

Lululemon marketing flashcard



**ASSIGN
BUSTER**

Introduction The company which our focus centers on is the prestigious Lululemon. What started out as an underground yoga and design studio blossomed today into a \$225 million-dollar company that offers premium athletic clothing at high-end prices.

It all started one day when the company founder, Chip Wilson, decided to try something new - yoga, a physical activity that emerged in 1997 which appealed to the independent woman. Wilson was a fanatic in every type of board; he took joy in surfing, snowboarding, and skateboarding. After his first session of yoga, Wilson found the experience so exhilarating and akin to the post feeling of boarding. Yoga today is the central focus surrounding Lululemon, the lifestyle which the customers pursue. Lululemon is dedicated to provide quality clothing that people can move, sweat, and be comfortable in. Although today, women from all segments of society can dress in Lululemon apparel due to the fact that people tend to dress much more casual and for comfort.

Wilson never planned to expand outside from the Kitsilano location which housed the first Lululemon store. Today, Lululemon offers its products all over the globe with retailers in Australia, Hong Kong, Mexico, Philippines, Singapore, Taiwan, Canada, United States, and Japan. Lululemon Objectives Lululemon's primary objective is to improve and make impacts and improvements on the global communities by eliminating and removing waste that is harmful to the society. The company eliminates supply chain packaging, product manufacturing, product policies, retail environments, and purchasing practices to eradicate excess wastes in our professional and

personal lives. Moreover, the company intends to influence our personal lifestyles too.

An example is purchasing reusable coffee cups and reusing Lululemon's garment poly bags. It can decrease your laundry expense; eliminate the chance of using plastic bags, and decrease pollution and wastes. Place As the business expand into a global market, Lululemon has been building up relationships with, the United States, China, Taiwan, South Korea, South America, Israel, Indonesia, Thailand and Vietnam. This relationship is formed for the cause of manufacturing partnerships in order to support demand for capacity and technological capability. Lululemon has followed to illustrate a strong, ethical and talented global manufacturing team.

The company's first step is to identify a potential factory partners. The company first creates a strong manufacturing team by having the company's Director of Global sourcing to carefully observing and examines Lululemon's factory relationships. Afterwards, they will choose a group of manufacturers who particularly have the capability, capacity, quality, and responsible actions towards society and environment. The second step is to audit and inspect the factories. SGS, the third party auditor of Lululemon Company, organizes and conducts a formal audit.

The audit includes a combination of review of timesheets, accounting records, health and safety reports, factory inspections, and interviews with all the workers and factory owners. The Corrective Action Plan (CAP) will be inducted if a violation against the company's Code of Conducts occurs during the audit. Moreover, the company would also plan out an outline or a scheme

to implement the solutions to resolve the problems. Lululemon has a compliance team that revisits the factory and reviews the changes that were made during the audit.

However, the process will start again with the discussion for generating improvements if the solution doesn't meet the expectations of the company's. The product development with the factor will begin after the company has finished the audit. However, before the process of production begins, all factory partners must sign and write a commitment to Lululemon's Supplier Agreement which outlines the manufacturing standards. The cost is the primary factor that the company based on to determine which factory partners receive the apparel manufacturing work orders. Lululemon uses a Balanced Scorecard to evaluate the partners depending on their social and environmental responsibility, delivery capability, and price value and quality assurance.

The factories among the group of partners that achieve the expectations of the four aspects are the fortunate ones that Lululemon will work with each season. The last step is to establish a frequent presence. For instance, Lululemon sends out the compliance team, Commercialization team, Lululemon Liaison Office, and Quality Assurance team to visit the factories many times within a year. Additionally, the company also host formal SGS audition twice a year. In terms of Lululemon's current location, the most current move is the fifth time in seven years.

Lululemon relocated its headquarters yet again due to the need for expansion. Now located in Vancouver's North Shore boasting with more than

31, 000 square foot of warehouse space, it is even coupled with a high-ceilinged yoga studio which offers free yoga classes at lunch to the company's employees. Though Lululemon was not always this big and bright, in 1998, the initial Lululemon retail spot was a small space shared with a yoga studio. Although small and cramped, this actually was to Wilson's advantage because his team of engineers could design clothes by day and put them to test at night, all in the same area. This way, they had instant feedback and could refurbish their products the next day and put them to trial again.

This repeated cycle eventually led them out the small space and found a store of their own in Kitsilano. Product Balance. Harmony. Culture. This is Lululemon's motto and their products follow the same style.

