



## Original Research Article

## A STRATEGIC ANALYSIS OF LULULEMON

Ms. Angela Ganley<sup>1</sup>, Herbert Sherman<sup>2</sup>

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## Abstract

Lululemon is an athletic apparel company founded in 1998 in Vancouver Canada by Chip Wilson (lululemon, n.d.). It is one of the first companies to sell high end athleisure and is part of the apparel manufacturing industry. Initially, the company sold clothing and operated a yoga studio out of the same space but moved away from the yoga studio to full time apparel manufacturing and sales in 2000 (lululemon, n.d.). In 2007, Lululemon went public and became listed on the NASDAQ exchange (Flavelle, 2007). Lululemon has a market capitalization of \$40.731B and revenue of \$6.257B (Lululemon Athletica Inc Market Cap 2010-2022 | LULU., n.d.) Over time, Lululemon has experienced aggressive growth and expansion, with 655 stores in 18 countries (Statista, 2022). Initially focusing on women's apparel specifically for yoga, Lululemon has expanded into clothing for a variety of sports such as cycling, running, and training, and has developed menswear, accessory, and shoe lines (lululemon, n.d.).

**Key words:** Lululemon, Market Capitalization, Manufacturer, Market



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<sup>1</sup> Radancy Corporation

<sup>2</sup> Long Island University – Brooklyn , Email: Herbert.Sherman@liu.edu



## Introduction

Lululemon is an athletic apparel company founded in 1998 in Vancouver Canada by Chip Wilson (lululemon, n.d.). It is one of the first companies to sell high end athleisure and is part of the apparel manufacturing industry. Initially, the company sold clothing and operated a yoga studio out of the same space but moved away from the yoga studio to full time apparel manufacturing and sales in 2000 (lululemon, n.d.). In 2007, Lululemon went public and became listed on the NASDAQ exchange (Flavelle, 2007). Lululemon has a market capitalization of \$40.731B and revenue of \$6.257B (Lululemon Athletica Inc Market Cap 2010-2022 | LULU., n.d.) Over time, Lululemon has experienced aggressive growth and expansion, with 655 stores in 18 countries (Statista, 2022). Initially focusing on women's apparel specifically for yoga, Lululemon has expanded into clothing for a variety of sports such as cycling, running, and training, and has developed menswear, accessory, and shoe lines (lululemon, n.d.).

## Mission, Vision, Objectives

### Overview

Lululemon's mission, which they refer to as their purpose, is "We elevate human potential by helping people feel their best." (lululemon, n.d.). Their vision is "We create transformative products and experiences that build meaningful connections, unlocking greater possibility and wellbeing for all." (lululemon, n.d.).

Lululemon calls their social objectives their core values and have 5: personal responsibility, connection, inclusion, courage, and fun (lululemon, n.d.). Personal responsibility is defined as acting honestly and taking full accountability for choices made and how they impact others (lululemon, n.d.). Connection is described as building trust through celebrating each person's uniqueness (lululemon, n.d.).

Inclusion means removing barriers to equity, and courage means having the strength to do big things for others and the planet (lululemon, n.d.). Finally, fun is described as "We infuse joy and laughter into all we do, which in turn allows us to turn work into play." (lululemon, n.d.). Lululemon's purpose, vision, and social objectives are clearly demonstrated in their code of ethics and CSR program.

### Code of Ethics/Corporate Social Responsibility

Lululemon has a vendor code of ethics that their suppliers must agree to (lululemon, n.d.). This code is meant to ensure that despite cultural and legal differences amongst suppliers due to Lululemon's global supply chain, all their vendors comply with Lululemon's standards (lululemon, n.d.). The six main actions that Lululemon has a zero-tolerance policy for are:

- Lack of transparency, disclosure, and cooperation
- Forced labor
- Unapproved subcontractors
- Minimum wage violations
- Child labor
- Corruption and bribery (lululemon, n.d.)

In addition to their vendor code of ethics, Lululemon has a global code of business conduct and ethics that they adhere to. This includes complying with the law, avoiding conflicts of interest, respectfulness and inclusivity in the workplace, and the expectation of reporting violations of this code, and the promise of no retaliation for doing so (lululemon, n.d.).

Lululemon's corporate social responsibility is referred to as their impact agenda. This consists of three "pillars": Be Human, Be Well, and Be Planet (lululemon, n.d.). The Be Human pillar concerns diversity, inclusion, and equity in the workplace with gender pay equity and a Fair Labor

Association accreditation being the primary programs (lululemon, n.d.). Be Well concerns the wellbeing (physical, social, and mental) of the communities Lululemon operates in (lululemon, n.d.). Be Planet focuses on the sustainability of Lululemon's products and supply chain (lululemon, n.d.).

