

## **Situational Analysis**

### **Background:**

lululemon athletica Inc., a luxury yoga apparel company, began with founder Dennis “Chip” Wilson’s post-yoga class idea to address a void in the women’s athletic apparel market. From a combined yoga and design studio in the small Vancouver beach community of Kitsilano in 1998 to over 254 stores in the United States, Canada, Australia, and New Zealand today with over \$340 million in annual revenue, lululemon’s growth and success aligned with its vision of “elevating the world from mediocrity to greatness.”<sup>1</sup>

This all changed in March of 2013 when the retailer had to recall 17 percent of its popular black luon yoga pants for being too sheer. In response to the see-through pants crisis, a series of events propelled the company into a public relations nightmare following controversial comments from founder Chip Wilson in an interview, a botched and bizarre “apology” video, and the eventual resignation of both lululemon’s CEO and CFO.

What began as a massive recall of sheer pants evolved into a massive PR problem for the luxury yoga apparel retailer. New CEO Laurent Potdevin and the new management team are now faced with the task of repairing the brand’s reputation to regain the trust of its once loyal customers.

By observing the strengths, weaknesses, opportunities and threats through a SWOT analysis, we will create a strategic PR plan to address this problem.

### **SWOT Analysis**

The following SWOT analysis captures the key strength and weaknesses within the company, and describes the opportunities and threats facing lululemon.

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<sup>1</sup> Sacks, Danielle. "Lululemon's Cult of Selling." Fast Company. Web. 12 Nov. 2014.

## **Internal**

### *Strengths:*

- Strong community-based marketing.
- Strong, new management team.
- Mr. Stump's reputation.
- Cult-like brand loyalty and widespread brand recognition.
- Innovative products (i.e. silverescent technology).
- Extensive employee training.
- Generally superb product quality.

### *Weaknesses:*

- Poor past management team.
- Terrible communication (i.e. lack of empathy for its audiences).
- Expensive, exclusive product.
- Insignificant mainstream advertising and heavy reliance on word-of-mouth promotion.
- Lack of transparency with shareholders.
- Employee backlash.
- Imitable brand and product.

## **External**

### *Opportunities:*

- Untapped markets.
- Room to strengthen relationships with existing, loyal customers.
- Restructuring of the management team.
- Promoting and expanding new lines for new markets.
- Harnessing the trend of corporate social responsibility.
- Growing market for yoga apparel and accessories

### *Threats:*

- Niche market.
- Strong competition (i.e. Nike, Under Armour, Nordstrom's Zella, etc.).
- Loss of stockholder trust.
- Stagnant growth.
- Limited or difficult access to the global market due to damaged reputation.
- Decreasing loyal customer base.
- Limited control of messaging with reliance on word-of-mouth promotion translating.

### **Overview:**

To solve this problem, lululemon must first understand its own strengths and weaknesses internally before dealing with opportunities and threats externally to better navigate this situation strategically. lululemon had its start with community-based marketing, relying on word-of-mouth to promote its brand to eventual widespread recognition. It was its poor internal management and miscommunication that instigated lululemon's reputation problem.

Although the interview with Wilson was the tipping point, other contributing problems can be traced back much farther for the brand. Before the incident, lululemon founder released controversial comments on the naming of the company. Wilson stated that lululemon would appear more desirable to Japanese markets due to the fact that the letter 'L' doesn't exist in the Japanese language- a feature that would "triple" sales abroad.<sup>2</sup>

Further miscommunication took the form of "body-shaming" poems and insensitive mosaics in Lulu's community storefronts. One incident in Maryland had a storefront window decorated with a poem that read: 'Cups of Chai/Apple Pies/Rubbing thighs?'

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<sup>2</sup> Edwards, Jim. "12 Utterly Bizarre Facts About The Rise Of Lululemon, The Cult-Like Yoga Brand." Business Insider. Business Insider, Inc, 24 Apr. 2012. Web. 12 Nov. 2014.

causing more controversy just weeks after the initial interview with Wilson.<sup>3</sup> Although Lululemon responded online stating that 'we're deeply sorry, the display is being taken down. We celebrate that thighs rub together - ours do too,' the damage had already been done. Another incident in Buffalo featured a mosaic in the store that appeared insensitive to the city's residents. Although lululemon's success flourished due in part to its unique, grassroots-based marketing strategy, these insular events demonstrate how lululemon's community-based marketing can lead to gaffes in PR. Lululemon could benefit from having a more centralized, cohesive message throughout its network of stores which could be achieved via more traditional advertising and large-scale events.

