Lauryn Baye Mayberry

October 10, 2018

Marketing 130

Professor Howard

Company Background

Lululemon Athletica was originated in Vancouver, Canada in 1998. Chip Wilson, the originator, opened the first location that turned into a yoga studio after dark in November of 2000. While this brand was originally created to make clothing for women to practice yoga in, it soon turned into a line that offers men and women's clothing and accessories as well as a wide variety of activity-specific wear. From yoga to running, it is all offered. The goal for this company has always been to create a community and place for new relationships to be built as well as to celebrate personal achievements.

Company Information

A few core values of Lululemon are quality, product, and greatness(Lululemon). These ideas are the epitome of the competitive advantage customer excellence. Lululemon Athletica is an athleisure wear brand, which means the clothing is workout-friendly as well as fashionable. There are many factors that go into the thought and design of a product. For this brand, the specific activity, material, and stainability mean the most. There are different details that are included into some products and not others, depending on what activity the product will be used for. Lululemon also uses a wide range of fabrics for different items. For example, a pair of running shorts might be made of a more durable fabric and include a pocket for keys while a pair of lounge shorts would be made of something lighter and looser. Lululemon offers 19 unique fabric features that are distinctive to their brand and no one else. Customers who shop have a generous amount of options as well as sizes in every area. Continuing with customer excellence, Lululemon has extraordinary customer service. For instance, if an article of clothing gets a snag or starts pilling, they will exchange the damaged product for a new one at no cost. Lululemon's customer excellence goes above and beyond shopper expectancies to sustain their loyalty.

SWOT

		Environment	Evaluation
		Positive	Negative
Lululemon Athletica	Internal	**Strengths** -Large target audience -In-store and online -Athleisure becoming more popular -Emphasis of quality	**Weakness** -Overreliance on clothing -Charges premium prices -Perceived as yoga only -Limited quantities in-store
	External	**Opportunities** -Expanding world-wide -Expanding in merchandise -Expanding in store locations - Subsidiary brand (Ivviva)	**Threats** -Competitive market -Other brands with lower prices -Growing competitors -Products can be and are being replicated

Growth Strategy

Lululemon is one of many competing athletic brands. This brand's growth strategy is product development as athletic wear has been an existing market and athleisure is the new product line being introduced. Some of the original athletic brands, such as Nike, Under Armour, and Adidas, have focused on shoes, or sports-targeted items. Lululemon, on the other hand, has expanded their type of clothing, and incorporated accessories as well (Cheng). In addition to creating new products, Lululemon has also improved their existing products. This includes refining fabrics and upgrading design.

4E Framework

Lululemon Athletica uses the 4E framework to successfully connect and communicate with customers. To *excite* customers, Lululemon has an Instagram account with over 2.5 million followers and a twitter account with over 1 million followers. These accounts are used to promote new items and connect with customers. Their twitter account is also used to *engage* with customers as they reply to questions and comments directly through the app. This is an easy and efficient way to reach out. For the *experience*, Lululemon offers an app and website for customers to browse through new products and deals at anytime and anywhere, as well as a relaxing and inviting in-store shopping environment. Lastly, to *educate* their customers, Lululemon sends out daily emails of their products as well as the technology and purpose behind it.

Ethical Dilemmas

Sustainability is claimed to be one of Lululemon's core values (Lululemon). This claim is written in their manifesto and as well as on their reusable bags. The honesty ethical dilemma could affect Lululemon's reputation if proven that they are not living up to their eco-friendly declaration. For example, one of the many statements on their reusable bags states "What we do to the Earth we do to ourselves (Manati)." Honesty is an important moral to Lululemon and has been lived up to.

Macro Environmental Factors

Economic status plays a big factor in Lululemon's sales. Considering that Lululemon items are on the pricier end of athleisure wear, not everyone can afford it. The economy and income determine one's purchasing power and whether they will buy from this brand or not. *Social trends*, or socio cultural trends, also influence buyers preferences. If there are an increased amount of people wearing Lululemon and others seeing that, then more will be inclined to purchase it because it is "popular." This is why Lululemon promotes their items so strategically. *Demographics* are the gender, age, and occupation of a human population. Millennials are more likely to purchase items from Lululemon. This fact motivates this brand to endorse more and have stores in college towns and areas where younger people live. Lastly, *technology* is an impactful factor in how and what Lululemon promotes. Social media is one of the main ways this brand chooses to show off their new products, as well as email newsletters to keep customers returning (Wiebe). The macro environmental factors that influence Lululemon the most are economic factors, social trends, demographics, and technology.

Consumer Decision Process

A *need recognition* for functional and psychological needs applies for customers looking to buy Lululemon products. Their athleisure items fit the functional need because they are perfect for physical activities and get the job done. On the psychological side, many people simply purchase Lululemon because it is popular and everyone has it. Another way customers decide what to purchase is to do an *information search*. This search could be done by an online search or by interviewing people around them. In addition to need recognition and information search is *evaluation of alternatives*. For example, one might consider another athleisure or athletic brand rather than Lululemon such as Adidas or Nike. This is when Lululemon would use their growth strategy to prove their brand is superior to others.

