

Final Project

BN 325 Global Marketing

LULULEMON ATHLETICA



Presents



In China

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For BN 325 Global Marketing

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EXECUTIVE SUMMARY

This paper will focus on relaunching a dog product from the Lululemon brand i.e, their men's apparel which includes tops and bottoms, in China. Maintaining the production of their dog product and having a complete range of products can benefit Lululemon as it will add credibility to the brand. Throughout this paper, the aim will primarily be to put the men's apparel on an equal footing with their women's apparel.

China has been selected as the market for the relaunch because of the current health crisis the nation is facing with high obesity rate rampant throughout, having pushed U.S. into the second place. Lululemon incorporates yoga and other athletic activities seamlessly into the lives of its customers so it only makes sense for them to do that in China as well.

After a thorough examination of the brand, it is apparent that the brand perception is very yoga and women centric . The former, which is the basis of their niche market, isn't much of an issue but the latter is, because it hinders the growth of the men's apparel. Lululemon needs to take some drastic measures in order to alter the brand perception and sales potential of their men's apparel. Lululemon can begin by launching a sub-brand called *Yao Ming* which will specialize in menswear so that the parent brand can continue focusing on women's apparel while *Yao Ming* will take care of the men's . *Yao Ming* should undertake measures like customizing the apparel to fit Asian men's bodies, opening stores dedicated to men to highlight the importance they are placing on this demographic, using a Chinese celebrity for the first time in their history to represent the brand and as the sub-brand's name suggests it should be no other than *Yao Ming*, China's beloved basketball player in order to use his influence to reach the new target market and have him communicate their brand values to the right audience to build a better brand reputation among men.

They should also consider making use of TV advertising by having *Yao Ming* featured in advertisements which will be watched by millions and make sure they send out messages that can persist in the customer's mind for a long time.

While going after the male population of China, Lululemon and *Yao Ming* should not take the easy way by jeopardising the environment or the community's wellbeing. Every action taken in order to relaunch Lululemon men's apparel should be within the bounds of what is ethically right.

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INTRODUCTION: Overview of *Lululemon Athletica*

Lululemon Athletica is a Canadian sportswear producer and retailer founded in 1998 in Vancouver, British Columbia and is now the *12th largest sportswear brand* in the world. (Euromonitor International, 2017) Headquartered in Canada, Lululemon has managed to expand its presence internationally through both online and brick and mortar stores. What started off as a retailer of yoga wear and equipment for women now offers a variety of athletic wear including menswear and a sportswear brand, ivivva, targeted at active tweens. Their products are developed using various technologies and fabrics to enhance the product line.

Lululemon has become the brand it is today because of what it sells which isn't just athletic wear but an experience that combines high fashion with health and wellness. Lululemon primarily targets customers who happen to be "sophisticated and educated" women with the desire to pursue healthy lifestyles. In 2016, Lululemon accounted for 1% value share of global sportswear as recorded by Euromonitor.

SWOT ANALYSIS

Lululemon has maintained their *price integrity* by sticking to a fixed premium price and not discounting their products and in a way maintaining their brand value.

Lululemon mainly sells items at its own stores or on its own website which allows them to have full control over pricing unlike their competitors like Nike and Under Armour, who rely on retailers like Dick's Sporting Goods and Foot Locker for *distribution* which affects their financial results negatively.

Lululemon not only sells products but they also work closely with and within communities. Usually, free yoga classes and meditation are hosted so as to show that it wants to be more than just a store to consumers but a *community* that consumers want to be a part of. In addition, they are known for having very *loyal customers* and for having grown an almost cult-like following in North America among its target audience of educated, health conscious and high income women.

On the other hand, when the Lululemon brand is mentioned, people usually perceive it as a yoga brand and to be more specific they imagine *women doing yoga* which makes it difficult for them to sell and expand beyond this demographic hence presenting a huge challenge when marketing its menswear and other products.

The high prices and the yogic lifestyle that Lululemon embodies act as discriminating factors creating resistance from people unable to participate or purchase. The brand is thus seen by such people as snobby, pretentious, *overpriced and unwelcoming*. This weakens Lululemon's standing with prospective customers who in the future may have the purchasing power but due to the current brand perception they hold, may not want to purchase their products.

Moreover, there has been a hefty amount of complaints and negative reviews regarding their products' *lack of quality improvement* with thinning fabrics and sheerness, which isn't true about every single item but still is a major concern for the brand with their steady hike in prices.

Lululemon's sales are concentrated in North America now, so they have the opportunity to make advances in other parts of the world, more so in *emerging markets* and be able to reap benefits from untapped markets with growing consumer purchasing power. China is perhaps the biggest

opportunity for Lululemon going forward since it is the world's third largest performance apparel market after the US and Japan, and has a high popularity of yoga in the country.

Lululemon can take the opportunity to improve their products besides women's yoga pants, like their menswear which remains a largely untapped market and the market is still significantly larger than that of women's from a global stance. By making changes surrounding the menswear, Lululemon can make the most of this opportunity and make their earnings even more attractive than what it is right now.

Lululemon is operating in an industry where the *competition is fierce* and as a result it faces threats from long existing competitors like Nike, Adidas and Under Armour with lower price points than theirs.

In China, there are individuals and businesses that sell counterfeit Lululemon products in order to deceive vulnerable consumers by using their trademarks and designs on illegitimate websites and fake products, as well as on social media pages. The counterfeiters also ship products in small quantities to avoid detection by US customs officers, and regularly move funds through PayPal accounts outside of the US to avoid enforcement efforts(Media, 2018). (See Appendix 1 for more information)

BOSTON MATRIX

		Relative Market Share	
		HIGH	LOW
Market Growth Rate	HIGH	STAR Women's Yoga Apparel (tops, bottoms)	QUESTION MARK Youth apparel(ivivva)
	LOW	CASH COW Women's Yoga Pants	DOG Men's apparel (tops & bottoms)

Lululemon is closely associated with ‘women’ and ‘yoga’ as a result, their women's yoga pant are considered to be a cash cow as it continues to be the best-selling and highest-profit items. In the beginning stages, Lululemon focused exclusively on athletic apparel for women and in 2016 womenswear accounted for the majority share of sales, at 81%. Other apparel under the women's category are in a high growth market with high market share making them the star.

Their youth apparel under the brand ivivva has the potential to grow but as of now, their market share remain low making them the problem child. The association with yoga and women works against them when they are selling their men's apparel which is noticeably in the category of low growth potential and low market share¹ making them dog products. The sale of men's sports apparel remain minor for Lululemon as was reported that in 2016, men's apparel accounted for only 16% of the global sales.

¹ There is however, an exception to the men's apparel that is being favorably received by their customers and that exception is the ‘ABC pants’ product line. Unfortunately, there is still a variety of men's apparel under Lululemon brand that can be considered as dog products. It will take growing consumer interest and educating more men on the benefits of premium activewear, in order to grow the addressable market.

COUNTRY ANALYSIS of CHINA

Lululemon first entered the Chinese market with a showroom in 2013, and has come a long way since then with more than 16 stores in Greater China, including locations in Shanghai, Beijing and Chengdu currently.

Political

China's ranking improved in the Index of Economic Freedom in 2018 as a result of its increasingly integrated economy within the global system. But its ranking still remains low as there continues to exist considerable state interference in business sectors.

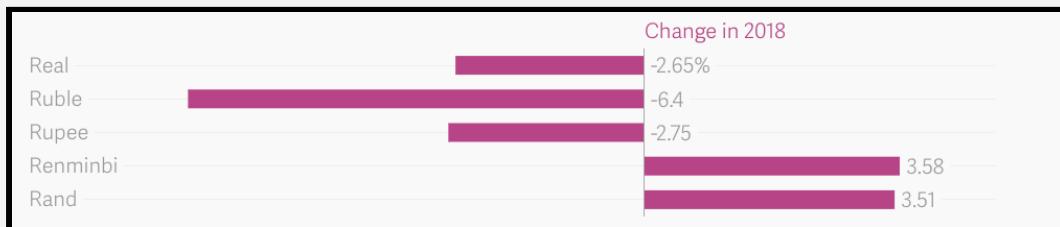
President Xi Jinping announced plans to make China's sport economy the largest in the world by expanding it to *\$850 billion by 2025*, this was in confirming with their goal to build more than 900,000 stadiums and gyms across the country. Their push for sports and healthier living comes as an act to counter the growing rates of health problems facing the nation currently.

China has numerous R&D tax incentives in place to foster innovation in the country, and the one that is drawing a lot of attention is the super deduction of 150% of R&D-related expenditure. Tax reforms were introduced in late 2017 with the goal of providing tax breaks for foreign companies and making their tax rate more competitive going forward.

Economic

In the second quarter of 2018, China's GDP grew by 6.7 percent which is the slowest pace since 2016 owing likely to the trade conflict between China and the US. US President Donald Trump put in place tariffs on \$34 billion worth of Chinese imports. If the conflict continues to escalate, there will be major implications for China's economy as well as the global economy.

According to Trading Economics Global macro models and analysts expectations, it appears the interest rate in China will stand at 4.50 in a year's time. ("China Interest Rate - Forecast", 2018)



Over the span of 5 years since 2012, the minimum wage per month in China rose 40.7% in real terms which indicated the end of low-cost and skilled workers which was the driving force behind China's manufacturing growth in the past. This increase could affect corporations going forward by adding pressure on their profits. (See Appendix 3 for more information)

In a prediction made by Euromonitor International, the Chinese sportswear market is likely to take over *luxury goods* by 2020 owing to the double-digit growth of the market resulting in \$42.6 billion. China's sportswear market appears to be just starting out on its journey right now as this sector only contributes 0.67 percent of the country's GDP compared with 2.2 percent in the European Union. The reason for this growth is likely because Chinese consumers will continue to purchase comfortable and active clothing as the government intends to build up the sportswear market in time for the 2022 Beijing Winter Olympics. ("China's Athleisure Market Isn't Going Anywhere As Functional Fitness Wear Brands Expand | Jing Daily", 2018)

Social

According to the United Nations' projections, China's 2018 population reaches 1.42 billion. There were hundreds of millions of Chinese workers leaving their rural homes to work in factories and construction sites which contributed to the rapid urbanisation and this increased the urban population to 57.9% of the total population. Despite having a large population, China faces skills shortages which could possibly be linked to their higher education attainment rate being ranked as the seventh lowest in Asia Pacific in 2017, this problem can persist for some time since the cost of attaining tertiary education for the local population is high and it becomes almost unattainable. Being aware of the consequences of skill shortages, government funding to universities is being provided to attract highly skilled foreign students to the Chinese higher education sector.

These days there appears to be a shift in the mentality of Chinese consumers from purchasing luxury goods to display as a status symbol to now investing in themselves and centering around mental enrichment through exercising/travelling. They are also becoming more educated on topics such as quality fabrics and style which is opening up opportunities for brands that offer them exactly that. China's Consumer Confidence Index has increased to 112 in 2017 which was a rise of 15 since the previous year. They are spending more on discretionary items with their desire to trade up to more premium brands.

