Market and Product Analysis—Take Lululemon as an Example

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Abstract: The COVID-19 pandemic has had a major impact on many businesses. As a company that can maintain healthy growth despite the epidemic, Lululemon deserves public attention and learning from peers. This report analyzes Lululemon’s product life cycle of its core products, its marketing model and its method to create, communicate and deliver customer value. Through the induction and collation of the company’s news and financial reports and the literature of the scholars of the Department of Marketing, this report found Lululemon’s competitive advantages that contribute to its rapid development and customer loyalty. This report also analyzed the problems existing in its development and gave corresponding solutions.

Keywords: Product life cycle, Marketing, Customer value.

1. Executive Summary

1.1 Background Information

As a result of COVID-19, many industries are facing an existential crisis. However, Lululemon, a Canadian sports brand, has shown impressive sales results that are well above those of its peers despite the disruption of COVID-19. While health as a constant hot topic makes the brand more dynamic, the company’s unique marketing strategy should also be paid attention to.

1.2 Purpose of this Report

Given Lululemon’s highly informative strategy, this report focuses on the analysis of the brand’s product lifecycle and marketing strategy and makes recommendations. It aims to offer learning opportunities for other sports brands to help their brand improvement.

1.3 Key Findings of this Report

After researching Lululemon’s marketing strategy, the report finds that Lululemon mainly targets the young fitness women segment. It combines the introduction, KOL and direct marketing patterns to form a unique marketing strategy that has enabled the company to grow rapidly.

1.4 Recommendations

Corporate image is very important for the development of the company. Lululemon cannot ignore the control of quality in the rapid development. Meanwhile, it should pay attention to the coordination of cost and price, which is beneficial to acquiring more potential customers and market shares.

2. Introduction

Founded in Canada in 1998, Lululemon is an athletic lifestyle brand inspired by yoga. Owing to its pleasing and comfortable clothing, it is regarded as “the first professional sports brand in Canada”. From the opening of its first store in Vancouver in 2000 to its IPO in 2007, its success can be mainly attributed to its marketing genius and founder Chip Wilson. By collating and summarizing the information on Lululemon’s official website and marketing scholars’ interpretation of the brand, this report analyzes the product lifecycle, customers of this brand, marketing strategies and make strategic recommendations to form a market report for Lululemon. In just a few years, this brand has stood out from many sportswear brands and has become synonymous with fashion. Therefore, to explore Lululemon’s marketing strategy is beneficial to the development of other sports brands.

3. Product lifecycle of Lululemon

First introduced in 1966 by a Harvard professor called Raymond Vernon, the product life cycle theory is presented in “International Investment and International Trade in the Product Cycle” (Li, 2022, p. 73). This concept demonstrates that a product contains four stages: Introduction, Growth, Maturity and Decline (Reed, 2015, p. 115). Focusing on the strategic implications of the product life cycle has also become one of the most popular themes in marketing (Reed, 2015, p. 116). However, because of increasingly diversified product demands of customers, the product life cycle is gradually shortened in the fierce market competition. In the new development environment, enterprises must effectively control product costs and constantly update their cost management concepts in order to achieve long-term development (Li, 2021, p. 108). Consequently, attention to product life cycle research is necessary for promoting industrial development.

3.1 Product Lifecycle of Yoga Pants for Women

The creation of Lululemon was serendipitous. Chip Wilson, a yoga student, noticed that a large number of students wear blended yoga clothes that did not fit well and are airtight. So, he decided to produce breathable yoga pants and named it Lululemon (“Lululemon’s 10 billion empire”, 2019, p. 114). This indicates that yoga pants are the primary product of the company, having been with the company’s growth since its foundation. With the niche market of women’s yoga wear that used to be a blue ocean, Lululemon has stood out from the rest of the sportswear brands in just a few years (“Lululemon’s 10 billion empire”, 2019, p. 115). After more than 20 years of growth and hard work on product improvement, yoga pants
have entered the maturity stage of their life cycle. Nowadays, it also becomes a fashion to own a pair of Lululemon’s yoga pants as they won the favor of a large number of women. From the financial report of 2021, Lululemon’s net revenue was US $6.257 billion, an increase of 42.1% over last year. And its net profit was US $975 million, a dramatic increase of 65.5% (Lululemon athletica, 2022, p. 27). Among the revenue, its flagship product, yoga wear, contributes tremendously. In general, Lululemon has become the first choice of its target customers while they are selecting yoga pants. Its yoga pants have reached the sales peak by winning customer loyalty with features such as comfort and high elasticity.