### **Corporate-Social Responsibility**

Lululemon is a socially responsible company; however, deleterious media coverage has eclipsed its efforts in this area recently. Its mission of "creating components for people to live longer, healthier, fun lives" has come through in its sustainability initiatives and moves toward charitable partnerships and giving.<sup>4</sup> Although Lululemon is a company rooted in CSR, its visible actions have not matched its claims recently. Realigning its communication efforts to match with its stated value and missions will help gain trust in the eyes of its once loyal customer base.

CSR is indispensable to companies new and old alike. The LOHAS market is "an umbrella acronym that stands for Lifestyles Of Health And Sustainability." Figures show that the LOHAS consumer comprises 16 percent of all U.S. adults in 2006, a burgeoning segment that only shows signs of more growth. At nearly 35 million people in the U.S. alone already, "[t]his new era of ethical consumerism only shows signs of accelerating and penetrating further into consumer consciousness."<sup>5</sup>

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<sup>3</sup> "Lululemon in Trouble Again after Rhyming 'apple Pies' with 'rubbing THIGHS' in Poem on Store Window." Mail Online. Associated Newspapers, 5 Dec. 2013. Web. 12 Nov. 2014.

<sup>4</sup> "Our Sustainability Vision." *Lululemon Athletica*. Web. 12 Nov. 2014.  
<<http://sustainability.lululemon.com/our-sustainability-vision/>>.

<sup>5</sup> "Understanding the LOHAS Consumer." LOHAS: Lifestyle of Health and Sustainability. Web. 12 Nov. 2014.

In mid-2014, a contentious partnership with lululemon and the Dalai Lama Center for Peace and Education led to an public outcry with lululemon fans and critics labeling this development as “ill-advised” among other things through various social media outlets such as Facebook and a company blog.<sup>6</sup> Additionally, its political implications proved inflammatory for Lululemon as well. This proved to be a misstep in CSR that caused more harm than good for the company’s image.

For this reason, lululemon would benefit from partnering with a much more suitable, relevant organization for its social responsibility efforts. Its mission focuses on “creating [...] longer, healthier, fun lives” for its customers and its actions should clearly align with this idea. To avoid polarizing its audience, focusing on health and wellness is not only apolitical, but a cause that virtually everyone can support while also being authentic to its values and mission.

Current trends in CSR range from globalization to the “triumph of transparency,” two trends Lululemon must incorporate into its practices visibly as it moves ahead. A recent survey from marketing agency Good.Must.Grow (GMG) found that most Americans care about buying products from companies that do good in the world.<sup>7</sup> Of 1,015 Americans, 30 percent of respondents said that they expect to increase the amount of goods and services they buy from socially-responsible companies over the next year, and 60 percent of people said that buying goods from socially-responsible companies is important to them. Of those figures, 21 percent responded that they will “increase charitable donations in the coming year—an indication that responsible purchasing is serving as something of a stand-in for charity.”

## **Transparency**

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<sup>6</sup> "Dalai Lama and Lululemon Join in Surprise, ‘Bizarre’ Partnership Causing Yet Another Controversy." *Dalai Lama and Lululemon Join in Surprise, ‘Bizarre’ Partnership Causing Yet Another Controversy*. Web. 12 Nov. 2014.

<sup>7</sup> "Consumers Care About Buying From Socially Responsible Brands Now More Than Ever." *Co.Exist*. Web. 12 Nov. 2014.

An important development is the restructuring of its management with its new CEO Laurent Potdevin and new Executive Vice-President Duke Stump. Previously serving as president of TOMS Shoes, Potdevin has a track record for leading socially conscious companies with TOMS as a star in the CSR world. Along with his background in athletic apparel, experience with luxury product, high product quality, and approval of prominent Lulu fans, Potdevin is a valuable asset and natural spokesperson for the company and its future.<sup>8</sup> Likewise, Duke Stump has a history with successful brands such as Nike and also holds a reputation of honesty, ethical action, and respectability that can attract customers back to Lululemon's stores and investors back to its stock. Projecting these figures into the public's eye can mitigate the damage already caused and get new and old customers alike on board with Lululemon and its vision for the future.

The CSR trend cannot be ignored. "Ten years ago, for instance, only about a dozen Fortune 500 companies issued a CSR or sustainability report. Now the majority does." (TIMES) This signifies that not only doing but saying is important to convey a company's CSR efforts. Having a spokesperson who embodies the brand well with a stellar professional reputation such as Potdevin and Stump would be helpful in repairing Lululemon's reputation by highlighting its efforts in CSR.