Technological

China has a well developed information and communications technology sector due to increased innovation and higher capital investment. This has led to nearly 90% of total businesses in China using the internet in 2017. After observing this, the government plans to roll-out high speed broadband in rural areas which could possibly lead to more e-commerce activities going forward.

China prioritizes innovation so in order to foster it further, they give incentives in the form of super reductions in taxes for R&D related expenditure. Furthermore, there has been a rise of mobile payment system in the recent years owing to safer and more stable payment system in place, where even Chinese buyers who are known for having high uncertainty avoidance can use it without having to be concerned.

INDUSTRY ANALYSIS

The global sports industry is characterised by weak threat of new entrants which comes as a result of high cost of brand development and high economies of scale that existing brands possess. Most of the major players in this market have global production and distribution network which give them a competitive advantage over any new entrant as they are able to spread their costs and offer better prices to the end consumers.

As clothing is a staple item which high demand, there are many companies outside of the sports industry that produce it but it is difficult for a company to successfully create many substitute products that are high functioning, stylish and appealing for various sports which makes the threat of substitute product low.

In this industry, there appears to be plenty of suppliers with high overall supply which makes the bargaining power of these suppliers weak and as a result minimizes the effect of an individual supplier on the company operating in this industry.

As for the customers in this industry, they face low switching costs allowing them to switch between brands when something doesn't work in their favor. There are many brands in this industry from where consumers can make their purchase giving them moderate to high bargaining power.

The firms that Lululemon is pitched against are highly aggressive in competing for bigger market shares. There is a moderate number of firms that significantly impact Lululemon like Nike, Adidas and Under Armour.

(See Appendix 4 for more information)

COMPETITOR ANALYSIS

Lululemon faces fierce competition in the men's athletic market in China from international giants: **Nike** and **Adidas**. In 2017, Nike held the largest market share of 2.8 percent of the clothing and apparel market worldwide (Facts, 2018). There's competition from domestic brands as well, especially the largest players: **Anta** and **Li Ning**, which in recent years have made major strides in improving quality. The market leader in China's sportswear market is Nike outpacing its competitors with sales of more than US\$ 1 billion in 2017 (Ponciano, 2018).

(See Appendix 5 for further information)

Nike

Nike has a unique strategy in place for its Chinese market. They focus on serving a growing base of consumers through each specific sport. They have even teamed up with the Chinese Government (Ministry of Education) as a strategy to encourage physical activity in schools by enlisting best-in-class international training to help "elevate the school games for kids."

Nike has a global presence and spends heavily on marketing. But it is heavily dependent on footwear segment and shows overdependence on their US market.

Adidas

Meanwhile Adidas also made promises to train Chinese sports teachers who will then go on to teach soccer skills to 20 million youngsters in total in more than 20,000 schools. Through this initiative, Adidas hopes to make millions of kids familiar with their brand. They have managed to teach 13,000 teachers in soccer coaching skills in 2017. ("Adidas Builds a Chinese Empire", 2018)

Adidas has in place a multi-brand strategy which ensures it can operate at almost any point in the market and it has a widespread presence. They use a growth strategy of acquisition which leads to its growth in market share. That being said, the marketing expenses have increased in recent years along with operating expenses. Nike presents fierce competition to Adidas.

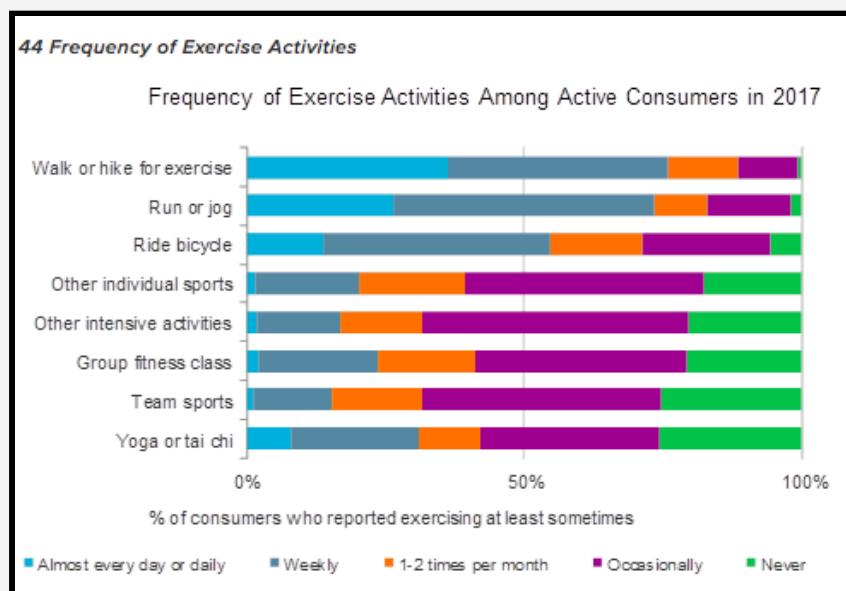
CONSUMER BEHAVIOUR: CHINA

Consumer Spending

As reported by Credit Suisse Research Institute, Chinese consumers are spending more on upgrading their lifestyles, a majority of the growing middle class are now purchasing more premium products when compared to less expensive mass-market products. Among the Chinese consumers, it appears *Young Adults* aged 18 to 29 and *Middle Youth* aged 30 to 44 years old are the forces behind China's growing consumption rate and the rising demand for modern goods and services since they are at their peak earning years and their disposable income continues to rise.

Attitude to Health & Wellbeing

Gym memberships have increased twice as much between the years 2008 and 2016 as found by China Business Research Academy. Furthermore, people are increasingly making an effort to keep fit by walking, running/jogging, swimming and practicing yoga.



Shopping Experience Preference

A majority of Chinese consumers who shop for luxury and premium goods still prefer having the in store experience at a brick and mortar store but there's a growing number who prefer online stores especially via mobile devices.

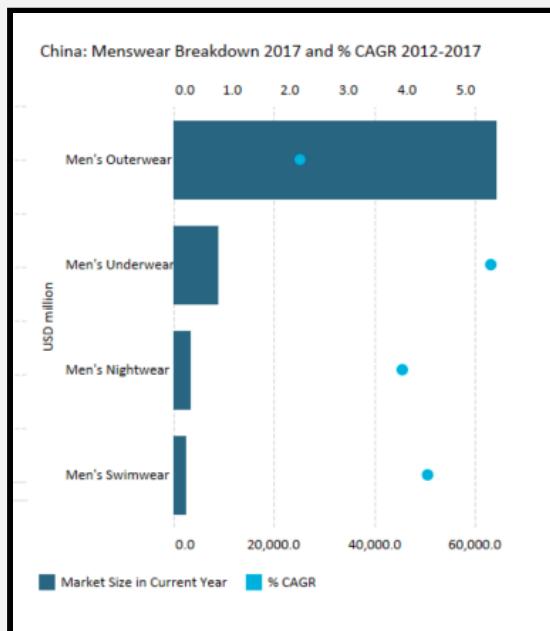
Online Shopping

Chinese consumers carry out a considerable amount of their shopping online incentivized by major online sales events like Singles' Day(November 11) in the country. A Goldman Sachs 2017 report revealed, currently three out of four online shoppers are young, urban and live in top-tier cities but they expect this profile to develop in the near future as more consumers from lower-tier cities get connected to the internet and embrace online retailing. Hong Kong Trade Development Council conducted a survey of middle class consumers which revealed that online shoppers much prefer mobile apps over browsers.

Chinese Men's Behavior

Chinese men are less focused on price and give quality of the clothing more importance because they do not purchase clothing as frequently as women do so it makes sense for them to spend a little more for better quality and durable clothing with the aim of maintaining or achieving status. This leads to men buying clothing from branded stores rather than small local boutiques. Filial obligation is an important motivator in China, particularly among the younger and middle age groups of men, to take care of their health and it demonstrates the influence of family values as a driver for motivations of good health among the men.

Chinese men who buy sports-inspired clothing, not only wear it for sports or outdoor activities but prefer wearing it as a casual attire to work or gatherings.(See Appendix 6 for additional information on Consumer Behavior in China)





BRAND AUDIT of LULULEMON

Brand Perception

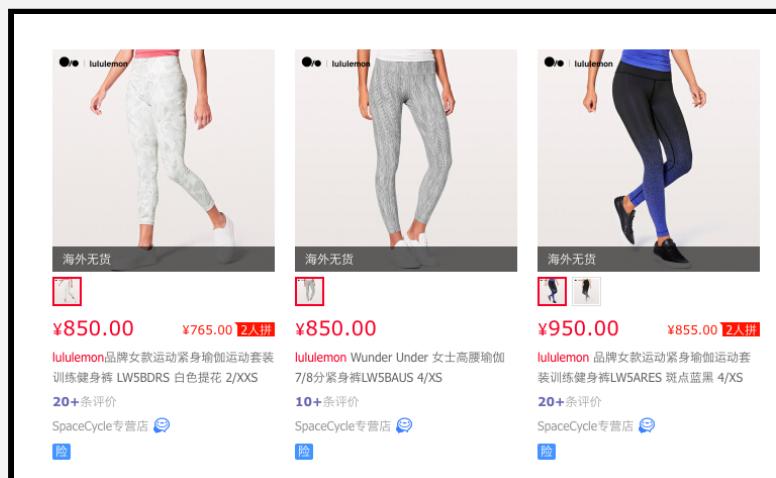
As mentioned in the prior sections of this report, Lululemon is highly associated with young women who are avid yoga practitioners and it appears that this perception is the reason why they are not the first choice for men. Most male customers of the brand when asked about what they dislike, revealed that the brand image is feminine which doesn't blend in with their style and they believe the logo is feminine which doesn't help as well. (See Appendix 7 for further information)

Products

Lululemon products are designed to last five years of intended use which helps reduce environmental impact. They keep their performance apparel design-led which will be valuable with increasing number of fashion-conscious consumers demanding not only functional, but fashionable sportswear. Their apparel however aren't made with a Asian body type in mind which tends to push Chinese consumers to local brands that fit their body perfectly. As for product warranty, they don't replace an item for normal wear and tear, but only replace items with manufacturer defects within 30 days.

Pricing

Lululemon men's apparel are ranged in the premium price level with prices ranging from US\$ 100 - 130 for joggers and US\$ 65 - 90 for shorts and tops priced US\$ 170. Upon examining the prices of lululemon products on JD.com, all their products in China have been priced as can be seen below:





They sell at higher prices in China as well but don't make use of any price endings preferences that is telling of Chinese culture.

Place

Lululemon sells its products through a number of stores which it owns and operates, as well as directly to customers online. Its direct to consumer segment comprises of its lululemon and ivivva e-commerce websites (www.lululemon.com and www.ivivva.com) and a recent addition of their mobile app.

