** disturbances in Nike's supply network, stemming from occurrences like natural adversaries, political unrest, or trade conflicts, have the potential to significantly disrupt Nike's functions.



# COMPETITIVE ADVANTAGE

**Brand Identity and Loyalty:** Lululemon has built a strong and distinctive brand identity that resonates with its target market. The company's focus on high-quality, stylish athletic wear and its emphasis on health and wellness have attracted a loyal following. This loyalty translates into repeat business and word-of-mouth marketing, driving sales and brand recognition.

**Community-Centric Approach:** Lululemon's community-focused strategy creates a sense of belonging and engagement among customers. By encouraging each store to function as a community hub, Lululemon fosters personal connections with its customers through in-store events, classes, and workshops. This approach builds brand loyalty and reinforces Lululemon's identity as more than just a retail outlet.

**Decentralized Store Management:** Lululemon empowers its store managers with autonomy, allowing them to operate their stores with flexibility and creativity. This decentralized model fosters innovation at the store level and allows each location to adapt to its unique market. Store managers are encouraged to personalize their store layouts, product assortments, and marketing strategies, leading to a more localized customer experience.

**Feedback Loop for Product Development:** Lululemon has established a robust feedback mechanism that allows store managers to communicate directly with the design teams. This system enables the company to incorporate insights from the shop floor into future product development, ensuring that products meet customer needs and preferences. This direct feedback loop contributes to Lululemon's ability to innovate and stay ahead of trends.



# COMPETITIVE ADVANTAGE CONT.

**High-Quality Products:** Lululemon's reputation for producing high-quality athletic wear is a significant competitive advantage. The company's emphasis on durable, functional, and stylish products has attracted customers seeking premium athletic wear. This focus on quality differentiates Lululemon from lower-cost competitors and justifies the brand's premium pricing.

**Omnichannel Retail Strategy:** Lululemon has embraced an omnichannel approach, offering customers a seamless experience across online and offline platforms. This strategy allows the company to reach a broader audience and cater to different shopping preferences. Lululemon's integration of e-commerce with its physical stores creates a cohesive brand experience for customers.

**Emphasis on Wellness and Lifestyle:** Lululemon positions itself as a lifestyle brand that promotes health, wellness, and mindfulness. This broader focus on wellness differentiates Lululemon from competitors that solely focus on athletic wear, allowing the company to connect with customers on a deeper level.



# SUSTAINABILITY POSITION

**Climate Action:** Lululemon aims to meet its 2030 science-based climate targets by focusing on reducing greenhouse gas emissions and sourcing renewable energy. The company's goals include reducing absolute GHG emissions in its owned and operated facilities (Scope 1 and 2) and lowering GHG intensity in purchased goods and services, upstream transportation, and distribution (Scope 3). The specific targets include a significant reduction in GHG intensity from 2018 levels.

**Product and Material Innovation:** Lululemon is committed to using preferred materials and offering end-of-use solutions to extend product life. By 2030, the company plans to have its products made with preferred materials and introduce business models that encourage product reuse and recycling.

**Circularity and New Guest Models:** Lululemon is developing new business models that encourage circularity by extending the life of its products. This could include programs that promote product reuse and recycling, reducing overall waste.

**Water and Chemistry:** The company aims to reduce freshwater use intensity with priority wet process suppliers and ensure compliance with the ZDHC Manufacturing Restricted Substances List (MRSL) to improve chemical management. Lululemon plans to decrease freshwater use intensity significantly by 2025 and achieve 100% compliance with the ZDHC MRSL at priority suppliers by 2025.

**Packaging and Waste:** Lululemon seeks to reduce single-use plastic packaging per unit and reduce packaging intensity. By 2025, the company targets a considerable reduction in single-use plastic packaging intensity and aims to increase the percentage of renewable electricity used in its facilities.



# SUSTAINABILITY POSITION

Goal	Metric	Baseline year	Baseline	2021	2022 <sup>16</sup>	Goal	Goal year
Reflect the diversity of communities we serve and operate in	Percentage of <u>racial diversity</u> <sup>17</sup> of <u>assistant managers</u> <sup>18</sup> and directors	2020	21%	23%	27%	30%	2023
	Percentage of racial diversity of all employees in global stores <sup>19</sup>	2020	31%	37%	40%	40%	2023
Be the place where people come to develop and grow as inclusive leaders for the world	Total number of hours employees participate in volunteering, professional learning, and development <sup>20</sup>	2022	658K	–	658K	4.5M	2025
Expand gender pay equity to full pay equity	Percentage of employees with full pay equity <sup>21</sup>	2020	100%	100%	100%	100%	2022
Make wellbeing programs available to makers	Total number of makers who participate in wellbeing programs	2021	20K	20K	55K	100K	2025
Achieve Fair Labor Association accreditation	Qualitative	2020	Updated Vendor Code of Ethics	Completed onboarding stage	Completed Milestone 2	Achieve FLA accreditation	2024
Provide access to wellbeing tools and resources	Total number of people reached	2021	1.4M	1.4M	4.4M	10M	2025
Invest to advance equity in wellbeing through the Centre for Social Impact	Total amount invested	2021	\$13.7M	\$13.7M	\$29.4M <sup>22</sup>	\$75M	2025
Launch the Centre for Social Impact	Qualitative	2021	Centre launched	Centre launched	–	Centre launched	2021



Lululemon's unique brand identity and devoted community of wellness enthusiasts distinguish it from competitors. These loyal customers willingly invest in the brand's benefits and seek membership in exclusive communities like #sweatlife, which promotes a wellness-oriented lifestyle. (Lululemon, n.d).

Leveraging an omni-channel strategy and strategic social media marketing, Lululemon has ascended to the forefront athleisure market. Lululemon also has sustainability initiatives such as developing and assessing new prototypes using plant-based nylon and polyester. While they've already introduced plant-based items, these fabrics will feature in a broader range of product lines in the coming years, aligning with their goal to transition all products to sustainable materials by 2030. (Salpini, 2023).

Lululemon can enhance its sustainability efforts by establishing a transparent supply chain, ensuring visibility from production to distribution. Currently, there's limited evidence of Lululemon taking substantial steps to preserve biodiversity within its supply chain. Although the brand has collaborated with industry experts to align its Responsible Supply Chain (RSC) program with the OECD's Due Diligence Guidance since 2022 which addresses various adverse impacts, including those related to workers, human rights, and the environment, there's a lack of transparency regarding Lululemon's actual supply chain practices in terms of environmental responsibility. (Responsible Supply Chain Disclosure, 2022).

**Lululemon's prime opportunity lies in responding to growing consumer demands for transparency and integrity within supply chains. By prioritizing this focus and disclosing details of its product creation process, Lululemon can foster greater trust among consumers. Moreover, in a market increasingly prioritizing sustainability in purchasing decisions, such transparency would give Lululemon a competitive edge over its counterparts.**

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