Furthermore, transparency is key. The Information Age is marked by an increasing access to information leading to a consumer who is generally more educated. Due to this development, there is a level of unprecedented transparency demanded by consumers in companies and organizations.<sup>9</sup>

Kathryn Kuttis, a past professional in the field of investor relations, recognizes that companies "must convey potential for growth." (Interview Kuttis) Growth potential

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<sup>8</sup> Lutz, Ashley. "Five Reasons New Lululemon CEO Laurent Potdevin Is The Perfect Hire." *Business Insider*. Business Insider, Inc, 10 Dec. 2013. Web. 12 Nov. 2014.

<sup>9</sup> "Why Companies Can No Longer Afford to Ignore Their Social Responsibilities." *TIME Magazine*. Knowledge@Wharton, 28 May 2012. Web.

along with transparency are the two most important qualities that investors seek in a company.

Consistent management is another important piece in the puzzle according to Kuttis.

With shifting management and previous mismanagement, Lululemon is in need of strategic communication via written and spoken means to allay the concerns current shareholders and attract more new investors. Strong, stable spokespersons in Potdevin and Stump as well as transparent communication that emphasizes the growth potential of Lululemon to convey that the new Lululemon team is here to stay and working to make a positive, lasting impact as the company expands. Lack of material disclosure before led to initial problem, so a conscious effort to implement material disclosure and transparency is essential.

Additionally, charitable events that benefit organizations that align with a company's mission and values is an effective strategy. A marathon event is a prime choice for the company because marathoners tend to be affluent with the average household income for participants in the New York City Marathon at \$130,000.<sup>10</sup> Additionally, a company has scored 20 percent higher on such factors as favorability, trust and intent to do business in cities in which it sponsors races.<sup>11</sup> With luxury at the brand's core coupled with its image-boosting effects, a marathon is an ideal, socially responsible event for lululemon to implement.

lululemon currently has a half marathon, called SeaWheeze. SeaWheeze is a weekend event that provides runners with a full experience including running, yoga, and a festival at the end.<sup>12</sup> One main concern with the runners is where their registration fee is going to, as SeaWheeze proceeds go directly toward funding the half marathon instead of supporting a charitable cause. Generation Y, also known as Millennials, are particularly interested in cause campaigns and supporting companies who support

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<sup>10</sup> Longman, Jeré. "ING Learns to Build Its Identity 26.2 Miles at a Time." *The New York Times*. The New York Times, 26 Oct. 2007. Web. 12 Nov. 2014.

<sup>11</sup> Ibid.

<sup>12</sup> "SeaWheeze Half Marathon." *SeaWheeze Half Marathon*. Web. 12 Nov. 2014.

charitable causes. Studies have shown that “Millennials, more than Non-Millennials, prefer active engagement in cause campaigns, such as volunteering their time (31% versus 26%), cause-support purchasing (37% versus 30%), encouraging others to support a cause (30% versus 22%), and participating in fundraising events (27% versus 16%).” Along with the support of Millennials, cause marketing has shown interest from the key groups of “moms and men”. When comparing product options of similar price and quality, “91% of consumers are very or somewhat likely to switch brands to one that is associated with a good cause.”<sup>13</sup>

Yoga is still growing like “a hockey stick upramp.” Yoga is the fastest growing American sport as of late with nationwide participation in yoga increasing 20 percent annually on average; however, competition is growing along with it. With an 87 percent increase in spending on yoga-related products between 2008 and 2013<sup>14</sup>, a 29 percent increase in yoga practice in that same timeframe (<http://editd.com/blog/2014/03/the-sportswear-revolution/>), and women’s activewear sales leaping 9 percent in 2013 compared to the year before, the estimates for the global sports apparel market are glowing, anticipated to grow to \$178 billion in revenue by 2019. (SOURCE) Once a niche market, the demand for Lululemon’s products is growing but Lululemon strategically communicate and grow in response to this flux.

Five years ago, lululemon was alone in the luxury yoga apparel market, but the market is much different today. One article titled ‘15 Hot Brands Vying To Be The Next Lululemon’ recognizes the competition present and conveys that both consumers and investors alike are aware of this development.<sup>15</sup> Gap's Athleta is gaining momentum,

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<sup>13</sup> "Cause Marketing FOCUS You're Busy. Our Blog, Cause Marketing FOCUS, Helps You Cut through the Rhetoric and Focus on the Practical Tips and Ideas That Can Fuel Your Growth. Welcome!" Studies Show Business Case For Cause Partnerships, Including Huge Opportunities Around Employee Engagement. Web. 12 Nov. 2014.