### ***Specific CSR Projects***

As part of their "Be Well" pillar, the Lululemon Centre for Social Impact donates money to various community programs worldwide—from organizations serving marginalized communities, to non-profits supporting women who work in their manufacturing supply chain to the UN in support of humanitarian workers (lululemon, n.d.). Since 2021, Lululemon has donated over 15.8 million dollars to over 200 non-profit partners, with 3.9 million people reached (lululemon, n.d.).

Lululemon's sustainability initiatives (their "Be Planet" pillar) include working towards making 100 percent of products with sustainable materials by 2030, sourcing 100 percent renewable energy and reducing carbon emissions by 60 percent by 2030 and reducing freshwater use and single use plastics by 50 percent by 2025 (lululemon, n.d.).

### ***CSR Rating***

Lululemon has a CSR rating of 79, slightly higher than the industry average for 1,283 companies in retail (CSRHub, n.d.).

### ***Comparison of CSR/Ethics to Industry Leaders***

Lululemon is at the forefront of sustainability initiatives in the retail industry. Lululemon has partnered with Genomatica, a bio-engineering company that specializes in plant-based nylon that has a much lower environmental impact than synthetic nylon, and they are also working on creating synthetic leather (Leavitt, 2021). Many large apparel companies are still trying to standardize practices in their global supply chain, never mind advance sustainability initiatives, but Lululemon (with the help of their vendor code of ethics) is ahead of the game in this area and working towards their goal of 100 percent sustainable materials by 2030.

## **Generic Strategy and Strategic Approach**

### ***Lululemon's Generic Strategy***

Lululemon's generic strategy appears to be a differentiation strategy. A differentiation strategy is when a business markets to an entire industry products (Schlossberg, 2016) that can readily be distinguished from its competitors (Parnell, 2021). Lululemon's products sell at a high price point and uses cutting edge materials to make their products. Lululemon also creates exclusivity by stocking very few of each item and rotating what they have in stock often, compelling customers to buy the items they want quickly (Schlossberg, 2016). Overall, Lululemon has positioned themselves as a high-end luxury brand that appeals to a specific kind of customer—one who values quality and being on trend and is willing to pay a premium price for it.

Lululemon's differentiation strategy does make sense considering their core competencies—one of their core competencies is their employees, specifically in the R&D department. Lululemon is known for innovation and quality—pouring money into research and development on new fabrics that perform on a high level (Sherman, 2021). This commitment to innovation, and having the employees with the skillset to innovate, is what sets Lululemon apart from other athleisure brands and is the focus of their differentiation strategy.

### ***Strategic Approach to the Market***

Lululemon would be classified as a prospector or first mover. Prospectors introduce new products and services to the industry, which Lululemon has done with their athleisure brand (Parnell, 2021). Before Lululemon entered the market, Schlossberg (2016) noted that "Companies have avoided [improving the quality of athletic wear] for many, many years." There wasn't a company out

there focusing on high quality athletic wear, and Lululemon was the first, often being credited with building the athleisure apparel category (Schlossberg, 2016).

This approach fits the firm's generic strategy of differentiation and belends well with the firm's distinctive competencies. By positioning themselves as a high-end purveyor of athletic apparel created with innovative materials and techniques, Lululemon reinforces their differentiation strategy and maintains their reputation for producing the latest and greatest in athleisure-benefitting by setting trends within the industry, rather than playing catch up (Parnell, 2021).

### **Environmental/External Analyses**

In order to understand a firm's marketplace, the opportunities and threats a firm faces given, it's operating domain, we examine the firm's external macroenvironment. This analysis includes first looking at factors that tend to be out of control of the firm yet nonetheless impact the firm's strategy and operations. This analysis tends to be divided into two parts: external analysis (using the tool P.L.E.S.T. – political, legal, economic, social and technological) and industry analysis (using the five forces model).

#### ***P.L.E.S.T. Analysis***

##### **Political:**

Lululemon is subject to specific factors due to its status as a global company. Lululemon has a store presence in 17 countries, in addition to an online presence that ships globally and accounts for more than 45 percent of the company's revenue (Statista, 2022). This subjects Lululemon to political factors in several countries in addition to regulation of their online business. For example, the Trump tariff passed in 2018 which levied a 15 percent tariff against goods that are produced in China (Salzman, 2019). Lululemon moved much of its manufacturing from China to Vietnam, with the amount of goods produced in China dropping from 21.4 percent in 2016 to 12.7 percent in 2019 (Salzman, 2019). If not for this law being passed and Lululemon's global presence, this change would likely not have occurred (at least not at the speed it did).

While there are threats to Lululemon due to the possibility of extremely high tariffs or trade embargos between nations, there is also the opportunity to set up operations in a country that would want to have a global business like Lululemon setting up operations there, leading to advantageous conditions. Overall, the opportunities outweigh the threats as tariffs and laws can change fairly frequently, so should not be a long-term blocker for global expansion.