Promotion

Lululemon has a strong social media program to interact with their consumers who are tech savvy and modern. For instance, with the creation of the hashtag #sweatlife, they have encouraged their consumers to converse with them and get tips that they would be interested in. In China, they have brand ambassadors- the drummer of punk band Hedgehog, Atom and actress Yao Chen. They have also established their presence on Wechat with an online store and have a presence on Sina Weibo, although not a lot of followers at the moment.



THE RELAUNCH

Innovation in the following spheres:

Brand Strategy

Almost everything about Lululemon was created with women in mind so it has become near impossible to sell to men. Which is why they should consider using House of Brand model² to introduce a sub-brand that differentiates itself from the parent brand. It should be called **Yao Ming** named after China's most famous athlete and NBA star. Aimed at men, Yao Ming should appeal to the male audience in China and grow their following.

It should have the potential to become what Jordans is to Nike, the impact so huge that Michael Jordan's name is attached to his shoes and people connect the signature shoe directly to his performance and being and not necessarily to Nike. Yao Ming should resonate the same effect as Jordans in the Chinese athleisure apparel market so that it can be its own brand and make a bigger impact.

SEGMENTATION

Demographic and Psychographic Segmentation

Segment A: Young male adults between the ages of *18 to 29* years. In China, there are approximately *109 million* of them in this age range. These optimistic and confident Chinese consumers are comfortable with consumer credit and as a result prefer spending on themselves rather than saving. They demand for products like personal care products and clothing, and travelling services. As they belong to the Post 90s generation, they are *tech savvy* and are a driving force behind online shopping in China with how they shop on social network platforms like Weibo and Wechat. Euromonitor International Global Consumer Trends Survey 2017 reported that 15% of Young adults in China look to social media personalities as role models.

Being young, they have a lot of energy which they pour into physical exercise and social activities. They are avid consumers, spending heavily on clothing, foods, music, and other youthful favorites, with particular emphasis on new products and services.

² In this model, individual products can focus on what they each do best without limiting the larger group's businesses growth.

Segment B: This cohort is comprised of male individuals from the ages of *30 to 44* years. China has roughly 163 million men who fall in this age range. With an income³ higher than the average disposable income in top-tier Chinese cities, they are practical consumers and rational decision makers. They are mature, responsible, and well-educated professionals. Their leisure activities surround their homes, but they are well informed about what goes on in the world and are open to new ideas and social change.

Segment C: Mid-lifers are those who are *45 to 64* years old which makes up 204 million men. Chinese urban mid-lifers are reliving the youth they never had by participating in sports like hiking and biking along with tai chi. They also enjoy early retirement and enjoy an ample pension having worked in a formal sector. They are motivated by achievement and are successful work-oriented people who get their satisfaction from their jobs and families. They are politically conservative and respect authority and the status quo. They favor established products and services that show off their success to their peers.

Segment D: Those aged 65 years and over, predicted to almost double in number between 2017 and 2030 which could account for 14% of the total population(205 million) in 2030. Health related products and services are most definitely going to be in high demand in the future. They are not generally online shoppers but are more likely to be found in brick and mortar stores.

TARGETING

Yao Ming will be targeting two of these segments. The target market will be the affluent Young Adults(Segment A) and the Middle Youth(Segment B) who are more likely to be runners or cyclists or gym enthusiasts but more importantly wants to adopt a healthy lifestyle and is willing to give Yao Ming the chance to help them better themselves. The target customer will be someone who belongs to the upper-middle or high income segment, with an income equal to or not less than the average disposable income in top-tier Chinese cities.

POSITIONING

³ According to a 2017 survey carried out by Hong Kong Trade Development Council, 73% of those between the ages of 37 to 55 years old are expecting their *future income to rise* in the next two to three years whereas 46% confessed that despite them not expecting their incomes to be impacted, they are likely to spend more than before.



Yao Ming should position itself as a **niche athleisure apparel** choice for young adult and middle youth Chinese men who value quality and pursue or wish to pursue healthy lifestyles for themselves.



Positioning Map

i. PRODUCT

Corporate Identity

Vision

‘The world’s companion in healthy living as we continue to provide premium yoga and sports apparel that inspire athletic achievement.’

Mission

To welcome everyone from first-timers to professional athletes into the Lululemon community and cater to them with premium quality and innovative athletic apparel.

-Sizes: Since Lululemon has been serving the North American market for most of their history, their products are well suited to meet the body types of Westerners. In China, however, people normally have smaller body type than in the West so Yao Ming’s design team needs to adapt their apparel to meet the local requirements of men.



The Yao Ming line should include extended sizes and have mannequins and models that promote body positivity. They should aspire to be more inclusive and diverse than Lululemon. The reason for inclusivity is so that they can address the issue of obesity in China and encourage any man who is in that situation to switch to a better lifestyle with the Yao Ming brand.

-Quality: Addressing a weakness of Lululemon, that is the hefty amount of complaints regarding their products' lack of quality improvement seen through thinning fabrics and sheerness with their steady hike in prices, leads to the recommendation of having a new leadership for quality assurance department. Under the new leadership, Yao Ming should ensure that every item they sell is of good quality.

Logo

The Yao Ming sub-brand needs its own logo separate from Lululemon to move away from the women-centric perception. (See Appendix 8 for further information)



ii. PRICE

Honoring Chinese culture, Yao Ming should set the prices of their apparel such that the price endings are 8 and with combinations like 68 and 88, that are much preferred by the market. Upon examining Nike's prices in the Chinese market, it was clear to see how significant the national culture is on their operations as well since their prices have 9 and 8 as their price endings. So they should price their products sold in China the same way, instead of 450 RMB it can be 458 RMB.

iii. PLACE

Brick-and-mortar stores:

Yao Ming stand alone stores(men only) that suit men's interests should be opened in China. The ambiance of the store should appeal to the male customers unlike Lululemon stores, where it is



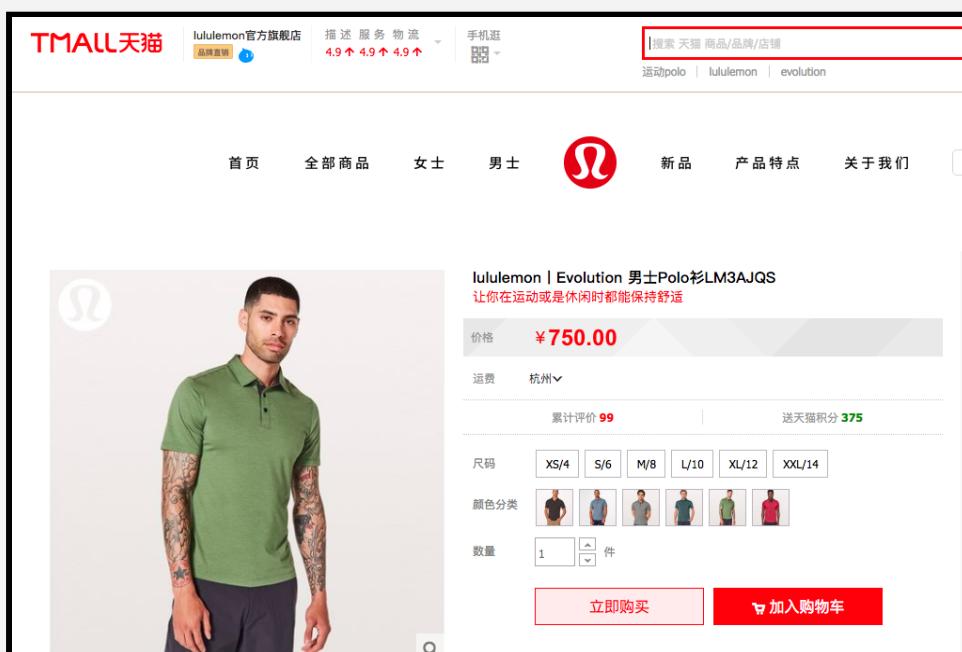
upbeat and the music played appeals to the female customers, the new stores should have a masculine appeal to them. There should be digital ad displays which rotates images of male athletes with a special focus on Yao Ming which will help position the brand as meant for men in the customer's mind.

The stores should be designed so the customers can navigate through it easily since men prefer finding what they want and leaving the store as soon as possible. To enhance their shopping experience, the store layout should be such that no inconvenience occurs to them and there are sales people who can easily aid them to quicken their shopping time.

Online Store:

a. Website

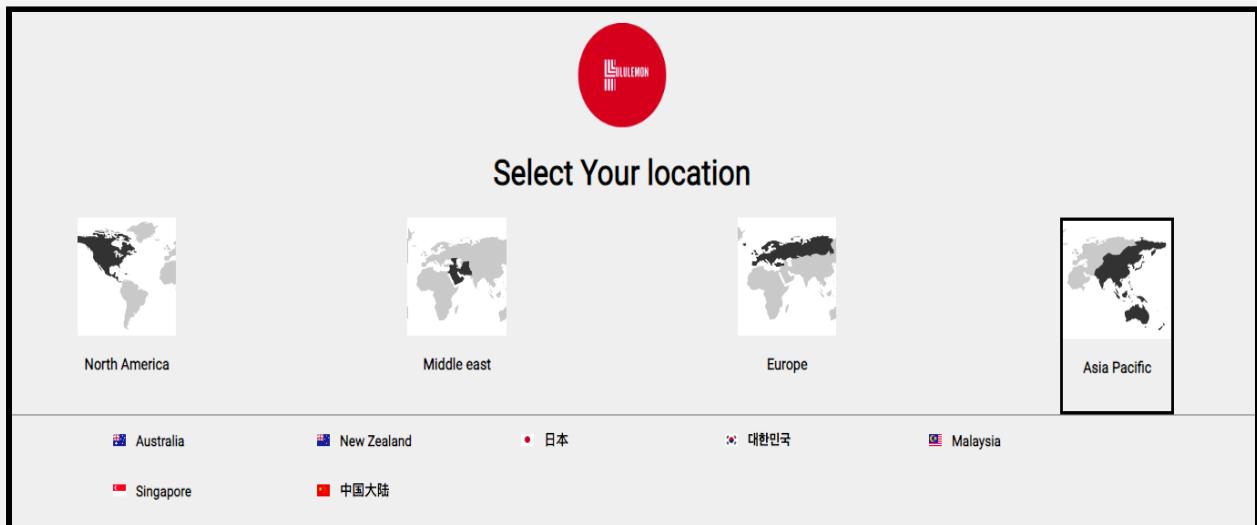
Yao Ming should employ omnichannel strategies to enhance convenience. Their Direct To Consumer(DTC) channel i.e, their website will be a higher margin segment as they will not have to share any of its revenues with middle men. As of now, Lululemon doesn't have its own website for the Chinese market but as can be seen below, they do use middlemen like TMall and JD.com to sell their products so the idea here is to design and develop a website for the Chinese market.



