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Marketing Management
MKT 501

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Section 1: Executive Summary:

Adidas, Nike, Champions might be, if not are, the biggest names in the sports attire industry. Lululemon though, stands in a different area of success and marketing. Lululemon is wildly trusted and has its own culture to the extent that it came up with a term; *athleisure*. The term presents a new lifestyle that many sports lovers use and believe in. Athleisure are exercising dressing that are suitable to be worn out of the gym or the class. Lululemon came up with their own fabrics to balance a clothing that would be both comfortable to be worn during movements and suitable enough for casual wear. The company maintains a research and development lab to develop material and fabric for their business. Their business expands from clothing to shoes, yoga mats and water bottle. The lab has around 50 employee including scientists and physiologists.

Section 2: Brand Overview:

Chip Wilson, a Canadian who found his love for yoga in the 90s. He noticed that the movement of yoga requires a certain fabric with a certain texture that differs from other sports. In 1997, he sold his company, rented a shop, and shifted his focus on his new product. His shop turned into a yoga studio in the evening in an attempt to generate money. His goal was one branch only, near his house, so he could himself be its supervisor. After 20 years of constant work and traveling, he chose such a lifestyle for himself to be around his family often. He never thought of expanding his business nor even producing in mass because the market is full already with Nike and Adidas designs. His goal was simply a lifestyle that would help him maintain stable days with his family and co-workers.

The quality of his designs and product were too excellent to remain quit or private in a one city. In addition, Wilson himself worked in the store and had a friendly relation with his employees which created a culture that attracted customers who felt as if they belonged. Sales were increasing well, and the products were receiving excellent feedback.

2005, after six years of the foundation of the company, there were 20 branches with a 40 million dollars sales. A Private Equity Company noticed the

rising numbers and thought of it as an opportunity for an investment. 48% of Lululemon was sold to, and they were a part of the decision-making process of the business. One of the most popular practices of Private Equity Companies is the Exit Strategy. The strategy targets more of everything, more branches, more products, more designs, and so on. The strategy aims eventually for an IPO. A new CEO was appointed while Wilson was appointed as Manager of innovation. A new administration was created from zero.

Bob, the new CEO, was the CEO of Reebok. So, he has experience in the athletic wears and its mass production. But what makes him the suitable fit is the obstacles he faced with Reebok when they launched products for women. Lululemon mainly targets women. So, the obstacles that he managed and passed well will be his foundation as the new CEO. Bob raised the number of the branches to 100, in Canada in the USA with 350 million dollars in sales. Then, came the IPO.

The numbers were satisfying for any monetary eye, but Wilson, the founder and the passionate owner, noticed that the sales of the stores individually were not as what he pictures. The numbers from the outside differs from the inside. The employees, as well as the customers, were not what he experienced himself when he was the managers of one branch. Wilson points his complete focus in the values and the environment for the employee. Yes, he aims for an international successful business. The culture of his firm did not reflect any of what he had in mind. So, a change in the head was required, and a new CEO was appointed.

There were two teams with two completely different cultures who represented two companies in Lululemon. Bob, and his executives who were into the financial statements only, and Wilson, with his values and mindset. A certain management style that is quite common is the central administration where all events go up to the higher management. Such a management method works for most of the retail business, but in Lululemon, it was not working. The third challenge was the stores in the US. They had fancy locations and themes with sales that do not go up to the costs. Christine M. Day, since her beginning days with company, she addressed these matters swiftly completely. Her journey with the company started in 2008 until 2013.

