

Lululemon Athletica and a Series of Bad Marketing Decisions

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Introduction

Chip Wilson was so inspired by his yoga classes that he decided to experiment with different fabrics to come up with the ultimate yoga wear. When taking yoga classes, he noticed that cotton clothing that was typically worn did not perform well, given the sweating and stretching required for the exercise. Having previously owned a snowboarding apparel company for 20 years, Wilson was used to running a successful athletic apparel business. Thus, in 1998, Chip Wilson founded Lululemon Athletica, a popular yoga apparel company. However, Chip's previous experience in snowboarding did not prevent him from making a series of bad marketing decisions that resulted in a firestorm of negative publicity for Lululemon Athletica. In 2013, Chip Wilson was forced to resign as chairman of the board. The board of directors hired Laurent Potdevin to take the company in a new direction. However, Potdevin was left with a badly damaged brand image that he needed to clean up rather quickly.

Company Background

Chip Wilson opened the first Lululemon Athletica store in Vancouver, Canada. This store included a design studio, retail space to display the apparel, and shared space with a yoga studio. The first multi-purpose Lululemon Athletica storefront was popular, and business steadily increased for the company. Over time, the company added more retail outlets, and by 2013 there were more than 200 Lululemon Athletica stores in over 40 different countries around the world. As the company expanded, Lululemon Athletica became known for its fashionable, high-quality yoga pants—one pair of yoga pants sold for as much as \$98. Celebrities such as Reese Witherspoon, Gisele Bundchen, Kelly Ripa, and First Lady Michelle Obama became fans of the brand, and the stylish, upscale merchandise quickly became a fashion trend. Lululemon Athletica became more than just yoga apparel; it became lifestyle apparel for everyday wear (Weinger, 2013).

A Series of Public Relations Nightmares

In 2006, Lululemon Athletica sold bags that were part of its Vita-Sea line of products. The company claimed that the bag released amino acids and vitamins and was made of seaweed, which reduced stress for consumers who carried it. *The New York Times* conducted a study that found the claims made about reducing stress were false and that the bag was actually made of pure cotton (Story, 2007).

In 2008, the company sold a bag with inspirational quotes printed on the outside. Shoppers discovered that when the bag was washed, less than positive messages were revealed underneath the top layer of text. For example, according to *CTV News Toronto* (2008), quotes found on the inside of the bag referred to being most creative when drunk, stoned, or just after an orgasm (CTV News Toronto, 2008). Lululemon Athletica responded by stitching a covering over the offensive language on the bag but that did not quell consumer complaints, so the remaining bags were pulled from the stores.

In 2011, the company received even more negative press when the media began to cover the trial and guilty verdict of one Lululemon Athletica employee who murdered her co-worker in a Washington D.C. suburban outlet store (Lawrence, 2011). The murder and related conviction brought the company and its business practices under even greater scrutiny from the press and wider public.

In 2013, Chip Wilson moved the manufacturing of Lululemon Athletica's products from Vancouver, Canada to Taiwan in an attempt to reduce costs and increase margins. According to the company, the yoga pants manufactured in Taiwan passed all of the basic metric tests for fabric hand-feel and construction. However, when consumers tried the pants out and began doing yoga poses in them, the transparency of the fabric was noticeable (Berg, 2014). Customers were outraged by the sheerness of the pants and felt their privacy had been violated.

Lululemon Athletica decided to recall the product, and acknowledged the problem on the community blog of the company's website. In the post, Lululemon Athletica apologized to their customers and stated that the pants did not meet their standards for quality. The same day Lululemon Athletica posted on its community blog, *The Wall Street Journal* published an article about the sheer Lululemon Athletica yoga pants, stating that pulling the in-store stock would affect as much as 17% of the product in stock, reducing expected first quarter sales by millions of dollars (Mattioli and Jones, 2013).

During the month following the recall, Lululemon Athletica continued to publish press releases in which the firm took responsibility for the low product quality and attempted to let the public know they were working to remedy the problem. Despite these efforts to admit their mistakes, Lululemon Athletica was still receiving a significant amount of negative press. For example, late night TV show host Jimmy Kimmel created a YouTube video mocking the see-through yoga pants that had over 300,000 views. Lululemon Athletica made an attempt to participate in the humor by putting pairs of the sheer pants on the mannequins in its stores (Kowitt and Leahey, 2013).

Just as the sheer pant issue was settling, Lululemon Athletica faced yet another public relations problem. In July 2013, Elizabeth Licorish, a former employee of Lululemon Athletica, made statements to the press that the company purposely tried to discriminate against larger size women. She claimed that sizes 2-8 were prominently displayed in each store, while sizes 10-12 were cast off to the back of the store under tables. She also noted that the company did not even sell pants larger than size 12. This story created even more negative press for the brand, as some consumers publicly stated that they were treated differently while shopping in Lululemon Athletica stores simply because they did not wear size 2 (Rasmus, 2013).

In a subsequent interview, Chip Wilson was asked why the company did not sell the larger sized products. He claimed that the cost to make larger sizes was too high because it used more top-of-the-line, expensive fabric. In another interview with ABC News (Lustrin and Pantinkin, 2013), Wilson stated that, "Some women's bodies actually just don't work for us." Shortly after these interviews, women took to social media to express their outrage at Wilson's comments. On December 10, 2013, Chip Wilson was forced by the board to resign. In January of 2014, the company hired a new chairman, Laurent Potdevin, who was tasked with creating a new vision for the company. But the company had a badly damaged brand image, and it was unclear how Lululemon Athletica would regain consumer confidence. Potdevin had to address a number of strategic questions: 1) Should the company continue to target its specific market? 2) What else would the company have to do to restore its brand image and consumer trust in the brand? and 3) Would consumers forgive the brand?

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