<sup>14</sup> "Yoga Statistics." *Statistic Brain RSS*. Web. 12 Nov. 2014.

<sup>15</sup> Lutz, Ashley. "15 Hot Brands Vying To Be The Next Lululemon." *Business Insider*. Business Insider, Inc, 20 Mar. 2013. Web. 12 Nov. 2014.

and rivals such as Nordstrom, Nike, and Under Armour are expected to push further into the women's market. Tapping into new as well as its old markets and expanding both demographically and geographically can help Lululemon stay ahead of its competition. It will first need to repair its reputation and gain trust back of its once loyal customer base to have a strong foundation from which to build and grow its brand.

For this reason, lululemon must focus on both the women in the Generation Y audience, aged 18-26, as well as its Generation X audience composed of women ages 35-48. These two audiences have traditionally been the top consumers of Lululemon, and focusing efforts on these two groups is key in repairing the trust between the company and its once loyal customer base.

Along with its current audience, lululemon must reach and expand to potential audiences as well. In its annual report, lululemon defines its primary target customer as “a sophisticated and educated woman who understands the importance of an active, healthy lifestyle.” With this focus, lululemon’s outreach is too narrow and potentially limiting to its growth. Expanding in new markets it has begun to breach—the men and pregnant women demographic—can be integral to the company’s success in competitive times.

Ultimately, Lululemon will need to return to its original values to reestablish authenticity as a brand and regain the trust of its consumers and shareholders. Repairing its reputation will be key in moving forward.

### **Key Audience: Shareholders**

After lululemon’s unsuccessful year in 2013, with a massive product recall, embarrassing remarks on women’s bodies from its founder and a surprise resignation of its CEO, shareholders are skeptical about investing in lululemon.

Last year, lululemon athletica (NASDAQ: LULU) went from trading as high as \$80 on the stock market, to its current stock price of \$41. The stock is down 30% since the start of the year, and the trend continues to weaken.<sup>16</sup> That is why our primary focus is on the appointment of Duke Stump, former leadership executive at Nike, and his mission to

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<sup>16</sup> Marter, Andrew. "Now Is Not the Time to Buy Lululemon Athletica -- Here's Why." *The Motley Fool*. Interactive Data Managed Solutions, 28 Oct. 2013. Web. 08 Nov. 2014. <<http://www.fool.com/investing/general/2014/10/28/now-is-not-the-time-to-buy-lululemon-athletica-her.aspx>>.

build an authentic and differentiated global brand and community experience. This is an exciting step in the evolution of lululemon brand and that is why we are making Stump the new spokesperson and face of lululemon.

The previous founder and CEO of the company, Chip Wilson damaged the reputation of the company immensely. After the see-through pants crisis, Wilson gave a bizarre, botched apology to his employees, forgetting to mention his customers. Forced to resign on June 11, 2014, Wilson continues to ruin the reputation of the company.

The good news is investors are looking for businesses that are both good companies internally and good members of the community. Investors looking for socially responsible companies should be happy with the social-corporate responsibility side of lululemon's operation, but the business side still needs work.<sup>17</sup>

The three big business segments that socially responsible investors want to see the right decisions made are in production, distribution and investment.

Production: lululemon's production happens abroad. The company produces its luon fabric in Taiwan and its products are made in a number of countries. After the collapse of a commercial building in Bangladesh killing more than 1,000 people last year, lulu came up with its own vendor code of ethics. The code states, "vendors are expected to uphold legal, humane and ethical standards of production, while also caring for the environment."<sup>18</sup>

What is lulu doing for the environment?

Distribution: lulu is known for its community-based relationships, building bonds with yoga studios and running introductory classes in its own store. By doing so, lulu provides lower-cost products to yoga studios, selling clothing through the studios before opening corporate stores. Lulu also supports local organizations and charity efforts. The company's Metta project has contributed to literacy efforts in Cambodia, food relief in Canada and kids' healthcare programs in Atlanta.

Investment:

Although a socially responsible company, lulu has been hit hard with bad media coverage over the past two years. With product failures, management changes and apologies for PR failures, the stock has suffered this year. However, that doesn't mean the company is a bad investment. Over the next five years, Lulu will be able to distance itself from its former founder and product malfunctions.