##### **Legal:**

Lululemon is subject to laws around worker protections and consumer protections. Laws such as the Garment Worker Protection Act guarantee minimum wage and eliminate the piece rate (where workers get paid by the item rather than hourly) (Doyle, 2020). Lululemon must adhere to these laws in the U.S. From the consumer protection standpoint, the FTC has made it mandatory that clothes are labeled with their fiber content, country of origin, and the manufacturer (Apparel and Labeling, 2021).

The main threat to Lululemon is that since they do not manufacture their products, they work with subcontractors in many countries to do so (lululemon, n.d.). While this in and of itself is not an issue, this leaves Lululemon with less control over the day-to-day occurrences in their supply chain. Lululemon has vendors sign a vendor code of ethics as mentioned earlier, but that has proven to be less than effective-in 2019, reports surfaced of unethical and abusive practices in a plant in Bangladesh with workers being beaten and paid 106 dollars a month (Krause, 2019). Lululemon investigated and took action against the plant, but the damage was done to both the workers and to the firm's reputation (Krause, 2019). These are significant threats to the firm's operations and reputation.

##### **Economic:**

Lululemon is affected by inflation and rising costs. Rising costs of goods used to manufacture clothes due to things such as material shortages, rising shipping costs, and transportation bottlenecks leads to prices to consumers rising, which could keep consumers from purchasing Lululemon apparel (since it

is already positioned as a luxury brand and on the pricy side (Mellor, 2021). Inflation also causes prices to rise, which can affect sales as well.

Both items represent significant threats to the firm, especially because as an apparel company they are selling products reliant on raw materials affected by shortages and shipping costs. With the economy unstable and due to inflation, the threats are outweighing opportunities.

#### **Social:**

Lululemon is affected by the demographic they target and what is important to that demographic. Lululemon's target demographic are young, fitness minded, middle to upper class customers who place importance on sustainability, premium materials, and quality (Carmely, 2022). To that end, lululemon focuses on sustainability, working to reduce their carbon footprint and working with vendors and manufacturers that stick to their code of ethics and standards for quality (lululemon, n.d.).

There are a lot of opportunities here, with Lululemon having a strong brand name and reputation among their target demographics. Working with influencers to get more awareness of new products and knowledge of Lululemon's sustainability policies to the public can help strengthen brand awareness. The threat here is if the spokesperson they work with is not actually aligned with their demographic, or if negative press gets out about the firm. Overall, the opportunity outweighs the threats since the brand name and reputation is so strong.

#### **Technological:**

Lululemon is influenced by advancements made in textile production. Automation in manufacturing such as 3D printing, nanotechnology to make clothing fire and water repellent, and laser printing to transfer designs to clothing are all advancements in the apparel industry (The Evolution of Technology in the Textile Industry, 2023). If Lululemon adopts some of these methods, it can give them an edge over their competition when it comes to creating innovative designs and clothing.

The opportunity outweighs the threats here since within the industry Lululemon is at the forefront of the technology. Lululemon's R&D department is constantly working on improvements to the materials used to create their products, and the only real threat is if another company comes out with something even more cutting edge, but with Lululemon's years of R&D and funding, the odds of that are slim.

#### **Conclusions**

Overall, there are several macroenvironmental factors that are affecting the apparel industry that can affect Lululemon. The largest risk is economic factors-post COVID, supply chain issues, costs for raw materials, and inflation are causing apparel prices to skyrocket (Mellor, 2021). Due to inflation, consumer's money will not go as far as it did before, and spending on items like luxury athleisure that Lululemon specializes in may be one of the first things eliminated in people's budgets. I believe there are opportunities due to political and social factors and Lululemon's responses to them. Lululemon's anticipation of and response to the Trump tariff against China puts them in a great position compared to companies that did not shift their manufacturing location in time-not having to deal with the tariff, Lululemon's stock rose nearly 64 percent (Salzman, 2019). Socially, sustainability and clean business are extremely hot topics with consumers, and Lululemon has already integrated both topics into the way they do business, giving them an advantage over competitors.

#### **Industry Analysis**

Macro forces tend to impact multiple industries simultaneously although not necessarily in the same way (i.e. rising interest rates have a negative impact on real estate prices yet a positive impact on financial institutions with variable rate products). An industry analysis then looks at industry-specific factors including barriers to industry entry, bargaining power of suppliers and buyers, the relative impact of substitute products/services and the rivalry within the industry. (See Parnell 2021 for details.)

### ***Threat of New Entrants***

The threat of new entrants into the athleisure industry is high because the barrier for entry is low large companies have athleisure lines such as Under Armour, Nike, Adidas, and Athleta.

The athleisure industry is unique in that overall, getting into apparel manufacturing has a high barrier of entry, with high startup capital and manufacturing costs, but many competitors in this industry are existing firms branching out, meaning they are already in the apparel manufacturing industry as a whole and are branching into athleisure.