Christine went back to the begging of the company up till the first store where the culture was different. The store had its own hierarchy and management method where the head of the branch make suitable decision for the culture of its city. Christine brough back the method where each store became an individual institution with its management team and decisions. The central management was abolished to the extent that the head quarter was renamed into *The Branches Services Centre*. The branches are the heart of the firm. She reinforced the entrepreneurship mindset of every branch manager which made each one functions as a start up that decides its marketing strategy and budget, as well as their products. The culture of the firm is crucial that the new employees take a course that goes up to a month to fully grasp the vision and the values and its vital part. And since the philosophy of Lululemon is well being of the mind and body, the employees were included in the message. They receive courses and training to maintain a healthy status of their minds and body. These courses are annual gifts for those employees who do continue with the firm year after year. The budget of the training of the first year under the leadership of Christine was 3,7 million dollars. The full decision-making freedom that was given to the mangers of the branches was not successful for all. Some of the managers spent the marketing budget in an unsuitable campaign and so on. Others chose a theme that does serve the message of the products. Nevertheless, some managers exceeded the success that was expected of any. One turned the store into a studio with actual yoga classes with a fixed schedule. The store created a list of *Ambassadors of Lululemon* who gives and leads the classes. And the classes are free! It is all about the culture of health and spreading the message. Christina Day of Lululemon was chosen as CEO of the year by The Globe and Mail:

"If you want to know how Lulu has done it, however, do not bother reading the financial statements. They reflect good numbers, of course: net revenue up 39% in the second quarter to \$212.3 million year over year; comparable store sales 18% higher on a constant dollar basis and income from operations up 74% to \$59.5 million (both over the same period). But no matter what the numbers say, when a stock is trading at 48 times earnings in the retail sector, something other than arithmetic is involved. This would be yet another contradiction that Lululemon artfully manages to maintain in this case, a company seemingly devoted to its "guests" that nevertheless refuses to give them exactly what they want."

A different in point of view started to emerge between Christine and Wilson which lead her to leave the firm. Lululemon continued its work on the path that she drew up till today.

2005	2019
20 Branches	440 Branches
40 Million Dollars	3 Billion Dollars
500 Employees	16000 Employee
Canada	Internationally

The Product Life Cycle of Lululemon:

Introduction Stage:

Wilson himself was an advocate of the healthy lifestyle that was increasing back in the 90s. The increase of women participant in the sports fields. He introduced new fabrics and philosophy which is wearing athletic attire in everyday life.

Growth Stage:

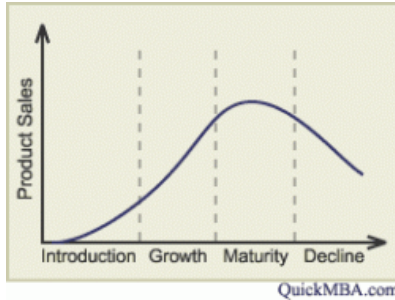
The stage is defined when a product stands out in the market and becomes familiar. The products of Lululemon reached such a stage in a short amount of time as women wear wearing them often during their day. Such popularity had to be made use of which then made the firm introduce men's wear as well.

Maturity Stage:

The maturity stage is when the sales slow down. Lululemon has not yet reached a slow movement on sales. It is thought to be because of the effort and budgets that are put into the innovation and designing process.

Decline Stage:

It is the longest stage of all, as thought by many. Lululemon has obviously been growing in numbers in all categories.



Section 3: Competition Overview:

The top 10 competitors in Lululemon's competitive set are Nike, Adidas, Under Armour, Gap, L Brands, prAna, Sweaty Betty, Outdoor Voices, Lolë and PUMA. Competition is a natural element in any fields. Those competing in the field always attempt to stand out by obtaining what is called *A Competitive Advantage*.

Lululemon attempts to stand out by implementing different method and strategies. Community building is the main strategy that the firm uses to differentiate itself. Stores pair with local entrepreneurs and athletes to build a community promoting the message of wellbeing. There are as well team programs. Lululemon's team program is implemented to develop long lasting relationships with athletic teams, fitness facilities, and yoga studios.

With the rising awareness of fair-trade and the rights of the workers in the beginning of the stages, the firm looks behind the vendors:

"Lululemon prides itself on differentiating themselves with the use of different vendors. A policy has been created by Lululemon requiring that all vendors must be open, transparent, and cooperative by simply allowing full access to facilities, as well as provide full disclosure on all locations, resources related to production, and practices. Vendors are required to reduce waste, reuse, and recycle whenever the opportunity presents itself. Vendors are chosen based off of a system that the company uses where vendors are matched and reviewed if they uphold similar values in relation to the company."