Research

The first way that Lululemon might conduct research is asking for *web surveys* which are primary data. They do this by sending emails every once in a while asking for feedback about their customer service, products, and quality. Another way that Lululemon collects data is through *pricing research*. The reason Lululemon's items are priced high but still sell well I because they have researched an tested what price point will make them the highest profit while still selling. *Observed consumer behavior* is yet another way this brand researches their customers. This is done by noticing what their consumers are buying and what they prefer. Lululemon stays on top of secondary data, journal articles, to pick up on what they should improve in their company. Many times, journals post articles that reflect how they feel about companies instead of addressing them. Lastly, Lululemon might use *syndicated data* to save time in their research. This data is paid for by Lululemon and is a way to get fast, accurate data.

Market Segments

Lululemon uses specific market segments to separate their customers into groups. For *geographic segmentation*, this brand ships worldwide. It has stores primarily in the U.S. and Canada but also in Australia, United Kingdom, New Zealand, Singapore, China, Hong Kong, South Korea, Germany, Switzerland, Puerto Rico, and Japan (Statista). Next, for *demographic segmentation*, millennials are more likely to purchase and, or wear items from Lululemon. This is because this brand is more prevalent in this demography, teens to twenties. Also, females are more likely to buy Lululemon items for themselves and for the men in their life. Income-wise, people that make more money are expected to buy more items. For *psychographic segmentation*, Lululemon customers buy this to satisfy their inner needs and wants. They might want to look athletic but stylish or they might want to “impress” others by wearing a high-end athleisure logo. On the other hand, other customers might need athleisure clothes to work out in. The *benefits* of buying Lululemon products is the quality, style, and comfort. These factors are priorities for Lululemon and their core values. For *occasion segmentation*, Lululemon has different lines of clothing that correlates with the season that is in session. For example, they recently came out with fall colors that are darker and more fitting for colder weather. Lastly, Lululemon employs *loyalty segmentation* by sending birthday emails with a message and special deals to those who are subscribed to emails and are returning customers. These methods are adequate to the customers of Lululemon and keep them returning.

Target

The *benefit segmentation* would be the most attractive target for Lululemon to make use of. This target is attractive firstly because of the *identifiable attractiveness*. The customers who shop at this store purchase it because of the quality, style, and comfort. This is why those customers keep coming back and share good comments to other potential customers. Lululemon is also *substantial because* the athletic and athleisure market is very large. People are constantly buying new gear and this will not stop anytime soon. Also, Lululemon is *reachable*. Pop-up shops are prevalent on college campuses as well as races and events. People must know that Lululemon is accessible to them through online shopping or their app even if there is not a store near them. In addition, Lululemon promotes their quality and versatility to convince people their items are worth it. This brand also shows *responsive attractiveness.* For instance, Lululemon introduced a swim line and a more business leisure line in extension to their athleisure clothing.

This addition of clothing line has expanded their types of customers and increased their profits. Lululemon is also *profitable* and will continue to be profitable because of its segment size and purchase behavior of customers.

Positioning, Value Proposition

Lululemon's value proposition targets a market of individuals wanting comfortable yet fashionable clothing and accessories. The product or service category is clothing and accessories. Lululemon strives to not only provide unique, practical items but to "empower people to reach their full potential through providing the right tools and resources, and encouraging a culture of leadership, goal setting and personal responsibility (Lululemon)."

Personality

Lululemon's *brand personality* would be considered a mix of sincerity and excitement. They are sincere because the brand is very invested in their customers and cheerful. They are also very community oriented (Lululemon). For example, Their employees are known as "educators" and encouraged to live a simplistic lifestyle in order to relate and help their customers better (Wang). While Lululemon is shown to represent the sincere personality, it also represents the excitement personality. This is because they are always pressing their yogis (a person who is proficient in yoga) and customers to push themselves and expand their horizon. Lululemon balances being sincere and exciting very professionally and it appeals to all of their customers.

Product Life Cycle

A product that Lululemon produces and is known for is their leggings. If an individual owns much from Lululemon, the odds are is that one of the items is a pair of leggings. This product would fall in the *maturity* stage of the product life cycle. This is because at the moment these leggings are at the peak of their existence. Many factors come into this, but it is primarily because of their feel, versatility, and performance (Bain). Also, new colors, patterns, and designs are periodically being released which ramps up the sales and keeps them in the maturity stage. At this point in time, if Lululemon continues to create new patterns and updated designs, it does not look like this product will enter the decline stage any time soon due to the demand and reviews.

Value Co-creation

Lululemon does implement of a *co-creation* into their company This is done by sending surveys to their returning customers periodically. These surveys consist of input on how the company is doing as well as a section on how the customers feel about the most recent products and designs followed by what they would like to see more or less of. Also, Lululemon offers a customization option for teams and organizations. Most of the time, this consists of either names, numbers, or brands printed on clothing items. For instance, SoulCycle, a celebrity cycle bar in California has made custom Lululemon shirts with their logo on the sleeve for their employees and customers who would like to purchase. This option is a creative way to get customers and other companies interested in what Lululemon has to offer.