### ***Bargaining Power of Suppliers***

The bargaining power of suppliers is high because Lululemon does not do their own manufacturing but outsources it to factories overseas (Soni, 2014). Lululemon works with approximately 65 suppliers globally (Soni, 2014). Their trademark fabric, Luon, accounts for about 30 percent of the products they make, and is sourced from a single supplier (Soni, 2014). Due to their reliance on this fabric for so much of their product, this single supplier has a large amount of bargaining power.

### ***Bargaining Power of Buyers***

The bargaining power of buyers is low because while there are many competitors, Lululemon concentrates on the high-end market and sells at a high price point. Lululemon has a strong brand, so if customers want to be associated with that brand, they will pay the prices. Additionally, their global footprint (which is still rapidly expanding), keeps the bargaining power of buyers low since there are so many different markets Lululemon sells in (Statista, 2022). For example, if all their customers were in the United States, they would be subject to the whims of the consumers in the U.S. Since they have a foothold in many markets, if Sales in the U.S. suffer, the sales in Europe or Asia can stay high which would compensate for the change.

### ***Threat of Substitutes***

The threat of substitutes is high, with big name companies such as Nike selling similar products, and new companies selling similar goods are always entering the market due to the low barrier for entry. Nike has launched a yoga line with high-end apparel products aimed at Lululemon's customer base offered at a similar price point to be a substitute for Lululemon (Nike, n.d.)

### ***Rivalry/Competitor Analysis***

Industry rivalry is high, with many companies trying to gain a piece of the athleisure market. This rivalry results in companies selling many similar products and trying to price themselves as the best deal for the customer. The competitors discussed here are Nike, Under Armour, and Athleta.

Athleta is Gap's athleisure brand and a direct competitor to Lululemon, with similar products and price points and even sustainability initiatives (Athleta, n.d.). They also have a similar wellness community to Lululemon called AthletaWell, which offers various female focused articles and pieces of advice (Athleta, n.d.). There are two ways Lululemon stands out here-their men's line and their technology. Athleta only markets to women and girls, with no products for men on their site (Athleta, n.d.). While this is a huge market and a large part of Lululemon's business as well, Lululemon has the advantage of a fully developed line of men's product, differentiating them from Athleta by being more inclusive. In addition, Lululemon focuses on how their clothing is technologically advanced, launching products that are sweat wicking and temperature controlling (Sherman, 2021). While Athleta may have some performance fabric in their products, it is not their focus from a marketing perspective (Athleta, n.d.).

Nike is a huge market leader in the athletic apparel industry, holding 35 percent of the market share (Inv Academy, 2023). While they have the capital to be a direct competitor to Lululemon and

have created a high-end yoga apparel line as referenced above, Nike’s focus is on other areas of the business. Their footwear line accounts for 64 percent of their total revenue, meaning that while their yoga apparel line may be strong, it is not their biggest money maker and not their focus (Inv Academy, 2023).

Under Armour is a unique case since they do sell yoga gear which makes them a Lululemon competitor, but they do not necessarily see themselves as one. Under Armour made the decision to move away from athleisure and focus on apparel for athletes (Gray, 2018). Their CEO stated that they grew too rapidly, losing focus on what their strengths were by trying to do too many things at once, which resulted in slowing sales and shares falling 68 percent between 2015 and 2018 (Gray, 2018). Due to this, they decided to focus on performance gear for serious athletes (Gray, 2018). While Lululemon’s products are also performance focused, their customer base is different from Under Armour’s in that they are invested in the athleisure look and trend as well.

**Conclusions**

Overall, the apparel manufacturing industry is risky-it is highly competitive and offers many options for the consumer, with well established brands and new brands entering the market regularly. One way for a firm to differentiate themselves is through concentrating on a particular segment of the market, which Lululemon has done by concentrating on high end luxury clientele. Another thing in Lululemon’s favor is that it was one of the first athleisure companies on the market, leading to them establishing a large customer base.

**Internal Analysis**

The following tables were constructed to summarize the three key levels of internal analysis performed on a firm: Resource Analysis, Value Chain Analysis and Functional Analysis. All of the aforementioned analyses were derived from various data sources cited in the Reference Section at the end of this document.