Lululemon central focus is on an active lifestyle for the independent women. However, with the continuous success, Lululemon decided to branch into men's apparel as well. With the aim of comfort, function and sustainability, Lululemon thought the best way to harmonize with nature was to wear it. Oqoqo is Lululemon's organic line of clothing which uses natural materials such as bamboo, organic cotton and hemp. The Oqoqo branch of clothing is old exclusively in B. C.

and it is designed for comfortable street wear with no athletic purposes in mind. On the other hand, the original brand of Lululemon stands other wise. Luon is an exclusive material of Lululemon's apparel that is designed to increase body performance that allows for full-ranged movements. The other two materials exclusively from Lululemon are Silverscent and Vitasea.

Silverscent technology claim to use real silver fibres which are guaranteed to reduce body odour. Vitasea is aimed specifically at conserving ecology by using seaweed fibres. Although these sound great and have good intentions behind it, the line of Vitasea and Silverscent hold certain controversy in their history as research have found that certain Lululemon apparel does not utilize the promised materials. These garments are not only healthy and good for the environment; they are also known to accentuate the curves of a woman which lots of other brands tries to mimic.

Pricing Lululemon is one of the few companies that managed to discover a trend and exploited it. In 1998, Wilson uncovered the yoga movement and he thought the traditional cotton clothing was too hefty for the yoga practitioner. Therefore, with function and comfort in mind, Wilson managed to ride the yoga movement and develop a line of clothing that is both fashionable and functional. Lululemon can price their products very high because it was one of the exclusive companies which marketed quality yoga apparel.

Lululemon also maintained the quality of their image by restricting the sale of Lululemon products only within Lululemon stores and no other retailers. However, this has only worked in Canada. By targeting a niche with an exclusive product, this niche has now expanded to incorporate a large market and Lululemon is still able to maintain its high-end price. Although now there are other companies competing with Lululemon's specialized yoga gear such as small companies like Lotuswear and big companies like Addidas are also launching their yoga lines.

Promotions Lululemon managed to achieve its level of success without the common usage of television, newspaper, or radio ads. Instead, Lululemon relies on the classic word-of-mouth, by offering free Lululemon garments to yoga and fitness instructors, these people are able to pass on the message to any clients they teach. Lululemon has thousands of mini-marketing departments instead of a single old fashioned one. However, Lululemon only seeks out truly healthy and active people to be their local ambassadors. Each store is also encouraged to develop its own marketing program according to their surround environments.

For example, the Lululemon branch store in California offers yoga classes on the beach. The company also heavily relies on store-to-community relationship as each store only employs active and outgoing young people. These employees make short and long term goals aimed to make the world a better place which are posted on the back wall of each store. When customers come in for their shopping, they can also view the healthy goals of each employee and can support them on those.

Employees themselves also feel a genuine sense that the company wants them to lead a healthier life as Lululemon pays for two classes a week for their employees. Although these employee training techniques sound wonderful, Lululemon has had troubles regarding their employee training techniques. Landmark Education is a program headed by Lululemon offered as management training. This program is supposed to significantly change your life and make you more active after just three days. Even though this sounds harmless, some people have accused it of being a cult.

Another example of the company's controversial marketing techniques was in Kensington, Ontario, where the first 30 customers who enter the store clad only in their underwear will receive a free Lululemon outfit. A similar stunt happened in Vancouver but this one attracted far more attention. Young girls entering the store were not even checked for ID and they attempted to cover their breasts with their hands but however; the employees denied the girls to cover themselves. Furthermore, cameramen followed the half-naked girls around the store and some of the pictures have already been published on the newspapers. Caitlin Coull, public education co-coordinator for the Sexual Assault Center in Kensington said the event might be classified as a sexual assault to those who did not give consent. A couple of the girls openly expressed their feeling of violation and this was one of the few events of Lululemon that received general negative feedback.

Another method that Lululemon uses to appeal to the customers is through Facebook, a popular social utility on the Internet. This is an effective method because Facebook has a very good ripple effect. People pass on information from one to another rapidly so Lululemon just have to contact a few loyal customers in order to have a huge line of customers lining up for their event sales. This also gives Lululemon a certain extent of control over the market because people use Facebook almost on a daily basis. This way, Lululemon has a virtual umbrella effect over the general market. •Competitive strength Lululemon chose their location to have their stores on the streets, lifestyle centers and malls that easily attracts consumer's eyes and creates an effect that it is an essential part of the community.

Their retail concept is to conceive the offer for customers an educational experience based on the community-centric philosophy. The sales associates are trained must be acknowledged with the technical design aspects of the products. This is able to enhance the store's appeal as a community hub. The company also uses the attributes such as core values and distinctive culture to attract and appeal employees. They will provide the employees with goal-oriented environment and lessons to encourage them to achieve their professional and potential service to the customers.