Registering patents is one of the tools that ensures that Lululemon's designs remain exclusive to them. The patents ensure that other brands do not replicate any of the products or its quality. A patent is usually granted for 14 years from the date it was granted, which is an extra benefit. Once the patent is expired, the style of the design would be out of the trend which will be pointless to copy and reproduce.

From a design standpoint, Lululemon seeks to be steps ahead in the field. They develop their own research on fabrics and materials. Innovation is a word that is commonly used around. Lululemon live by the word to the extent of having their own labs with their own archive. The company is constant developing materials to help present new designs and concepts in their products.

Feedback is crucial and valuable for any business that seeks constant development. Lululemon values feedback that the company sends its new products to certified yoga instructors and professional athletes to test them and write back to the company. The feedback prevents any risks before the mass production and before presenting the product to the customers. Such a step keeps the products at a certain level of excellence.

Section 4: Target Market:

Wilson had a message of encouraging a healthy lifestyle and maintain it. His first target was as small as his personal circle. Because of his small target, his focus was all put on the quality of the products. The quality attracted more and more practitioner of yoga and fitness in general which eventually expanded the target audience and market in general. The market expanded to cover men's wear and shoes leading to different product of water bottle.

When the market expanded, the firm had to adopt new management method to excel in its performance in a wider range. The language used in the marketing process had to be suitable for an audience who is familiar with fitness. An audience that is living by the message of the brand.

Section 5: Segmentation- Demographic - Psychographic.

Segmentation: Lululemon is not aiming for affordable prices to set its foot in the market. On the contrary, their products are widely noticed to be expensive. The firm focuses on high quality material with a lot of marketing about the process. The process of manufacturing is shared publicly to ensure the value of the money paid is seen by the customers. The high prices are welcomed by the loyal customers which makes Lululemon a standalone player in the field.

Demographic: The demographic of the business at its beginning was women between the age of 16 – 35. While the numbers were skyrocketing, an expand of the demographic had to be taken under consideration. Men were included, and still are. Men of the same age and same mentality. The prices of the products made the upper class gain most of the focus of the company in its marketing planning as well actual development of the products.

Psychographic: The physically active people are the focus of the planning and the process of the firm. The message of the company is to promote well being of the mind and the body. So, the mentality and the rhetoric of the brand is towards those who understand the language of fitness.

Section 6: SWOT

Strengths

Trust from consumers.
Innovative and advanced products.
High quality.
Exclusive designs.
Ethical Practices.

Weaknesses

High budgets on staff training.
Time consuming to ensure high quality.
Supply chain.

Opportunities

Expand internationally.
Expand in products and other sports.

Threats

High prices.
The many competent competitors.
The risks in expansion.

Section 7: Marketing Research:

The 4ps model contains the elements of a plan that can be used to obtain benefit as much as possible:

- (a) Product: The products and the quality are the core of the message of the brand. A high-quality product for an active movement during exercises. Constant development and constant innovation are what makes the products of Lululemon stand out. The

company adjusts its packaging up to the latest acceptable standards. These standards are either environmentally friendly or supports fair trade.

- (b) Place: With 440 branches, the firm is developing strategies to maintain the same culture and values in all different places.
- (c) Pricing: It has become part of the brand. The expensive prices are what give the impression of a product that is well put together for the best quality possible.
- (d) Promotion: The main message of the brand remains the same from the roots that Wilson has chosen to live by, a healthy mind and body. The brand internationally promotes and advertises for a constant fit life. Digital marketing is the main tool of advertisements and campaign. Lululemon as well relies on that. The many accounts of the firm are active in posting and replying to the followers. Slogans and campaigns with specific themes are constant work they present.

Section 8: Conclusion and Recommendation:

The competition in each market might terrify one from even having the thought of competing or planning to launch a business. A story such of lululemon might give a glance of the possibility for success. Having a story and value to promote is might be enough for a recognized and well-respected brand. Lululemon almost turned into a common retail business with skyrocketing numbers. But, the owner, who almost lost his passion took the wheel back and brought its suitable culture back. The culture is highly respected to the extent of creating the acceptance of the awfully expensive prices.

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Section 10: Appendix:

Supply Chain

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Patents

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Packaging

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Philosophy

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