**Table 1 Resource Analysis**

Basic Resources	Core Competences: Valuable, Rare, Inimitable, Organized	Distinctive Competencies	Competitive Advantage
<b>Tangible Resources:</b> Stores, Factories, Raw Materials, Land, Infrastructure  <b>Intangible Resources:</b> Brand Recognition, Patents, Intellectual Property, Customer Relationships, Product Reputation  <b>Employee Competencies:</b> Customer Care,	Stores: V-Yes I-No R-No O-Yes Factories: V-Yes I-No R-No O-Yes Raw Materials: V-Yes I-No R-No O-Yes Infrastructure: V-Yes I-No R-No O-Yes Brand Recognition: V-Yes I-Yes R-Yes O-Yes Patents: V-Yes I-Yes R-Yes O-Yes Intellectual Property: V-Yes I-Yes R-Yes O-Yes Customer Relationships: V-Yes I-Yes R-Yes O-Yes Product Reputation: V-Yes I-Yes R-Yes O-Yes Customer Care: V-Yes I-No R-No O-Yes Research and Development: V-Yes I-Yes R-Yes O-Yes	Lululemon's distinctive competencies almost entirely tie back to their intangible resources. The tangible resources related to manufacturing apparel are inimitable across companies: factories, raw materials, and infrastructure. What sets Lululemon apart is its intangible resources: their brand recognition, patents, IP, and strong Customer relationships. Lululemon holds patents on high performance materials that set them apart from competitors (Sherman, 2021). Lululemon also enjoys a brand image that works in their favor-high end luxury athleisure for those who care about their health. They are also recognized as	Lululemon's competitive advantage through its distinct competencies is strong since their competencies around Brand Recognition, Patents, IP and R&D all answer "Yes" on the VIRO framework, meaning that these resources are valuable, rare, not able to be imitated, and organized, giving Lululemon a sustained advantage over competitors.

Research and Development	Lululemon's competencies, specifically their Tangible and employee competencies set them up with a solid foundation for their technical and managerial systems. Having well organized factories and infrastructure, as well as raw materials allows for smooth manufacturing of products, as well as R&D unimpeded by the production process. A strong employee foundation in customer service is also founded in extensive training and management.	one of the first companies to create athletic apparel of this caliber. This leads to another intangible asset: strong customer relationship/loyalty. Those who wear Lululemon wear Lululemon specifically and rarely if ever substitute with a competitor.	
List Needed Resources, Assets, and Competencies	Missing core competencies in stable upper management, supply chain logistics, relationships with vendors.	Distinctive competencies for market leaders are strong global presence and clear viewpoint for diversification.	Lululemon is a learning organization with plans to grow brick and mortar store presence, expand global footprint into new countries, and diversify product line (has begun with release of footwear line) (lululemon, n.d.).

**Table 2 Value Chain Analysis**

	Production		Market		
	Inbound Logistics	Operations	Outbound Logistics	Sales & Marketing	After Sales Service
<i>Production/Market</i>	Incoming raw materials, storage of raw materials	Conversion of raw materials into pieces of product, assembly of product, running of assembly operations The added value here is that operations takes raw materials and converts them into items and products that can be sold.	Storage of product in warehouse, processing of orders, shipping of orders. The added value here is that product is not just held, but stored, processed, and shipped to consumers.	Lululemon relies heavily on influencers and word of mouth for marketing in addition to limited online advertisements. For Sales, they have a strong customer service team in store and customer support online. The added value here is that marketing makes the products known to consumers making them	Customer support, complaint resolution, Lululemon Like New (lululemon , 2021). The added value here is the strengthening of one of Lululemon's most important intangible resources-its customer relationships. Good customer service and timely and fair

				more likely to buy them, and Sales assists consumers with their purchases.	issue resolution is an important part of building trust with the consumer. Lululemon like new also gives consumers the ability to trade in their old items for store credit, keeping consumers in the sales cycle.
<b>Firm Infrastructure</b>	Financing, Planning-purchasing warehouses, budget to do so	Financing, Planning-negotiating with manufacturers	Financing	Budgeting, financing	Budgeting, financing
<b>Technology Development</b>	Process Design, R&D	R&D, Product Design, Process Design	Process design (ordering system), logistical planning (transporting product)	Market Research	Process design (processing returns, addressing complaints)
<b>Human Resource Management</b>	Recruiting, training	training, compensation	training, compensation	hiring, training, compensation	hiring, training, compensation
<b>Procurement</b>	Machines, plants	infrastructure, machines	warehouses, transportation of products, infrastructure to transport product, infrastructure to process orders	storefronts	Services (outside vendor)

**Table 3 Functional Analysis**

<b>Functional Area</b>	<b>Sub-function</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Rating</b>
<b>Finance:</b> general control of financial operations and indicators	managing cash, raising capital, making investments	Zero long term debt on balance sheet, company running solely on equity capital, high return on equity. Current liabilities are \$444 million, but current assets are	current ratio, while still strong, declining year over year	9