If they want to be recognized as a strong brand, consistency across all marketing outlets which includes the company's website is a must. Below is an image of the new and improved Lululemon



website's landing page where all the countries in which Lululemon operates is listed and it will give users the option to select their location.



In addition, Lululemon needs to change the order of product category to show it in the order of Men | Women | Girls. The Men's category should direct users to Yao Ming's website and as soon as a user opens it, there should be a short video of a Yao Ming on the basketball court.

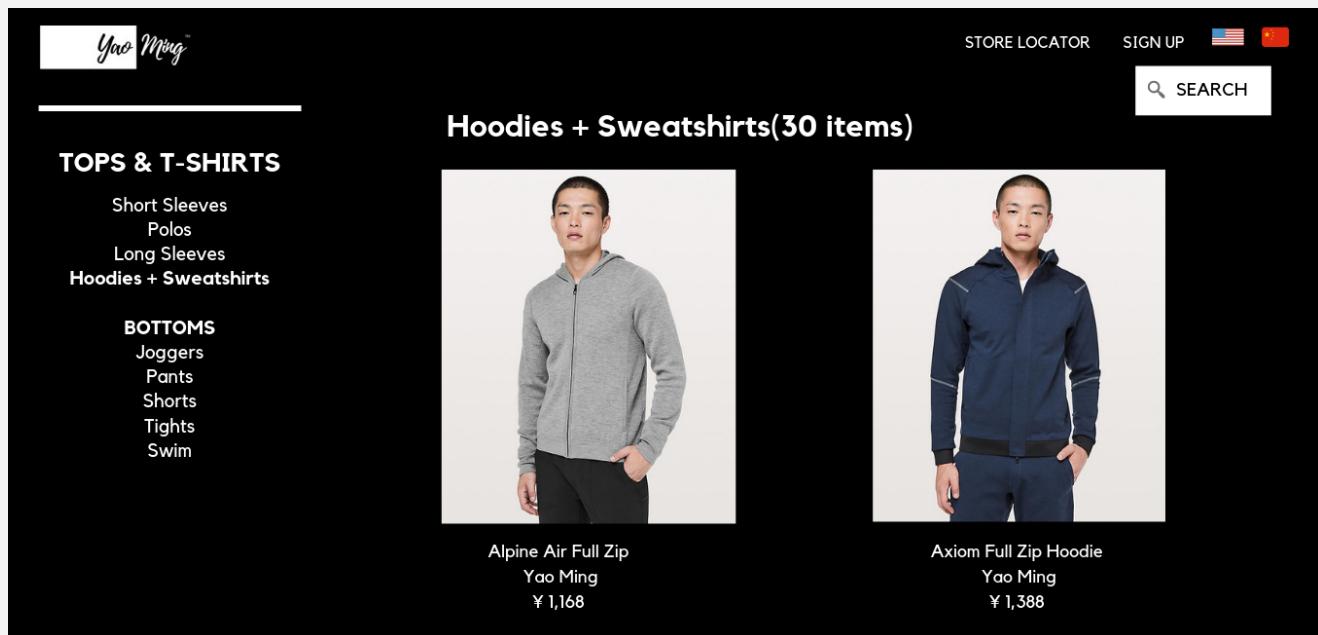
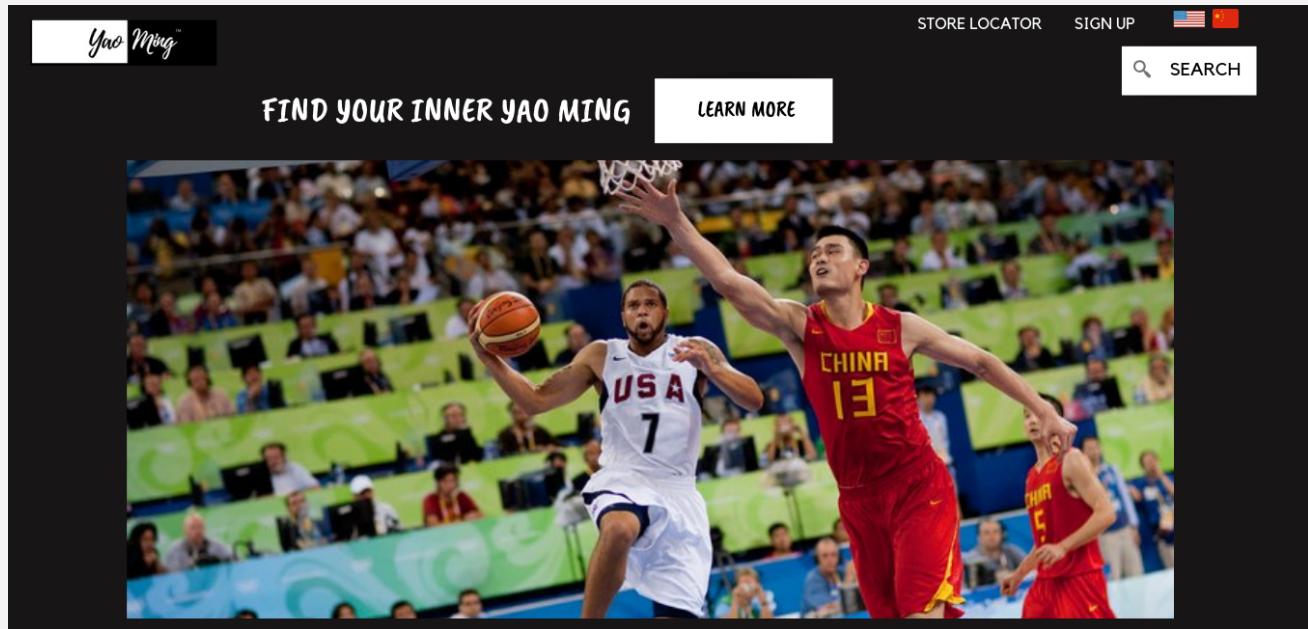
Current category display:



New category display:



To attract men to the store's website, Yao Ming should use **darker tones** on its website. Yao Ming's website should provide clear navigation by product categories, offering a purely functional approach. Since studies show men don't mind seeing the individual products, they should use certain product layouts without the models.



b. Mobile Application

Chinese consumers prefer mobile apps over browsers so Yao Ming just like its parent brand should create a Wechat e-commerce store to drive sales.

iv. PROMOTIONS



In an attempt to get more men to consider their gear and going by survey results which show that in China there are more women practicing yoga than men, it is best that Yao Ming send its representatives to gyms and sports centers initially, rather than yoga studios but that doesn't mean they should neglect yoga since they can market yoga as a complimentary exercise to other activities. (See Appendix 9 for more information)

Advertisement

As television is still the most reliable and far-reaching medium in China, Yao Ming should use it for advertising purposes.

Recommendations for ads- Feature TV ads and online content that show the benefits of yoga for men who prefer brands based on facts. Appealing to the customers' *pathos(emotions)* with an ad that follows a group of male friends from their teenage years to old age, showing them losing their friend to a disease associated with being overweight or obese. The message would be 'if you want to be here in the future, switch to healthy living now with Yao Ming.' This ad would in no way be meant to fat shame people but to make them realize how big of a health crisis they are facing. As obvious as it may be, all advertising has to be done in Chinese.

Social media marketing

Yao Ming will need to be present on all these sites to attract men to the brand which includes Meipai⁴ and Toudou Yoku⁵. Sharing posts at least twice a day will help keep its customers engaged and prevent from putting them off of the brand. In their initiative to make China healthy, they could share online content like blogs on healthy recipes and exercises that Chinese men can engage in.

Celebrity Endorsement

The parent brand, Lululemon has so far not had any celebrity endorsements for the brand which isn't very common when you think of the biggest sports brands in the world. Adidas has Kanye West while Puma has Rihanna and the list goes on. Which is why it is highly recommended for Lululemon to have a men's sub-brand with Yao Ming as the role model.

⁴ Chinese Instagram for video

⁵ Chinese Youtube

Yao Ming™

He became an international star as a centre for the Houston Rockets of the National Basketball Association (NBA). He is a beloved figure in China so for someone of his caliber to be seen endorsing and working alongside Lululemon's sub-brand in China would be very advantageous. He should be given artistic input in the products.



RELATIONSHIP MARKETING STRATEGY

Michael LeBoeuf, an American business author said, “A satisfied customer is the best business strategy of all.” which makes it of utmost importance to work on a strategy to keep customers satisfied. And for there to be an effective relationship marketing, involvement of every employee in customer satisfaction exercise is mandatory but more specifically marketing, sales, customer relationship managers, call center executives, and public relations personnel who deal with the customers first hand. Even the best of relationship marketing strategies fail when employees are inadequately trained on corporate ethics and best customer interaction practices. To prevent this, regular training sessions for employees need to be in place.

Email Marketing

Collecting and possessing customer data isn't enough to keep customers engaged and loyal to the brand, Yao Ming should use the intelligence/data they mined to provide personalized one-on-one experience by showing the right content to the right audience and for that they should make use of an email software program called Mailchimp, which will enable them to send information regarding new product launches and exclusive offers to their customers without spamming. To be proactive and prevent their relationship with customers from turning sour there should be a provision to unsubscribe from the emails if customers prefer to do so.

Referral Campaigns

Customers who refer Yao Ming to their friends, family and colleagues should be rewarded in gifts or reward points which can be redeemed on future purchases. They will be incentivized to share about Yao Ming with others and this could lead to a chain reaction where the new customers end up referring to their own social circles thus increasing the brand reach.

(See Appendix 10 for more information)



CORPORATE SOCIAL RESPONSIBILITY

Environmental Efforts:

Yao Ming needs to make a time-bound commitment to reducing greenhouse gas emissions. They could start from the simplest of things like rewarding employees who take public transportation, carpool or bike to and from work to encourage workers to switch from drive-alone commuting which causes negative environmental impacts.

As for the materials used for their apparel, only 60% is Bluesign⁶ certified. They need to make better efforts to increase this value and do their part for the environment. Stepping up and innovating their material development and management to address the impact of climate change on the supply chain and reduce its environmental impact is the next step.

Philanthropy:

Yao Ming should make charitable donations to United Foundation For China's Health, a Foundation for providing access to innovative healthcare to vulnerable population which includes orphans, the disabled, the abused, migrant workers and the elderly. They could become partners and join the ranks of other corporations like Cisco and Dumex.



As Yao Ming the legend himself is involved in philanthropic works as he runs a foundation that is working in remote areas of China with an annual budget of roughly \$2.5 million and is meant to train children aged 13 and under, it is recommended for Yao Ming the brand to contribute to Yao's foundation. (See Appendix 12 for more information)

⁶ The Bluesign system aims to find solutions for sustainable textile production by eliminating harmful substances at each step of the supply chain, and approving chemicals, processes, materials, and products that are safe for the environment, the workers and customers.



