



# lululemon

## **Turning Lemons into Lemonade Case Study**

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# Questions to Consider

1. How has Lululemon handled various ethical issues it has faced over the last few years?
2. How has the ethical culture of Lululemon impacted its relationship with customers and employees?
3. What steps should Lululemon take to improve its stakeholder relationships to avoid negative publicity and ethical challenges?



**Dennis “Chip” Wilson**  
Lululemon CEO,  
Founder

1998 – 2005  
Board of Directors  
2005 – 2013

**Body-shaming:** Claimed women's bodies weren't suitable for yoga pants.

**Product recall:** Recalled 17% of its yoga pants due to sheeriness.

**Cultural insensitivity:** “Lululemon” based on a Japanese pronunciation.

**Workplace:** Toxic workplace culture, creating pressure on employees.

**Resigned:** Stepped down as chairman at Lululemon in 2013.



**Christine Day**  
Lululemon CEO  
June 2008 – June 2013

**Leadership transition:** Quadrupled revenue from \$300 million to \$1.4 billion.

**Product quality:** Backlash for the 2013 recall of sheer black yoga pants.

**Customer backlash:** Customers discontent, decline in product quality, justification for premium pricing.

**Resigned:** Resigned following a period of quality issues and public relations challenges.



**Laurent Potdevin**  
Lululemon CEO  
Jan 2014– Feb 2018

**Sustainable growth:** Revenue from \$1.6 billion in 2014 to \$2.6 billion by 2017.

**Global expansion:** Expanded into China and Europe. Grew the men's apparel and digital commerce.

**Digital:** Implemented RFID tech and increased online sales by over 50%.

**Employee engagement:** Record-low retail employee turnover. Top workplaces in N.A. by Forbes.

**Resigned:** Inappropriate relations with employees, violated the company's standards of conduct.



**Calvin R. McDonald**  
Lululemon CEO  
Aug 2018 — Present

The Walt Disney Company  
Board of Directors  
May 2021 — Present

Sephora  
President, CEO of  
Americas  
Oct 2013– Aug 2018

Sears Canada  
President, CEO  
Jul 2011– Sep 2013

Loblaw Companies Limited  
EVP Conventional Food  
Division  
Apr 1994– Jun 2011

# Past Ethical Issues

- Why has Lululemon not learned from past mistakes?
- What should Lululemon do quickly to keep from floundering further?



# Going Forward

- What advice would you offer the leadership of Lululemon going forward?
- With a history of poor leadership, what can they do to fix their reputation?



# **How has the ethical culture of Lululemon impacted its relationship with customers and employees?**

**Ethical culture:** set of values, norms, and practices within an organization that guide employee behavior toward ethical decision-making and responsible business conduct.

## **Lanham Act and Lululemon's Controversial Pants:**

“Quite frankly, the thought was that the pants had become see-through because of a manufacturing issue, but the truth is, women don't realize how much their body changes through wearing certain fabrics, and they didn't follow the instructions.”



**How has Lululemon's  
response to product issues  
influenced customer trust  
and loyalty?**

**How do Lululemon's customer  
complaints make you feel about  
the company's relationship with  
its customers and employees?**

## **On the Quality of Lululemon:**

Pants “Frankly, some women's bodies just don't actually work for it. It's about the rubbing through the thighs, how much pressure is there.”

# How does Lululemon's culture in the workplace impact employee performance and loyalty?

## On the Founding of Lululemon:

"The reason was because the 'L' sound does not exist in Japanese phonetics. It's funny to watch them try to say it."



## As the new CEO of Lululemon, how would you redirect the image and rebuild trust with customers and employees?

### On Feminism and Women's Rights:

"I'm really working hard to elevate men in society because if men are elevated, women will automatically be elevated."



# ***What steps should Lululemon take to improve its stakeholder relationships to avoid negative publicity and ethical challenges?***



What specific initiatives can lululemon pursue in order to redeem themselves of leadership's past behavioral mistakes, if they need to?

Has the change in leadership over the history of lululemon paralleled or strayed from the original core values, and has that positively or negatively contributed to the company's reputation?

What are some ways in which the leadership within Lululemon can set and uphold ethical standards, and how can they make sure this is strong from the top down?

What strategies should Lululemon adopt to improve its environmental sustainability efforts and minimize its ecological footprint?



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