		\$1.4 billion, leading to a 3.07x account ratio (Ramos, 2019).		
<b>Marketing:</b> methods used and success of selling firm goods and services	Product, Price, Promotion, Place, People	Product: strong brand recognition and reputation, high quality items; Price: luxury price point ties into branding; Promotion: Word of mouth is strong, brand ambassadorship, strong social media presence, direct to consumer business growing, People: strong customer service reputation	Product: not much variation in product lines offered, Price: can be prohibitively high, eliminating segment of market Promotion: what exists is strong, but relying so heavily on word of mouth is risky, brick and mortar locations growing at slower rate than direct to consumer	8
<b>Technology (including R&amp;D/IT):</b> The state of the firm's technology/IT and how it uses available technology/IT to achieve a competitive advantage	Product Service R&D, Process R&D	Innovation of materials, dedicated R&D lab	high cost and high initial investment	8
<b>Human Resources:</b> firm's management and development of its human assets	recruitment, placement, compensation, evaluation, and employee development	Wellness program, benefits package, "Lululemon community", dedication to DEI	large shifts in upper management can effect employee morale, issues with suppliers in other countries violating worker rights	5
<b>General Management and the Production and Operations Management Function:</b> ability of the management core to operate the firm.	inventory management, supply chain management, quality control	good quality control, global footprint able to help mitigate stresses around supply chain that are industry wide	subject to supply chain stresses and inflation around costs of raw materials	6.5
<b>Functional Analysis Average 7.3</b>				

Overall, Lululemon's strengths are in the finance, marketing, and technology functions. Lululemon's strongest area is finance: the company is carrying no long-term debt and is running solely on equity capital (Ramos, 2019). Their return on equity is high at 41.1 percent in 2022 and

while their current ratio has been declining year over year it is still strong at 2x (Gross Profit Margin for Lululemon Athletica Inc. , n.d.). From a marketing perspective, Lululemon enjoys a strong brand identity and recognition. Consumers expect a certain level of luxury and quality when it comes to Lululemon's products, so even a possible weak point-the high prices on items-can work in favor of their marketing strategy since of course, one would pay top dollar for high quality. Lululemon's marketing strategy is a differentiation one, and their marketing functions work hand in hand with their technology function to make this differentiation strategy a success. Lululemon has a well-developed R&D arm that works towards creating cutting edge fabrics and products that keep Lululemon as the innovator in the athleisure market (Sherman, 2021). Lululemon's biggest stumbling block is their Human Resource function. While Lululemon has some positive attributes here in the form of benefits package and their dedication to diversity and inclusion in the C suite, Lululemon falls very short when it comes to the human rights of the workers that manufacture their goods. Lululemon has all suppliers sign a "Vendor Code of Ethics" that has their suppliers agreeing to certain working standards for their employees (lululemon, n.d.). The problem here is there is no obvious way that this is being enforced by lululemon and that is by design. Lululemon has received a subpar score on the fashion transparency scale, and has many of their suppliers in areas that are known for labor violations (Wolfe, 2022). There have also been allegations made by workers in factories that create Lululemon products that they are subject to inhumane working conditions and sub-par wages (Wolfe, 2022). This is the area Lululemon should focus on addressing the most. Not only because it is the decent and ethical thing to do, but because so much of the company's mission and branding is tied up with making the world a better place, and these HR practices are in direct opposition to that.

### **SWOT Analysis**

Now that both an external analysis and internal analyses have been performed, we can integrate and summarize the analytical tools employed in what is commonly called a SWOT (Internal = strengths/weaknesses; External = opportunities/threats) analysis. Keep in mind that we are using prior analyses to drive this overarching tool.

#### ***Strengths vs Weaknesses***

Overall, Lululemon's strengths outweigh its weaknesses. Its strengths include its product line, research and development, and international presence. Lululemon is known for their high-quality products, and their research and development program ensures that they are still the industry front runner for cutting edge athletic apparel (lululemon, n.d.). Their global presence also ensures that they can reach customers in multiple markets across the world (Statista, 2022). Some of Lululemon's weaknesses are the high cost of their products (this can push consumers towards lower cost alternatives) and the fact that while they have a global presence, it is not exhaustive and there are markets where Lululemon does not have a presence. I think the strengths here outweigh the weaknesses because the strength of Lululemon's product line is what justifies the costs for consumers, and previously untapped markets can be expanded into (and Lululemon has plans for this already) (lululemon, n.d.).

#### ***Opportunities vs Threats***

Lululemon's opportunities outweigh its threats, but only narrowly. Lululemon's biggest opportunity is expansion-both globally with brick-and-mortar locations in many countries, and into the ecommerce realm (lululemon, n.d.). Lululemon's biggest threat is competition-many large brands such as Nike and Athleta are coming out with athleisure lines meant to compete directly with Lululemon and with the power of a larger firm behind them. Lululemon's market expansion and ecommerce business is already going strong which puts them in a good position against the threat of competition, but that will have to be maintained so they do not lose their advantage as pioneers of the athleisure market.