CONCLUSION

Relaunching Lululemon's current offering of men's apparel should be deemed critical for its growth and to reverse its slow sales growth. Launching a sub-brand called Yao Ming directly targeting men is an ideal method to accomplish their goals. It is important to communicate all the changes made to the offering to their target audience so as to generate excitement around the relaunch. The positioning will be clear in the minds of the target customers who happen to be the affluent men who fall under the category of Young Adults and the Middle Youth in China, which should help in growing the brand and increasing sales while improving the bottom line.

Through all these efforts, Lululemon will hopefully be able to acquire more market share with the improved offering and boost their revenue generation. As brand identity is an essential factor to be distinctive in the market and to target the audience, by relaunching and clearly positioning their men's apparel, the confusion customers have with the brand image now -of it being an only-women's brand, will be cleared out for good.



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APPENDICES

Appendix 1

SWOT Analysis

Their customers don't mind paying premium prices for their products and are known for always paying full price unlike other brands. This, as a result, has contributed to their better-than-expected earnings so far.

They have a specific department within the company dedicated to developing new products and improving previous products. Materials, designs, and products are innovated on a regular basis and it is this *constant innovation* and changing of products which also keeps customers coming back for more.

Lululemon is known for investing heavily on research and development in order to develop leading-edge fabrics for its apparel, this results in high cost and eventually high price of the final products which when compared to its competitors is higher which prevents them from having a price advantage. This weakness can present a challenge when they decide to expand beyond their audience of high income women or even when macro forces cause consumers to become price conscious and lead to them no longer purchasing their products.

The target market of Lululemon right now can also be considered a weakness since it can be defined as a rather small and specialized market including only educated, middle to high income level health-conscious women from the ages of 18–35. Although they do have a line of products for men, it appears that the main focus has been on women since the starting of the company and it has now gotten difficult for Lululemon to include others in the mix.

In addition, they are overly dependent on their home market in North America which accounted for 95% of its global sales in fiscal year 2016 which is a stark contrast to Nike's 45%. While their competitors like Nike and Adidas have expanded their reach into other markets and managed to spread their risk across different markets.

Furthermore, with the rise in the number of sport events like Olympics, FIFA and so on, Lululemon can take the opportunity to be featured in these events and reach their target market for their new goal to expand beyond women's yoga pants.

Currently, the company is trying to market more of its other products keeping aside women's yoga pants, which is a smart move on their part but this has the possibility of bringing forth a threat of alienating their original consumer base and damaging its carefully crafted brand equity which could negatively affect their revenues and make it difficult to retain their returning customers.

The official Lululemon website now warns customers about the fraud and lists the only authorized websites where customers can buy authentic Lululemon Athletic products. When vulnerable consumers get their hands on counterfeited products, it is highly possible for them to have a negative brand experience and may put them off from ever buying their original products again.

Appendix 2

MARKET SELECTION

Criteria:	Weight(0-5)	Unweighted Score		Weighted Score	
		China	India	China	India
Greater demand for the product in the market	5	4	3	20	15
Higher Purchasing Power of Consumers	5	4	3	20	15
Cheaper Production and distribution cost	5	3	2	15	10
Cooperative Government	4	3	3	12	12
Less intense competition	4	2	2	8	8
Total		16	13	75	60
Winner: China					

Appendix 3

Economic Factors

China boasts a relatively well-developed infrastructure with its road network growing at a speedy pace which goes to show the government's commitment to develop its high-speed infrastructure to meet the demands of its industry and supply chain. The government has allocated CNY2.6 trillion in 2018 on road network upgrades and expansion.



Their 2017 unemployment rate was below the Asia Pacific average but since the official rate only considers urban employment, true unemployment rate could be much higher. China even announced policies such as ‘employment first’ to create additional jobs for the unemployed and graduates, where they will mainly focus on the ICT sector.

Appendix 4

Industry Analysis

Global Industry Analysts, Inc., carried out research which found that the global market for sports and fitness clothing is projected to reach *US\$ 231.7 billion by 2024*. (GmbH, 2018) It is the rising number of people around the globe who are living healthier lifestyles and have stronger participation in sports and fitness activities that seem to be driving the growth in this market.

According to Euromonitor International, the apparel and footwear industry’s results has improved due to the performance of sportswear which includes items such as yoga pants and activewear and it appears that sportswear/athletic wear performed better than other categories for three years straight.

Appendix 5

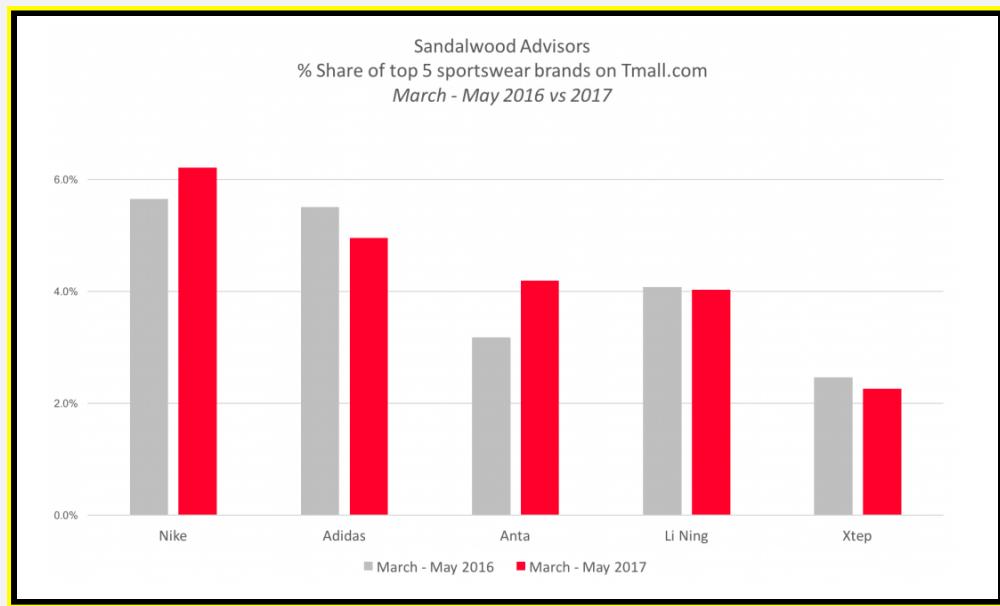
Competitor Analysis:

Historically, foreign brands have had a strong foothold in first-tier cities with higher spending demographics like in Beijing and Shanghai but they are now finding themselves battling against an environment of increasing nationalistic sentiment from the Chinese consumer, as well as majority of consumers who no longer find country of origin relevant when purchasing products. Their focus is on value for money and after sales service. There is a growing band of consumers who are now developing a taste for activewear as everyday clothing.

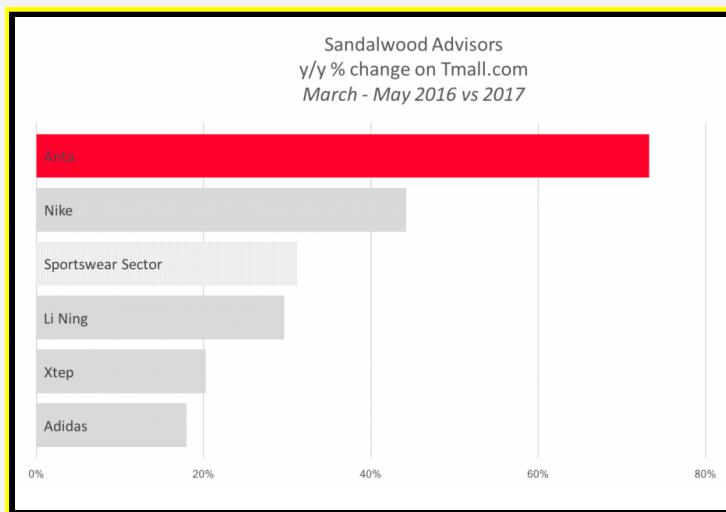
Competitive Positions

Lululemon has maintained its position as a **niche** brand having specialized in yoga-inspired athletic apparel. They have maintained a strong connection with a certain lifestyle i.e, healthy, yoga-inspired which keeps them guarded from competitive pressures from the giants of sportswear like Nike, Adidas and Under Armour.

Chinese consumers are buying apparel online rapidly these days, so upon examining the sportswear sales on China's largest e-commerce platform, Alibaba's Tmall, it is clear to see that American giant Nike is the market leader, followed closely by Adidas. (See Fig.)



Looking at the year over year percent change, Nike and Anta have outperformed in 2017 while Adidas underperformed. (See Fig.) ("Sportswear in China - Who's winning the race? - Sandalwood Advisors", 2018)



Nike



When it first entered China, Nike honored Chinese culture by incorporating the colors 'red' and 'yellow' on their track and field kits⁷. The fonts on the apparel took inspiration from Chinese art, architecture and design. ("China 2016 Nike Vapor Track & Field Kits", 2018)

Analysis

Nike has a *global presence* with their non-US stores climbing in number and having reached 758 retail stores in the mid of 2018. Nike works with more than 500 suppliers across 42 nations and has strategic partnership with 363 apparel factories in 37 countries and 127 footwear factories in 15 countries and it does an amazing job of managing its large and widespread supply chain and distribution network. Nike spends a huge sum of their revenues on marketing.

On the other hand, Nike is heavily dependent on its footwear which constitutes 63% of their 2017 value. Although they operate worldwide, to date they still have an overdependence on their US market for sales which accounts for roughly 46% of its revenue.

Adidas

Analysis

Adidas has in place a multi-brand strategy which ensures it can operate at almost any point in the market as a result it gets to serve a far wider target demographic. Adidas has managed to have a widespread presence globally and they use a growth strategy of acquisition having acquired Reebok in the past which led to its market share growth.

Recently, Adidas has been engaged in innovative marketing strategy by redesigning their marketing strategy to focus on the metropolitan cities where their target market lives and this has resulted in great financial gains for the company.

That being said, the marketing expenses have crawled its way up in recent years along with increased operating expenses. As mentioned above, Nike has a stronghold in the footwear market and it presents a fierce competition to Adidas as well.

Both of them are perceived by customers as foreign brands but Lululemon doesn't really have the same perception. Which is why it is highly recommended for them to have the slogan 'North America's Favourite' which should be displayed on their logo to highlight their origin.

⁷ The red is associated with happiness, joy, luck and power while the yellow represents bravery and luck in Chinese culture.



Under Armour

Although Under Armour does not disclose revenue by gender, consulting firm Conlumino estimated that Under Armour's business approximately splits at about \$1.14 billion for women, and \$2.69 billion for men, meaning that the men's sector makes up the bulk of the business — the opposite of Lululemon's composition.

ANTA

ANTA designs, develops, and manufactures footwear, sportswear, apparel and accessories and is headquartered in Jinjiang, Fujian, China. They also trade and distribute FILA branded sporting goods and kids sportswear products. Their products are priced lower and have shorter product life cycles as they constantly respond to shifting consumer tastes. ANTA has committed its resources to second and third-tier cities instead of overcrowding the first-tier cities that the others compete in. They operate a network of 833 Kids series stores, 300 FILA stores, and 8,075 ANTA stores and Sports Lifestyle series stores, along with e-commerce platforms. It distributes its products in Shenyang, Wuhan, Shanghai, Beijing, Changsha, Chongqing, Xiamen and Hefei.