Service Gap

A service gap that Lululemon could face is a *knowledge gap*. This could happen if the customers want to see more patterns of clothing that they haven't seen before and the manufacturers continue to release the same things. This could be prevented by having more surveys and input that their customers can fill out. This will make Lululemon's manufacturers and designers more aware and have a better understanding of what their customers want.

Pricing Strategy

Lululemon’s chosen pricing strategy is *value-based*. More specifically, the *cost of ownership* method is implemented because customers do not want to purchase a relatively expensive item of clothing that is not going to last them long. This brand has always emphasized their quality and caliber through their ads and in-store. For example, one is not to find any leggings for under $75 which reflects the quality and scarcity (Taffer). When Lululemon customers begin to compare the price and quality of their leggings to other brands, they will notice that the price is higher as well as the quality.

Pricing Tactics

Lululemon uses limited pricing tactics only because they get the business they need without offering discounts. However, their most used tactic is offering *seasonal discounts*. If shopping in-store, there is a designated section to marked down items. For those shopping online, there is a “we bought too much” section that holds women’s and men’s clothing and accessories that are under the normal retail price (Lululemon). These items that are marked down are often from the previous season or have limited quantity left. This tactic is a great way to sell the remainder of the inventory left. In addition to seasonal discounts, Lululemon could capitalize on other pricing tactics such as occasional *coupons* or even *quantity discounts*. Coupons could be offered on their website or obtained in-store, which will encourage customers to buy more as they are looking for coupons. If quantity discounts were offered, more companies and teams would be inclined to purchase in bulk, therefore spending more money and more profit would be made.

Supply Chain and Distribution Intensity

Lululemon is adamant on guaranteeing that their supply chain is responsible, eco-friendly, and ethical. First, this brand obtains their *raw materials* from partners such as the Sustainable Apparel Coalition to ensure sustainability, their most popular material being luon (Lululemon). Lululemon also assesses their *facilities* and *manufacturing* employees to check their legality. Most facilities are located in the Northeast of the United States but there is also a location in Australia and Canada. Lululemon *distributes* from their manufacture locations a well, which are *direct marketing channels*, going straight from the distributor to the customers. This brand's distribution intensity is an *exclusive distribution*. Most of the time you will only find Lululemon locations in larger cities or on college campuses. This scarcity based on geographical location makes it exclusive.

IMC Strategy

Lululemon uses several types of strategies to get their message across to their customers. The first of many is *online marketing*. This type of marketing is through *online* social media. It is *interactive* because the viewers have the option to click on the Lululemon page directly from that post or click on linked items and it will take them straight to the online store. A second strategy this brand uses for communication is *direct marketing*. This is mainly through *online* emails to their customers who have signed up for an account. These emails inform customers on new items dropping as well as promotions and events coming up. This form of messaging is passive since it is in a form of an email.

Advertising

The type of advertising that Lululemon uses is *reminder advertising*. This is because they are constantly sending emails to their current customers as well as posting things on social media for their followers to see. However, they also purchase ad space on Instagram and Twitter to become relevant and jog someone's memory to those who are not regular shoppers. Lululemon primarily uses *Instagram and Twitter* in their media mix to frequently get their items in the minds of current and potential customers. On Instagram, many pictures and videos are posted to showcase their new and popular items for individuals to see. On their Twitter platform, Lululemon often replies to customers who have inquired about sizes, restocks, or sizing. This is a great way for customers to feel as if they are engaged with the brand itself.

References

Cheng, A. (2018, September 04). As Its Shares Hit A Record High, Here's Why Lululemon Is Still Winning The Athleisure Game. Retrieved from https://www.forbes.com/sites/andriacheng/2018/08/31/why-lululemon-is-still-winning-the-athleisure-game/#7b1097ba2efb

Dalavagas, I. (2016, April 12). Lululemon Analysis. Retrieved from http://www.valueline.com/Stocks/Highlights/SWOT_Analysis__lululemon_athletica_inc_.aspx#.W8fALi3MxE4

Lululemon: Our Story. Retrieved from https://info.lululemon.com/about/our-story?mnid=ftr;en-US;about-us;our-story

Marati, J. (2014, May 13). Investigating the Ethics of Lululemon Athletica. Retrieved from http://ecosalon.com/behind-the-label-the-lululemon-manifesto/

Sherman, L. (2016, January 25). The Rise, Stumble and Future of Lululemon. Retrieved from https://www.businessoffashion.com/articles/intelligence/the-rise-stumble-and-future-of-lululemon

Statista. (2018, March). Total number of lululemon athletica stores worldwide from 2011 to

2017, by country. Retrieved from https://www.statista.com/statistics/291231/number-of-lululemon-stores-worldwide-by-country/

Wiebe, J. (2018, June 11). Psychology of Lululemon: How Fashion Affects Fitness. Retrieved from https://www.theatlantic.com/health/archive/2013/12/psychology-of-lululemon-how-fashion-affects-fitness/281959/