## **Corporate Grand Strategy**

A grand strategy provides an overall direction for the firm to follow as guided by a SWOT analysis. The firm can either grow ( $S>W$ ;  $O>T$ ), maintain its market position ( $S>W$ ;  $T>O$ ); harvest some of its resources and regroup ( $W>S$ ;  $O>T$ ); or divest/shrink ( $W>S$ ;  $T>O$ ).

Lululemon's corporate grand strategy is a growth strategy, and they are looking to accomplish this through internal growth, by focusing on product innovation and market expansion so as to grow the business to \$12.5 billion dollars by 2026 (Lululemon, n.d.).

### ***Specific Tactics***

Lululemon will strive to achieve this financial goal by focusing on the core pieces of the company's success: product innovation, guest experience, and market expansion (Lululemon, n.d.). This is referred to as the Power of 3x2.

When it comes to product innovation, Lululemon is going to focus on developing more advanced materials, what the firm calls the Science of Feel, to make progress with their product lines (Lululemon, n.d.). Many of Lululemon's innovations are around material-level of compression, softness, and support varies between each product in Lululemon's line, and the firm intends to focus on making improvements to the materials their product is made from (Sherman, 2021). In addition, Lululemon has recently launched a footwear line, and intends to expand on it, hoping for growth in that market as well (Lululemon, n.d.).

For guest experience, Lululemon has committed to expanding their Like New program, which is the brand's first trade-in and resale program (Lululemon, n.d.). The Lululemon Like New program allows customers to trade in used Lululemon items for credit towards new items, and in turn, Lululemon resells the used items at a discount to other consumers (Lululemon, n.d.-a). This strategy works in a few ways-it inspires brand loyalty since consumers will keep buying Lululemon products with their credit, and through this, Lululemon will make money off the same item of clothing multiple times.

Lululemon's market expansion strategy is the most ambitious part of their overall growth strategy. Lululemon's goal is to quadruple its 2021 international revenue by 2026 (Lululemon, n.d.). The methods they are going to use to achieve this goal are: continuing to build stores in their existing markets, scaling and entering new countries in Europe and APAC, and opening the firm's first stores in Spain and Italy (Lululemon, n.d.).

### **Is Lululemon on the Right Path?**

Overall, Lululemon is doing well and following the right strategy. Their products are strong sellers and the brand enjoys strong recognition and loyalty, giving them a strong competitive position (ddd9255, 2013). Their PLEST analysis points out that one of the risks to the apparel market is post COVID supply chain scarcity, which leads us to believe that their corporate strategy, particularly around the customer experience and their Lululemon "Like New" initiative, is the correct way forward for the firm. Supply chain issues can cause a shortage of products to be sold, but Lululemon has created a market for items that already exist, giving them another sales channel and opportunity for profit. This strategy is proving to be successful for them as well-with revenue rising steadily year over year from \$353.5 million in 2008 to over \$8 billion in 2022-see [Appendix 2](#) for year over year growth chart (Net revenue of lululemon worldwide from the fiscal year of 2008 to 2022 , n.d.).

### **What should they do differently?**

While Lululemon is pursuing a growth strategy, their diversification into workout equipment and shoes seems risky. Nike has a stronghold on the athletic footwear market, and Lululemon's offering is unlikely to make any real headway. Considering this, they perhaps should concentrate on expansion through internationalization (expanding their business into new international markets) and

concentration (focusing on innovation in their existing lines that are proven performers), rather than a brand-new line that will go up against a behemoth like Nike (Business Jargons, n.d.).

### What Lululemon Needs to Do Moving Forward

What Lululemon needs to do is stick to their growth strategy. Switching gears to pursue a different strategy would be detrimental to the firm as their growth strategy has been extremely successful for them, resulting in year over year growth and no long-term debt for the firm and the company able to run on equity capital (Ramos, 2019). This allows them the freedom to pursue their growth strategy and makes them an attractive option for shareholders.