Appendix 6

Consumer Behavior/Perceptions

Shopping Experience Preference

The top 5 reasons given for shopping online in 2017 were that it saves time, they get the best price and have the ability to order at any time from anywhere, can choose from a variety of brands and have the ability to purchase brands not available in the country whereas the top 5 reasons for shopping in store were they get to try out the product before buying, and if they like it they can purchase right away, with the benefit of getting a better warranty or easier return if the product is defective, and they prefer the shopping experience in store and finally they consider the brick-and-mortar stores to be more trustworthy than online stores.

Influences

In China, consumers look up to celebrities and brand ambassadors for their fashion choices. Hashtaglegend.com, a lifestyle website, identified the celebrities with the greatest impact on the Chinese market in 2017 and coming in first place was actress and singer Fan bingbing followed by actress and singer Lu Han, actress and singer Yang Mi, model. Euromonitor International Global Consumer Trends Survey 2017 revealed 49% of consumers are influenced to make purchases by celebrity endorsements.

Other than celebrities, there's a growing power that social media bloggers and vloggers and/or style icons hold over the Chinese market as they are able to dictate which brands make it and which don't. According to Accenture, 70% of Chinese born after 1995 turn to social media to directly purchase products as opposed to other channels which is a contrast to the global average of 44%.

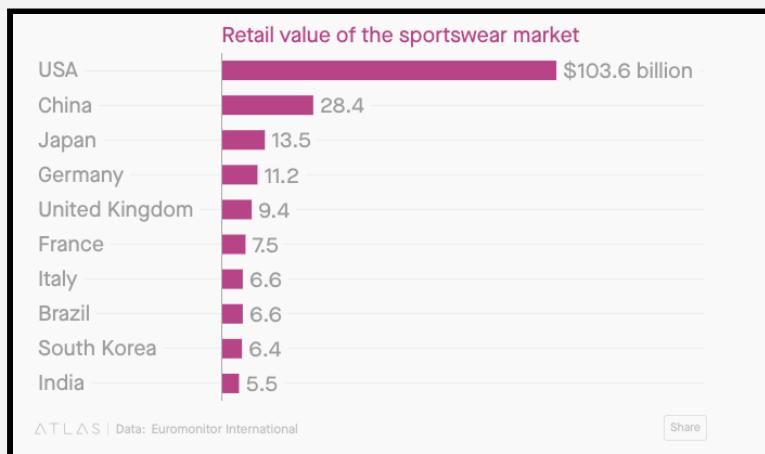
Attitudes to Health and Wellbeing

China now has the largest percentage of obese population in the world which has spurred due to rising disposable incomes, urbanisation, the spread of Western-style fast food and increasingly sedentary lifestyles. According to a study published in the Lancet Medical Journal, 10.8% of men and 14.9% of women in a country of 1.4 billion people are obese, making up approximately 151 million men. As mentioned in the country analysis, China's government has taken an initiative called Nationwide Fitness Plan (2016-2022) which is encouraging rapid increase in sports participation throughout the nation.

There has been a growth in Chinese middle class with enough disposable income to invest in themselves through physical fitness which is inspired by the availability of modern products and

services. Chinese people have also been influenced by the fitness crazes sweeping other countries which they see through social media.

For many Chinese citizens, introducing fitness into their lifestyle is not only for the health benefit but for their need to show others in the society of their social standing. A trend that can be seen is how urban, middle-class Chinese join the hottest new “fitness community” or brand name yoga studio to hold up their lifestyle as a marker of success to others in their peer group.



According to the first-ever official Chinese research report or 'blue book' into the recent yoga explosion in China, they found that millions of Chinese have turned to yoga, and the individuals who did so were the young, female, affluent and living in the big city. Unlike India where there are as many male practitioners as female, in China their demographic is overwhelmingly female and in the 25-40 age group.

Consumers' brand perceptions

According to a 2017 China Consumer Report by McKinsey & Company, consumers find brand origin(country of origin) less relevant now, when compared to quality, value and service, meaning global/international brands which in the previous years enjoyed the consumer interest will now have to work equally hard to gain Chinese consumers' attention like the local brands. These consumers want brands that deliver value for money with good after sales service.

The survey showed that consumers had a preference of local brands when it came to apparel and footwear category and that seems to be the case because they believe they offer better value, the product is more suitable for them and that the service is superior.

Pricing Perceptions

In China, numbers are not just digits but they are symbolic and as per Chinese superstition, the numerical digit 8 is associated with prosperity and good luck while the digit 4 with death. The reason behind 8 being thought of as bringing luck to the Chinese is because in Cantonese it sounds like multiply which they believe is a good thing. While looking into the price endings used in a sample of Chinese price advertisements, it indicates a distinct tendency to favor the digit 8 and to avoid 4.

Looking further into the overall combination of digits to form a price rather than just the ending, it shows that although 8 is a lucky number in Cantonese, when a 5 precedes this ending it gives a totally different meaning which isn't as lucky but 68 and 88 are good combinations in Cantonese.

Shift in the market

G2000, known for business attire for men and women, was a leading player in menswear in 2017 but now its Chinese market share has declined slightly as notable players in the market i.e, Nike and Adidas have both increased their market shares indicating consumers switching to sports-inspired clothing and athleisure over traditional business clothing.

Male Consumer Behavior

According to The Mediterranean Journal Of Sciences(2017), the motive for shopping in men seems to be utilitarian essentially shopping to get something done unlike women who shop for hedonic motives i.e, they love it. As a result, men follow a logic-based approach and need to be told why it makes sense for them to purchase a product. Marketers need to get to the point quickly with men and focus on the products and highlight their advantages. For men, good service means helping them find the right items so as to get through checkout quickly.("Women vs. Men – Gender Differences in Purchase Decision Making", 2018)

Appendix 7

BRAND AUDIT

Products

Lululemon Athletica offers an assortment of apparel and accessories for women, men and female youth. Its apparel range includes items, such as pants, shorts, tops, and jackets designed for healthy lifestyle and athletic activities, such as yoga, running, training, swimming and athletic wear. It also offers fitness-related accessories such as bags, socks, underwear, yoga mats and

water bottles. Lululemon has patented 45 materials and has trademark registrations for several of its products, fabric names, and images.

Sizes

Plus Lululemon clothes are cut very athletically so customers need to be pretty slender through the mid section which keeps a lot of men from trying their products and doesn't really have the inclusion they say they do on their website so Lululemon should generously cut their products to fit different body type and sizes. This will open up doors to athletic male customers as well as non-athletic ones who wish to adopt a healthy lifestyle.

Packaging

Lululemon makes use of reusable bags for their packaging which helps them stay competitive and connect with consumers by allowing them to reduce expenses and show customers they care, as well as help the environment. These bags come in a variety of sizes and colours (including black & white), but the red version is the one they're best known for.

Price

Lululemon prices their products as premium with their clothing regularly found at price points ranging from US\$75 to US\$128. They do not make use of any coupons, deals or loyalty incentives and their sales section is often limited to \$5 or \$10 so that the markdowns don't destroy their brand image and spoil the product attractiveness.

Place

As of January 28, 2018, they had 404 stores located in the United States, Canada, Australia, the United Kingdom, New Zealand, China, Singapore, South Korea, Germany, and Switzerland. Most of its company-operated stores are branded lululemon and the remaining branded ivivva. Its retail stores are located primarily on street locations, in lifestyle centers, and in malls. Lululemon operates and distributes finished products from its owned or leased distribution facilities in North America, Southeast Asia, South Asia, and China. Their stores are typically very upbeat and very cheerful and has been described as being very women focused.

In their stores, they offer their customers a unique experience with interactive community hub for multiple aspects of healthy living. It is also highly unlikely that customers will find racks and

racks of their offerings as they purposefully keep a limited supply of stock on hand. They even started displaying their products in pop-up shops.



The stores are usually like the one above, very female centric as more retail floor space is dedicated to them.

Website

Their website which is geared only towards customers who know English and has not been adapted to the Chinese market, which is undeniably the largest market for Lululemon. Upon searching for the Chinese branch in their website, it redirects the user to a QR code for the wechat account of Lululemon.

Mobile Application

The app currently has a variety of issues, first being that it was designed with the North American market in mind and is only in English and French, in addition several user complaints regarding the user experience of navigating the app have been shared online. So Lululemon needs to improve mobile app UX, while customizing the app to meet Chinese market requirements with the language options.



App
★★★☆☆

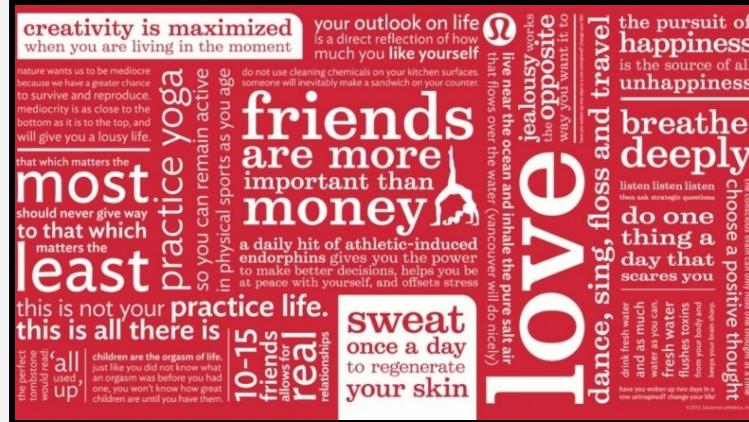
Feb 28, 2018
Bucket15

I have been a huge fan of Lululemon for almost 10 years, but the app needs a lot of work. It glitches quite often and items disappear from your cart or at the point of sale, there's an error that something is missing when everything is filled in correctly. It seems to happen most often when there is a delay in starting to add items to the cart but getting interrupted and not getting to finish it at that moment. When you return to complete it, and yes for me sometimes it could take a couple days to get back to it, the cart is empty and I have to start over trying to remember what was there. I've also found that if my stuff still happens to be in the cart after a delay, a glitch inevitably causes some type of error when attempting to checkout. I've tried checking for updates, etc, but still seem to have these issues often. I hope this helps because I love having the app, but it does need some work.

Fig. Negative user review on App Store.

Mission and Vision

Lululemon must be one of the very few companies without a mission or a vision statement. They instead have a manifesto, which is an evolving collection of bold and inspirational sayings. Customers say they prefer their manifesto to the usual mission and vision statement because there are numerous quotes and the customers get to select what they support.



Target Customers

Lululemon mainly targets women who aim for a healthy lifestyle while balancing a busy life. They have garnered support from their loyal fan base who are known as Luluheads and they possess the passion and dedication to do yoga and carry out healthy living as well as the ability to pay a hefty amount for the products.