3.2 Product Lifecycle of Sportswear for Men

As people’s living standards continue to rise, the yoga craze is sweeping the world. More and more male white-collar workers are also joining it (Lin, 2017, p. 91). In 2013, Wilson decided to rebuild this brand without compromising the brand’s traditional goodwill among female consumers. He wanted to explore the potential male market by “de-feminizing, de-feminizing, and emphasizing power” (“Lululemon’s 10 billion empire”, 2019, p. 115). The company’s new line of men’s clothing has grown rapidly in recent years, gaining recognition from an increasing number of male consumers. Sportswear for men becomes a product that is in the growth stage of its product lifecycle. Its sales have grown rapidly, at an average rate of 20% per year in recent years (Lin, 2017, p. 91). Calvin McDonald, the new CEO, made his first major move after taking office in 2017 by formulating a Menswear growth strategy to expand the menswear product line and attract more consumers. Products including the sports coat City Sweat were launched, as well as a cooperative capsule collection “take the moment” designed by a famous designer called Robert Geller (“Lululemon’s growth history”, 2020, para. 13). This bold and innovative strategy has certainly contributed to the development of the company’s menswear products. In general, menswear is currently in a phase of rapid development. This diversified product launched has maintained existing customers and attracted new potential users, which is in a growth stage.

Generally speaking, it is the company’s ability to maintain market share for mature products and promote the growth of new products that leads to its stable market position.

4. Analysis of the Customers

Customers create the market. Only by catering to the needs of customers can the company’s products win the market. Therefore, fully understanding the target customers is the priority for business development.

4.1 Market Segments

The precise positioning of the market deepens the brand immersion of consumers. Lululemon, with a yoga-inspired sportswear brand, focuses on a niche market and makes achievements in an extremely niche area. The increase in education, the delay in childbearing intention and the increase in women’s average income have led to the emergence of a new demographic profile of consumers aged 24-35, unmarried and childless, highly educated, high-income and sport-loved. Lululemon regards this group as “super girls”. Nowadays, this group has expanded to include the “new middle class”, who is less sensitive to price but more concerned about quality including fabric function and fashion design. To expand the brand’s reputation, not only young working women of good financial strength, but also any male and female who want a healthy life have become its potential customers (Yin & Qi, 2021, p. 101).

4.2 Product Value for Customers

Yoga movements are relatively large in magnitude, so the requirements for clothing fabric stretchability and breathability are really high. Lululemon’s innovation lies in achieving fabric innovation while realizing the upgrade of yoga pants that originally had no shape, allowing women wearing them to have better trimmed leg lines. Plus, the fabric is comfortable and extremely easy to clean, both of which assist Lululemon to quickly open up the women’s market. The physical upgrade evolution also become the high premium confidence of Lululemon. What this brand sells is not only the product, but also the technology and life attitude. It has insight into the humanized quality control and life loving attitudes and has successfully broken out among other sport brands through its comfortable and stylish brand mindset.

4.3 Distribution of Lululemon

In the sales process, different from the traditional sports brand’s sales model through the subordinate layers of distributors, Lululemon uses a vertical retail system to establish a marketing closed loop, which is also known as “direct to consumer”. It is expanding its direct stores so that they not only undertake the sales function, but also have a yoga experience hall with yoga coaches teaching in the store (Yin & Qi, 2021, p. 101). Consumers can shop directly in the community store after experiencing the showroom. Besides, Lululemon also generates revenue online. Due to COVID-19, many of Lululemon’s brick-and-mortar stores could not be opened and online sales became its main source of profit (Tighe, 2022, para. 3).

4.4 Promotion of Lululemon

In order to promote the brand’s community-centered marketing activities and enhance the brand loyalty and stickiness of users, Lululemon organizes regular community events and encourages community consumers to seek the maximum participation. It listens to their needs through close interaction. In the interaction, the value point of its products is also conveyed, so that its product education penetrates into the psychology of target consumers. Its promotions allow consumers to not only immerse themselves in the brand culture but also to enjoy the brand experience. In addition, Lululemon takes full advantage of the extensive reach and timeliness of social media platforms to provide consumers with what they want to consume and build the brand’s reputation as an expert in the sportswear industry. By giving consumers constant cues to associate Lululemon with a healthy lifestyle, the brand aims to improve touchpoints as well. It can maintain a close relationship with consumers, minimize communication costs and noise, relying on the community culture under the direct store model.
To sum up, Lululemon’s clear market position and appropriate marketing strategies have led to the rapid development of this brand.