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### Appendix 1

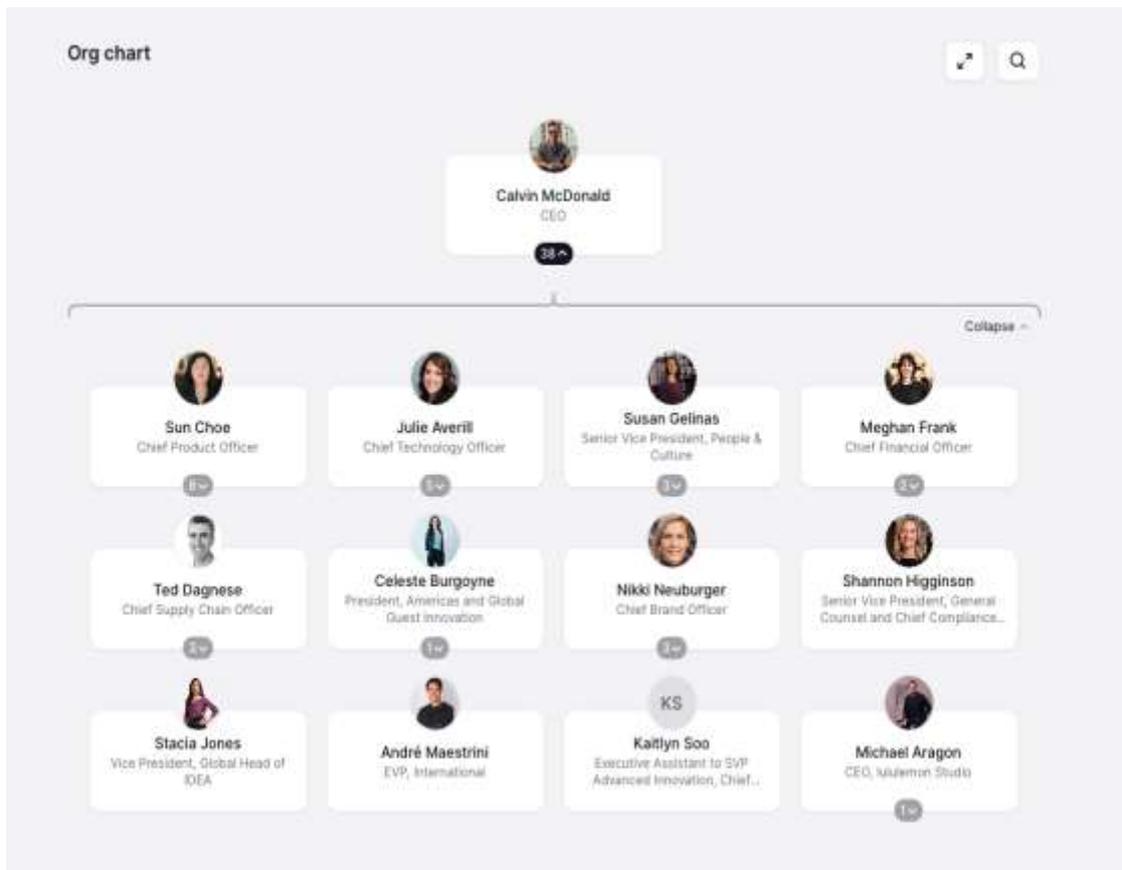


Figure 1 - Lululemon Organizational Chart-Functional Structure

### Appendix 2

Net revenue of lululemon worldwide from the fiscal year of 2008 to 2022  
(in million U.S. dollars)

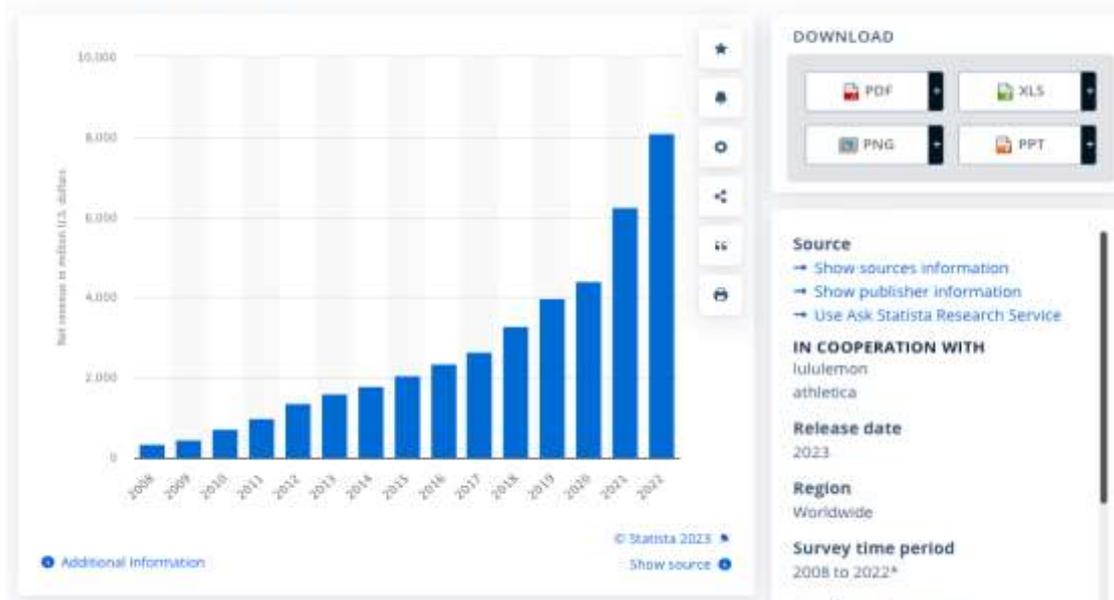


Figure 2 - Lululemon Year over Year Growth, 2008-2022  
(Net revenue of lululemon worldwide from the fiscal year of 2008 to 2022, n.d.)