This strong and tight relationship between the employees and the company will be the primary contributor to success. •Domestic success In 2006, with revenues doubling annually over the last four years rising now to \$120 million, Lululemon really has nothing to complain about. With 33 stores across Canada and 1, 700 employees, Lululemon is dubbed as one of the fastest growing companies in Canada. It is also a leader in the idealization of a healthier living style and a greener world. For example, studies have shown that bisphenol A, a common ingredient in most water bottles, may be a cause of cancer and infertility. Lululemon is the second largest store in Canada which has stopped the commercialization of these water bottles in early January of this year.

The company received recognition from Advocacy group Environmental Defence for putting customers' health before profit. •International success Even though Wilson never planned to expand beyond his first store in Kitsilano, Lululemon now has 17 stores in the U. S. and 5 across the seas.

Lululemon's first international store was in Santa Monica, U. S. due to the fact that Americans spend \$2.95 billion annually on yoga gear alone.

Lululemon sold 48% of its shares to Advent International Corp.

and Highland Capital Partners for about \$108 million. The man mainly responsible behind Lululemon's international expansion efforts was Robert Meers, CEO of the company. Meers was the former CEO and president of Reebok international and he helped to make Reebok into a \$4.6 billion dollar company from a \$13 million dollar company, and he also facilitated the expansion into more than 120 different countries.

With Meers on board, Lululemon is prepared to take an aggressive expansion plan. However, cultural barriers stand in the way as yoga is largely a Western movement and Meers is not sure if foreign countries would embrace the Lululemon's culture of a healthy lifestyle. Growth strategy Lululemon intends to significantly expand their store base in North America; especially United States because they believe it is a convincing opportunity. On one hand, the company decides to have new stores to enhance and strengthen their markets. On the other hand, Lululemon tempt to selectively incorporating their markets into United States and Canada. They assume that the sales in United States are able to illustrate the company's portability of the brand and retail concept internationally and allow them to increase brand awareness.

They plan to open 30 to 35 stores in the fiscal period 2008 in United States and Canada. Furthermore, Lululemon will also increase brand awareness and achieve brand insistence by focusing on their marketing efforts and store

expansions. The company's primary grassroots marketing programs are designed to reinforce the premium image of our brand and our connection with the community. These efforts from their marketing program will strengthen the company's brand in the community and create an excitement effect for Lululemon Athletica. For instance they develop relations with local fitness practitioners, creating in-store community boards, and facilitating fitness activities in the communities the company will introduce new product by focusing on the development and the features of the fabrics that make the brand unique and differentiate and distinguish them in the market and broaden their customer base.

Another method is to use advanced technologies, implement the features of the fabric, and use different and diverse manufacturing techniques. These can successfully appeal the products and increase the company's profit. Moreover, Lululemon broaden the appeal of their products by seeking and contriving opportunities to improve the productivity and enlarge the company's overall addressable market. The company has carry out many methods to accomplish such tasks. For instance, they are planning to increase the men's appeals in their business to their sales and have more of a variety in their product offerings such as bags, undergarments, outerwear and sandals; and increase the range of the athletic activities our products target. The company also plans to expand their markets beyond North America through their relationships such as, Japan and Australia.

Analysis We believe that Lululemon is considered one of the designer brands that have rapid growth in the athletic apparel market in North America. They did an excellent job in using the yoga concept to inspire customers to

purchase the apparels that are marketed under the brand. On the other hand, they not only persuade customers to purchase apparels in their stores, but they also incorporate a healthy performance in their lifestyle. Moreover, we think that Lululemon made a significant differentiation between other markets. They have innovated new athletic apparel, which combines right fitting and comfort and the incorporation of style and function.

However, the promotional strategy in Kensington, Ontario, where the girls were forced to bare their breasts for a free Lululemon outfit was a really bad method because it led to negative feedback for the company and destroyed part of the brand's reputation. Therefore, we think that another plan should be carrying out to make up for the damage. Since Lululemon only became public recently, the company was reluctant to release statistics and core information as shown by the transcript attached in Appendix A. The main factor of Lululemon's success has got to be the lucky timing which Chip Wilson caught the yoga movement and exploited this niche. Nowadays, people have a large focus on healthy living and sustainable environment, Lululemon is riding the trend once again.

At Lululemon, it is not just about the profit and the volume of sales, it is also about the relationship between the customers and the employees.

Lululemon is surely impacting the world, one community at a time.

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