5. Analysis of Lululemon’s Marketing Strategy

The founder of Lululemon used to run a company that sold mainly ski and surf sportswear. But, a yoga experience made him realize that most yoga clothing on the market was overwhelming, and he felt that professional clothing was desperately needed in this field. It was this idea that made him start a yoga clothing brand that focuses on “quality and comfort”. Over the past 20 years of growth, Lululemon, the pioneer of functional yoga apparel, has been unique in its innovation in the field of fabric and continues to iterate on technology to achieve leadership. Advanced fabric technology with good elasticity, smoothness, flexibility and comfort has become its competitive advantage. Lululemon has chosen the niche market of yoga-loving women as its target consumers, specializing in the women’s yoga apparel vertical segment. It has also become the “yoga-inspired sportswear brand” that is trusted by the majority of consumers because of its dedication to creating the value of providing fashionable and comfortable yoga wear.

Lululemon, as an experiential brand, offers practical and functional clothing and experiential fitness classes to meet the needs of people with health conscious. As for its communication, different from traditional brands that hire celebrity endorsements, it never makes use of mass media for marketing. It rather spends the saved money on yoga teachers, fitness instructors and store staff training, establishing close customer relationship by building a team of Key Opinion Leaders (KOLs) (Qiu & Wang, 2019, p. 293). It tries to make the brand slowly radiate in the social circle of these KOLs and influence consumers through these professionals. Additionally, thanks to the brand’s luxury-like positioning among the competitors, customers also have a subtle sense of superiority and a sense of belonging to the brand. The emotional connection that arises from buying yoga pants of Lululemon is the foundation of the brand’s community marketing. It is also a unique way to communicate with its customers. They can understand and experience the high-quality brand culture that Lululemon offers to them, which makes them trust the brand and be more loyal to it. This is also one of the reasons why this brand has been successful over its competitors in such a short period of time.

Moreover, Lululemon’s delivery method is also unique. Different from Nike, Adidas and other brands sold through dealers, it adopts a vertical retail system. This system directly faces consumers in the sales process to create a closed-loop marketing, providing more experiences for customers (Qiu & Wang, 2019, pp. 293-294). After experiencing the showroom, consumers can directly purchase from the community store. This kind of delivery enables Lululemon to better connect with local communities and maintain a close relationship with them. In general, the direct marketing method and the upgraded experience of the supporting products also make customers stickier.

Lululemon also understands the way of progressive marketing. It has been practicing a truth that products are not only physical goods, but also content and experience. From the product itself to the community and then to the brand experience, it constantly optimizes touchpoints, builds trust and brings all-round improvement of consumer satisfaction to better interact with the target customer group.

In sum, through this “introduction + KOL + buy” community sales strategy, Lululemon crossed over to distributors to not only build customer loyalty to the brand, but to have more of a dominant advantage in pricing, discounts and marketing, enjoying more freedom in a closed-loop chain.

6. Strategic Recommendations

Although Lululemon has become a leader among precisely positioned sports brands, the expansion of the industry is bound to create some issues as well.

As one of the company’s cash cow products, it is important to improve yoga pants to maintain their market shares. Firstly, ensuring the products’ quality and integrity of business is significant. A good corporate image is certainly a valuable asset for a company. The reason why some internationally renowned companies have endured in the market is the image of a good enterprise (Li, 2015, p. 203). In 2013, Lululemon produced a batch of black yoga pants that violated consumer rights because the fabric was too light and transparent. The “substandard” fiasco caused a large financial loss to the company and even caused a five-year downturn for Lululemon (Li, 2022, para. 4). As the company’s cash cow, the failure of yoga pants would result in significant losses. Consequently, despite the surge in orders and increased production pressure, the company should focus on product quality, because only integrity can achieve sustainable business. Secondly, properly lowering the price of yoga pants can win a bigger market. It is well known that Lululemon has been a luxury sports brand since its establishment. Its expensive price is one of the bases for dividing the market, but it also limits the market of Lululemon. Although the quality and comfort are outstanding, it is still expensive in a market represented by the “middle class”. Many people still cannot accept such a high price for a pair of yoga pants. Through economy of scale and cost management to reduce cost, it can further enlarge the market share of yoga pants without affecting the quality.

In conclusion, through a good corporate reputation image and more attractive prices, Lululemon’s development prospects will be brighter.

7. Conclusion

A good marketing strategy is a treasure for business development. Lululemon started with women’s yoga wear to expand its brand attractiveness and further made more people to become their loyal customers. Its community-based direct marketing strategy and its focus on creating customer value with a sense of experience have contributed to its rapid growth, making it on the hot list of sports brands. Its development history and marketing strategy are also of great reference value to domestic and international sports brands.
References