Logo



Men who purchased Lululemon ABC pants have shared their dislike of the logo online, and Christian Storm, Business Insider's visual features editor who tried the pants said "I wouldn't like it if Levi's had a big Levi's logo on the pant leg, let alone if a company that's mostly known for women's clothes." There is no blaming these individuals for not liking the logo, afterall it was designed when the name of the company was still undecided. It is actually a stylized 'A' meant to represent the name 'athletically hip', which failed to be selected and this has led to muddled interpretations of the logo.

OPERATIONS

Production

Lululemon works with roughly 65 suppliers to source fabrics and 35 manufacturers, with five producing majority of the company's products accounting for 63% of the total, this need for limited number of suppliers and manufacturers is to ensure quality and provide the best for their customers. Most of their production takes place in various parts of Asia, with South and Southeast Asia accounting for approximately 67% while roughly 23% are produced in China.

They have developed long-standing relationships with a number of vendors and take great care to ensure that they share their commitment to quality and ethics. However, they don't have any long-term term contracts with the majority of their suppliers or manufacturing sources.

Distribution

As of 2017, Lululemon distributed finished products from its owned or leased distribution facilities in the United States, Canada and Australia. It owns its distribution center in Columbus, Ohio, and leases its other distribution facilities. They also launched an app which gives customers access to the company's online inventory while processing sales in-store.

Majority of their products travel by air which contributes heavily to their carbon emission. They are working to reduce transportation footprint by partnering with logistics provider Damco to help ship products around the globe quickly with as little impact as possible.

Research & Development

R&D of Lululemon is located in their headquarters in Vancouver and also in New York. Lululemon has a team of scientists and engineers who continue to drive long-term innovation.



They have also expanded their anti-stink technology, Silverescent, in which silver particles are bonded to the thread.

Human Resource Management

Lululemon breaks its organization down into six different specialized categories which include strategy, community and brand, creative, human relations and culture, retail in Americas, and visual merchandising. By having specialized categories, Lululemon employees are given the opportunity to utilize their knowledge with technical expertise as well as work on multiple projects.

Top Management

Lululemon has had a couple of issues with one of its top management position, when the former CEO Laurent Potdevin had to leave the company amid accusations of misconduct. The company then had to do a thorough search of a new replacement to lead the company and recently chose Calvin McDonald, the former president and CEO of Sephora. McDonald helped Sephora become a "mobile-first" brand, and he is expected to do the same for Lululemon, which will be key for the company as more retail sales move online.

MANAGEMENT

CALVIN MCDONALD Chief Executive Officer LEARN MORE	STUART HASELDEN Chief Operating Officer LEARN MORE	CELESTE BURGOYNE Executive Vice President, Americas LEARN MORE
SUN CHOE Chief Product Officer LEARN MORE		
PATRICK ("PJ") GUIDO Chief Financial Officer LEARN MORE		

Recruitment Process

Another term that is quiet synonymous with Lululemon is ‘cult’ which is usually used in reference to their loyal customer following but through some articles and reviews online about their recruitment process, the term seems like it can be applied here as well. So most of their interviews are conducted in groups where they are made to share stuff among themselves. Reviews on Glassdoor suggest applicants do not prefer group interviews and moreover they have

left negative reviews about how the whole interview process went and how poorly they followed up afterwards, most of the time they left them without a response when promising one.

Labor conditions

Child labor is not at all tolerated by Lululemon which is why all of their manufacturing facilities are required to ensure all employees are at least 15 years old. (in accordance to the International Labor Organization standards) The right to freedom of association and collective bargaining is granted to all Lululemon employees, which gives them the right to be a part of unions.

Wages & Overtime

Lululemon vendors are required to pay employees the local minimum wage, and provide benefits according to applicable local laws. The vendors must pay an industry average wage (or higher) which sustains an employee's needs in regions with no legal minimum wage in order to continue working with Lululemon.

Customer Relationship Management

CRM Solutions- Lululemon currently works with AgilOne, a CRM and data intelligence company, to gain agility, scalability and intelligence. From online customer feedback to comments on product pages and to customer insight via calls to a call center are all included in the data analysis. They should aspire to be where their customers are and bring social interaction into the digital experience with their platform across all devices because they found that customers who engage on all the brand's channels tend to have a 10 percent higher spend which will help them improve their bottom line. ("Lululemon taps data intelligence to amplify customer experience, relationship", 2018)

FINANCE

In 2017, their annual sales were reported at \$2.6 billion. In the beginning of 2018, they reported net revenue of \$929 million which was an increase of 18 percent since the same quarter the previous year. They anticipate in 2018, the net revenue will rise to \$2.99 billion.

Customer visits to stores and online increased simultaneously, as did the conversion rate which led to total sales in the quarter ending July 29, 2018 rose to \$723.5 million. Their gross margin⁸, grew by 3.6 percentage points to 54.8% which was even above that of Nike.

⁸ The percentage of sales left minus the cost of goods sold



Appendix 8

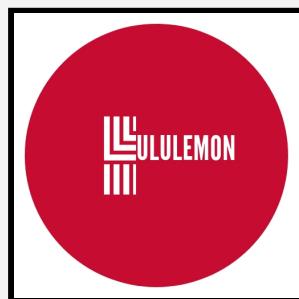
RELAUNCH

Yao Ming should be a brand of athleisure apparel produced by Lululemon created for former professional basketball player Yao Ming. Surveys revealed in China, Yao is even more famous than Chairman Mao. Yao drew large crowds to the Houston games which were broadcast to huge audiences in China and other Asian countries. And even after his retirement, he remains intensely involved in sports in China. In his hometown, Shanghai, he bought the Sharks basketball team that he played for as a teen and in 2017, he was elected president of the Chinese Basketball Association.(Gluckman, 2018)

By partnering with Yao Ming, the parent brand Lululemon will be able to use his influence over the entire nation to adopt a healthy lifestyle and embrace the Yao Ming brand that promotes this lifestyle. During Yao Ming's Rockets' days, the NBA's exposure to China's basketball grew with the fan base doubling and then tripling. Chinese people watched not just because he was one of their own but because of his dominance on the court. Today there is said to be 3 million people in China playing basketball and this is in large part due to Yao Ming and the effect he has had on them. ("The Yao Ming Effect — We Are Basket", 2018)

Logo

Their logo needs a transformation as the current one has no real meaning behind it and was meant for a completely different name. They should discard their current logo. The new and improved logo will stand out due to its strong use of the color red and striking simplicity.



Reasons for designing this new logo:

Stripes attract attention, they are powerful symbols that have eventually evolved into signs of freedom and daring style. The contrast of stripes has massive appeal to the eye which is why



Lululemon's new logo has a striped L in it to attract attention of customers. The background is red as many Chinese believe that red will bring good fortune being a symbol of fire and warding off evil. Red also symbolizes a variety of emotions and is a symbol of youth and power in China. In business, red color denotes passion, importance and attention which matches the purpose of the company.

Logo for Yao Ming



This logo makes use of the Chinese culture represented by the yin yang pattern of black and white with Yao Ming written on either side of the colors. Made specifically for the Chinese market so that it's easy for them to recall the brand.

Product Quality

To further improve quality of the products, they should only partner with environmental-friendly producers to ensure that they do not compromise quality or the environment. Instead of using harmful materials like nylon which is non biodegradable, a recommendation would be to use material like hemp or cashmere that are biodegradable and leaves zero impact on the environment.



-Packaging: They should switch to using 100% recycled and biodegradable shipping and packaging boxes since distribution and packaging is one of their main contributors of carbon emission. Multiple studies done on color over years show that the top 3 colors that men prefer are blue, black and green. They have also found that men respond better to achromatic colors such as black and grey so having the products packed in black would make sense for Yao Ming. Men are drawn to simplistic graphics on packaging that clearly communicate the products function and benefits clearly so for Yao Ming it is best to have plain packaging devoid of the manifestos Lululemon has on its packaging. It would be good if they can use Chinese proverbs on it and the bags should be in black instead of red to appeal to men.

-Warranty: The Yao Ming brand should offer lifetime warranty for its products by repairing damage due to normal wear and tear at a reasonable charge with a time limit of upto one year for returns or exchanges.

Lululemon Chinese Muse

Lululemon has a male muse who the company looks to when designing their products, called Duke, an athletic opportunist who is willing to pay up for quality. Duke, however, is a Western muse so it is best to have an Oriental muse for the Chinese market called Fu⁹. Fu is 32, has a very high income job, engages in numerous sports activities on a daily basis and prefers paying for quality when it comes to clothing.

Brick and Mortar Store

To enhance shopping experience for men in Yao Ming stores, they should feature additional services in selected store locations like having a juice bar that serves daily squeezed vegetable and fruit juices along with healthy salads, this initiative will go hand in hand with promoting healthy lifestyles to Chinese men.

As they offer their customers a unique experience with interactive community hub for multiple aspects of healthy living. Yao Ming should incorporate Tai Chi, an internal Chinese martial arts practiced for both defense training and its health benefits.

One misconception is that tai chi is an exercise for older people, but traditionally in China, it is a martial system which advances from slow to fast, from soft to hard, from individual to interaction

⁹ Fu means someone who is well to do and prosperous.

with others (yin and yang opposites) and training begins at the age of 3.(chen-tai-chi-las-vegas.com, 2018)

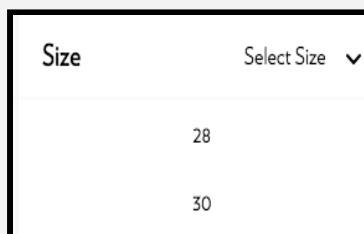
As new school tai chi is more of a set of exercises and has led to some abandonment of uniforms and weapons, it has become common for teachers to lead a class of students in typical gym attire. Although Tai chi is practiced outdoors most of the time, practicing it indoors isn't necessarily bad as it amounts to fewer distractions. So certain Yao Ming stores can be converted to hold Tai chi sessions like they do with yoga now.

Website

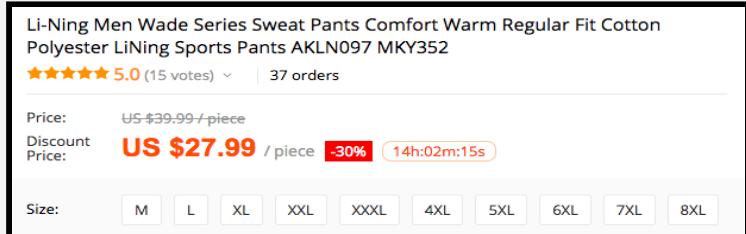
The benefit of an e-commerce platform is that Yao Ming can reach customers even in areas where it has no brick-and-mortar store presence. As the Chinese market grows and demands for athletic apparel, Yao Ming should be well-positioned to be able to meet this demand.

