

# The company and its position in the market

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Lululemon Athletica is a yoga-inspired retail store that produces athletic apparel that promotes healthy and active living. Established in 1998, lululemon has been able to grow as an international athletic brand, with 124 stores across Canada, the United States, and Australia. Lululemon has consistently developed unique athletic products and demonstrated innovative marketing techniques to gain market share, in the highly competitive athletic apparel industry.

Dominated by large well-established corporations, lululemon has grown their niche by marketing their products to women that are both socially and physically conscious, that strives to create a well-balanced and healthy lifestyle. Lululemon has no significant changes in reporting principles between years. Financial statements are comparable and consistent. In terms of common shares, lululemon has diversified itself, which eliminates the chance of individuals controlling activities. Lululemon owns all of its trademarks however share its patents and intellectual property rights with their suppliers.

Lululemon has faced 4 class action lawsuits since 2007. Two of which were related to breach of employment contract and two of which were violations to the Californian Labour Code. Three external forces have been identified that influence the way lululemon operates: social trends through the increasing popularity of yoga, economic conditions due to the current instability in the United States economy, and charitable opportunities. Lululemon is active in building strong relationships with communities in which they are located. From 2006-2010 lululemon saw a growth in net income from \$1, 394, 000 in 2006 to \$58, 281, 000 in 2010.

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In four years, this is a combined growth of \$56, 887, 000. A direct link between lululemon and its end customer, without being a wholesaler, have resulted in fewer large credit sales, and a relatively low average collection period of 4. 5 days (average) between 2008 and 2010. The increase in average collection period can be attributed to the opening of franchise operations, creating larger receivables from stocking of the stores. Well-managed debt and expansion based of capital raised have kept financing at a minimum with a low interest expenses.

Lululemon is performing consistently well in its profitability, solvency and liquidity ratios. The Company and Its Position in the Market Lululemon Athletica is an athletic apparel retail company that specializes in yoga, dance, and running wear clothing. The company designs and sells fitness tops, pants, shorts, jackets, and accessories through its own retail stores and franchises. Originally a women's fitness apparel store, lululemon carries full lines of men, women, and children clothes that promote healthy lifestyle inspired active wear.

The founder of lululemon athletica Dennis " Chip" Wilson opened up the first lululemon retail store in Vancouver, B. C. , after much success of his first sports businesses: Westbeach Sports and Chip and Pepper. Chip founded the dynamic, yoga-inspired athletic apparel company in 1998 with the mission to " create components for people to live longer, healthier and more fun lives. "

1 The original store shared a space with a yoga studio and now lululemon runs 124 stores internationally; 45 in Canada, 70 in the United States, and 9 in Australia.

" Since [their] initial public offering in July 2007 until January 31, 2010, the price of [lululemon's] common stock has ranged from a low of \$4. 33 to a high of \$60. 70 on the Nasdaq Global Select Market and from a low of CDN \$5. 60 to a high of CDN \$58. 77 on the Toronto Stock Exchange". 3 From the beginning, Chip Wilson's vision of " elevating the world from mediocrity to greatness," 4 put lululemon in a unique position within the community that allows growth that extends beyond the four walls of its retail stores.

Building a legacy around the community in which lululemon stores are located is a vital part when choosing the locations of the stores. From in-office yoga classes to biking/jogging/walking to work, employees are encouraged to be active on a daily basis. Hosting in-store yoga classes and providing filtered water stations in all stores help its customers create the healthy and active lifestyle that lululemon is committed to promoting. Lululemon believes they " have been able to help address this void in the marketplace by incorporating style along with comfort and functionality into [their] products.

" 5 Premium quality combined with unique style is often difficult to find in athletic apparel. Products designed by athletes for athletes, as well as feedback from its ambassadors (people who embody the lululemon lifestyle) allow lululemon to stay ahead of the curve in innovation. Lululemon designs include many small details incorporating functional qualities such as cuffins (built in mittens to keep your hands warm on chilly mornings<sup>6</sup>) and emergency hair elastics. These small details and functional qualities provide added benefit to consumers when using and wearing lululemon products.

Pants, sweatshirts, jackets, and tops are designed as fashionable apparel to be worn before, during, or after physical activity. The durability, uniqueness and functionality are components of lululemon's products, which directly allow them to compete with industry leaders in the athletic apparel market. Lululemon's primary target consumer is a woman that is socially and physically conscious and one who acknowledges the benefits of leading a well-balanced healthy lifestyle. " She is increasingly tasked with the dual responsibilities of career and family and is constantly challenged to balance her work, life and health.

" This target market is very dynamic and conscious of external environmental trends. Lululemon also focuses its products towards men and women who work, play, and share a common goal of living a healthy life. Lululemon " believes consumer purchase decisions are driven by both an actual need for functional products and a desire to create a particular lifestyle perception. " 8 As direct competitors Nike, Adidas, and Under Armour are strong worldwide-recognized brands that are able to generate higher sales because of the broader line of products and customer bases.

For that reason, lululemon also competes against smaller yoga-inspired athletic clothing companies such as One Tooth Fashion, Tonic Lifestyle Apparel and Lotuswear. Lululemon " doesn't advertise on television, preferring to market itself with community-based campaigns, including free outdoor yoga sessions. " 9 Lululemon uses free local newspapers, community events, store openings, and word of mouth to promote and advertise their brand. When lululemon opened the Vancouver store on

Robson Street, " it ran a contest that gave away free outfits to the first 30 people who showed up naked.

" 10 This non-traditional marketing allows lululemon to stand out in an industry dominated by large, well-established corporations. Lululemon also created buzz for their company by taking advantage of the 2010 Winter Olympics, being held in Vancouver. Olympic knockoff apparel was popular with consumers, however, lululemon pushed the limits in producing Olympic inspired apparel, despite not being an official outfitter or holding an agreement with VANOC for rights to the trademark.

Lululemon's price point reflects their high quality, whereas smaller retailers produce goods for less, leading to lower consumer pricing. The high price point may deter shoppers on a tight budget and push them to buy from smaller or imitation retailers with lower quality. Therefore, any impact on the textile athletic apparel industry would be in the form of competitors lowering selling prices or decreasing their product and manufacturing costs.