According to Astound Commerce Insight's "Global Brand Shopper Survey" of 1,000 consumers who shop online and have visited a brand manufacturer's website like Lululemon's in the last six months, 54% of them preferred brands over retailers for more product information, and enhanced customer service, better prices and more personalization options. Pricing was a vital component as half of the respondents expect better prices on a brand's website when compared to a retailer's website. This is a reason why Yao Ming simply must have a website of their own when operating in China, even though Chinese consumers prefer Wechat, it is necessary for their website to be active and as effective as a salesperson at a store when consumers want to research the products comprehensively. It's almost like if the company's website can't answer the questions consumers have, then no other platform can therefore website development has to be in the pipeline. It is also highly recommended that they use their own website to fight against counterfeit products in China.

In China, the sizes displayed on the online store for the attire are preferred in the form of S, M, L, XL instead of how Lululemon displays it on their website using the waist inches like 28, 29, 30 and so on. So when creating the Yao Ming website, the website designers will need to implement the preferred size measurement so the Chinese men have a smooth user experience.



Lululemon's sizing structure



Li-Ning's sizing structure

Their website should be optimized for mobile and be seamless as Chinese consumers tend to use their smartphones over other devices and would be well liked by customers who don't have the app. They can further improve their online services by offering same-day delivery and buy online/pick-up in store for products sold through their websites in certain locations.

Baidu is where all searches in China are conducted so to be visible there Lululemon needs to have a Mandarine website and be hosted in China. As it works exactly like Google with keywords, the consumers enter Chinese keywords, so it's imperative for Yao Ming to speak the language they do.

OPERATIONS

Recruitment Process

Lululemon and Yao Ming should shift from its group interviews to 1-on-1 interview where the interviewer can ask additional questions to better understand and get to know the applicant in depth. As for the applicant, they too will benefit more from a 1-on-1 as they get the chance to share more and be able to impress the interviewer.

As for the follow-up, both brands should have an effective HRM in place that ensures everyone who has an interaction with them gets a good impression, just because one applicant isn't going to be hired doesn't mean that individual isn't worth a bit of their time. If their last impression, even when they don't get hired, is good, they could go on to talk good about them to others which will in turn help the brand.

Distribution

Now that it is operating in China, it will be very effective to have a distribution center in China to fulfil their growing demand and significantly reduce the cost of delivering an order. Instead of customers waiting for products to arrive from North America, orders will be shipped quickly

from centers within China, meaning products will arrive quickly delivering satisfaction to customers. They should offer a free nationwide delivery service for purchases over CNY 688 to inspire them to buy the high priced items or several items together.

Appendix 9

Advertising Perceptions and Effectiveness in China

A global study by Kantar Media CIC of 1,067 Chinese adults, showed Chinese consumers as being much more open to messages from brands than their cynical Western counterparts, even on their mobile devices. In addition, it was found that there is a highly likelihood for them to take action after being exposed to advertising. 61% were more likely to go online to learn more, while two thirds were likely to actively search for a brand in store after being exposed to advertising.

With increased media fragmentation, the trust in traditional (offline) paid channels have not yet been erased. TV, newspapers and magazines remain trusted advertising formats. Two-thirds of Chinese respondents say they completely or somewhat trust TV ads (66%).

Chinese consumers resonate more powerfully with ads that are health-themed, and were selected by 50% of respondents as health and safety are a top-of-mind concerns for Chinese consumers. Ads that depict real-life situations were second most impactful, with 43% of respondents vouching for their effectiveness.

Yao Ming needs to work on advertising messages directed at a male audience. In 2017, Lululemon released their first global ad campaign “This is Yoga”, aimed at people that might not be that familiar with yoga by showcasing how different individuals practise yoga and how it complements their lifestyle and profession. So the recommendation is to do something similar but targeted at the Chinese male customers in an attempt to attract them.

PROMOTIONS

They need to increase model diversity by having Chinese male models display their products. For the Chinese market, they should avoid using European and American models, whose body shapes are different from the Chinese, making it difficult for consumers to compare and make decisions. There should be no airbrushing of models and creating unattainable body goals, they should strive to ethically advertise their products. Following are the promotional mix they should consider using, but note that not all the tools need to be used right away, they can be implemented at different times.

Key Opinion Leaders(KOLs)

KOLs or influencers in China are extremely powerful so Yao Ming shouldn't carry out a marketing campaign without having few KOLs involved. Live streaming in China has boomed in the past year as it is a country where it is all about right here, right now and according to a report by Deloitte, China is likely to continue to top live streaming records, with viewers reaching over 450 million. It is used by KOLs to aid brands in launching products, organizing exclusive events and many more. *Tian Liang*, an Olympic Champion, with 20 million followers on Weibo should be selected by Yao Ming to better market the brand to the male audience in China.



Sponsorship

The Great Wall Marathon which is held annually at the Huangyaguan section of the Great Wall and is regarded as one of the most challenging marathons in the world. By sponsoring some of the male participants running the marathon, Yao Ming will be able to build brand awareness. This marathon has 2,500 runners from over 50 nations with even more spectators which makes it an even better location to build brand awareness.

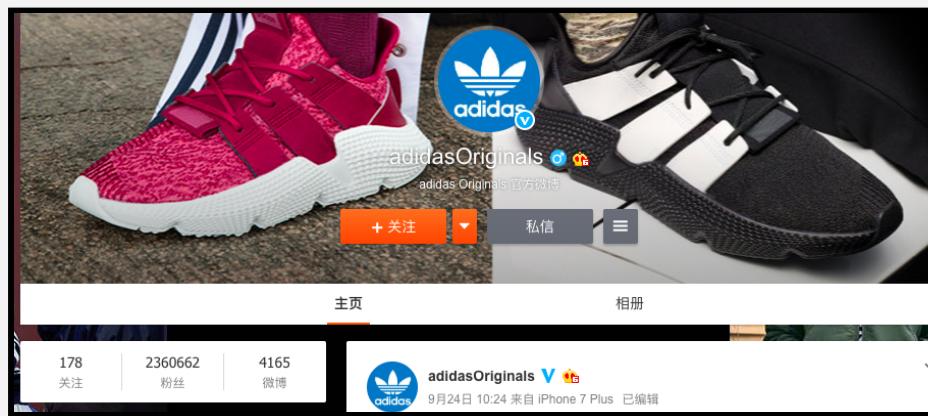
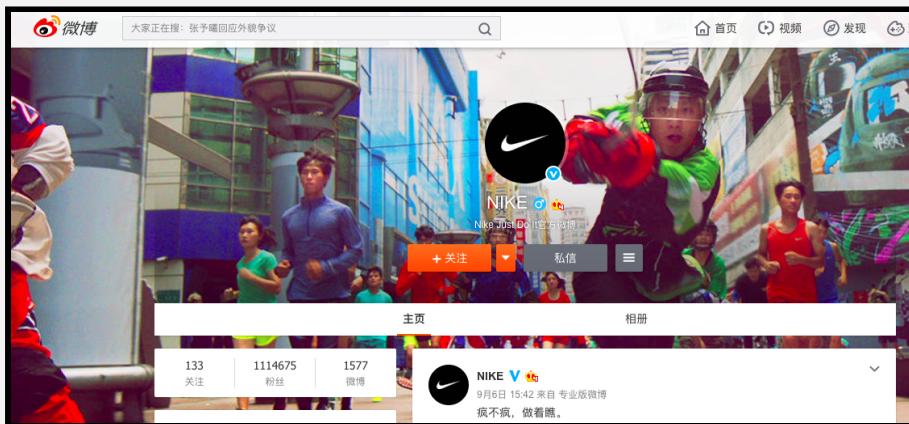
Appendix 10

Social Media Relationship Marketing

In a nation where the social media platforms used by Lululemon do not exist, they have to use the platforms that the Chinese consumers are using in order to communicate with them. For their main market, they use Twitter to engage with customers online by interacting with those who tweet product reviews or questions, as well as reach out to customers who are in need of support for lululemon product issues. But with the absence of Twitter in China, Yao Ming will need to engage with the Chinese audience on a similar level on Sina Weibo. Currently Lululemon only has approximately 16,000 weibo fans which dwarfs in comparison with Nike's approximate



1,114,000 and Adidas' 2,360,000. When Yao Ming starts its own weibo account with the face of Yao Ming to represent it, it is for sure going to exceed the number of fans its parent brand has.



They could receive comments, queries and suggestions on their social media pages and they must be attended to on a regular basis to maintain good relationships with their audience.

Retail Transformation

To better engage with the target customers, Lululemon should incorporate more of their Western practices in China like transforming their retail stores into fitness hubs on certain days which will aid in encouraging regular visits to the store and keeping the brand top-of-mind.

Appendix 11

Risk Management

Risk associated with product relaunch- Alienating current consumer base.

The biggest risk Lululemon could face when re-launching their menswear along with certain rebranding aspects is alienating their consumer base of women. Lululemon will need to keep them in the loop by explaining that the company is in a transition and why. The best way to go about this change would be to educate them on how the company aims to focus on giving men an equal chance to be a part of the Lululemon community and promising the current consumer base that they wouldn't be neglected in any way. By showing a human side of the brand, customers who prefer a certain level of self-awareness in marketing will be on board with the changes. Start with an email to loyal customers about the relaunch, however all the details can't fit into an email so link it to the full story on a dedicated landing page which could show content that makes the relaunch feel intentional, thought out and customer-centric.

Human Risks- Human resource is a vital resource to the company as their behavior in the workplace or outside can impact the company as well as create risks if they are non-compliant or incompetent. So in order to prevent such risks, first of all Yao Ming will need to undertake a thorough background check and have in place a robust recruitment process, hiring only those who can comply with the rules as well as embody their mission. If this doesn't work effectively, they can train them rigorously and have a performance management process in place.

Risk of counterfeit products in China- Lululemon has had issues in the past in this area so while operating in China, they have to be very careful as to avoid such risks. To combat this, Yao Ming will need to open an official web store supported by Chinese online payment like Alipay and Wechat pay. This will help them retain high-end consumers who want authentic products. They should also make use of QR codes and RFID tags which track products as they move from factory to consumer. But most importantly, they should officially register their trademark in China so as to take legal actions against counterfeits. (See Appendix 11 for more information)

Appendix 12

Corporate Social Responsibility

Environmental Efforts

They should use more eco-friendly materials like the 'Eco-Awarded and Certified Non-Toxic', tencel - one of the softest, high performing eco-friendly fabrics, and is both moisture-wicking and comfortable, hemp-a very durable fabric that becomes softer with washing and wear and



acrylic-a synthetic, man-made alternative to wool. Out of these, hemp is the best choice as it is breathable, warm, moisture-wicking, antibacterial, and can be easily blended.

Ethical Labour Practices:

Lululemon publicly list some of their suppliers and ensure that any subcontracted production that does occur adheres to code standards and furthermore, conduct an audit of most of their facilities over a two-year period across the entire supply chain. ("How Ethical is Activewear Brand Lululemon ? - Good On You", 2018) Similar actions should be undertaken for the Yao Ming brand.