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<sup>17</sup> Marder, Andrew. "Investing in Socially Responsible Companies: Lululemon Athletica." *Investing in Socially Responsible Companies: Lululemon Athletica*. The Motley Fool, 27 Oct. 2014. Web. 11 Nov. 2014. <<http://www.fool.com/investing/general/2014/10/27/investing-in-socially-responsible-companies-lulule.aspx>>.

<sup>18</sup> Marder, Andrew. "Investing in Socially Responsible Companies: Lululemon Athletica." *Investing in Socially Responsible Companies: Lululemon Athletica*. The Motley Fool, 27 Oct. 2014. Web. 11 Nov. 2014. <<http://www.fool.com/investing/general/2014/10/27/investing-in-socially-responsible-companies-lulule.aspx>>.

lululemon has potential because of its good brand recognition and strong community outreach. The biggest hurdle right now is its competition, as traditional retailers jump into the yoga and studio wear space that lulu used to dominate.<sup>19</sup>

**Self-Interest:**

Shareholders want the stock price to increase, thus making them more money.

**Current Relationship:** With such a deep fall in stock price, lululemon is finally cheap enough to pick up. We want to encourage stockholders to buy lulu while it's cheap.

**Influential**

- Stock price of lulu
- Stock market trends
- Competitor's stock price and trends (Nike, Nordstrom and Underarmour)

**Primary Message:** lululemon's new Executive Vice-President, Duke Stump, is not only an originator of top brands but is an ethical, honest and respectable man who will bring customers back through the door.

**Secondary Message:** lululemon plans to speed up the yoga-wear retailer's move into new markets around the world. We see clear evidence of demand both in Asia and Europe with several countries ready for stores.<sup>20</sup>

**Objective:**

- Increase stock price by 30 percent by January 2016. A solid increase in same-store sales will be the clearest sign that the brand has recovered and can justify its growth ambitions once again.<sup>21</sup>

**Strategy #1:** Reestablish trust with shareholders by improving the reputation of the company and its leadership team. We have developed a distinctive community-based strategy that we believe enhances our brand and reinforces guest loyalty.

**Tactics:**

- Appoint Duke Stump as the primary spokesperson for lululemon, engaging with customers and the community.
- Create a lululemon Meet-and-Greet tour with Duke Stump and Laurent Potdevin, CEO.

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<sup>19</sup> Marder, Andrew. "Investing in Socially Responsible Companies: Lululemon Athletica." *Investing in Socially Responsible Companies: Lululemon Athletica*. The Motley Fool, 27 Oct. 2014. Web. 11 Nov. 2014. <<http://www.fool.com/investing/general/2014/10/27/investing-in-socially-responsible-companies-lulule.aspx>>.

<sup>20</sup> Rupp, Lindsey. "Lululemon Rises as CEO Seeks to Speed Up Global Expansion." *Bloomberg.com*. Bloomberg, 7 Mar. 2014. Web. 11 Nov. 2014. <<http://www.bloomberg.com/news/2014-03-27/lululemon-forecast-trails-analysts-estimates.html>>.

<sup>21</sup> Bowman, Jeremy. "Can Lululemon Get Back Off The Mat?" *The Motley Fool*. Interactive Data Managed Solutions, 8 Nov. 2014. Web. 08 Nov. 2014. <<http://www.fool.com/investing/general/2014/11/08/can-lululemon-get-back-off-the-mat.aspx>>.

- Both the CEO and Vice President will travel to the 14 most concentrated lululemon locations in the United States and Canada, creating positive awareness of the company through an informal meet-and-greet.
- The most concentrated lululemon store locations are:
  - Vancouver, Canada
  - Seattle
  - San Francisco
  - San Diego
  - Colorado
  - San Antonio
  - Tampa, Florida
  - Miami
  - Atlanta
  - Washington DC
  - Philadelphia
  - New York City
  - Chicago
  - Salt Lake City

**Strategy #2:**

- Regain trust with shareholders by being transparent and honest about financial information.

**Tactics:**

- Release a shareholder letter on January 1, 2015 highlighting lulu’s new leadership and high growth potential by expanding into global markets
- Hold a press conference at the beginning of the year, addressing key management strategies for the future and groundbreaking new products.
- During press conferences focus on both ethical leadership and the design of innovative athletic apparel that combines performance with style.
- Create monthly press releases including:
  - Company’s current fiscal trends
  - Estimates about future growth
  - What lulu is up to now

**Key Audience: Current Customers (Women in Generation Y)**

We are focusing on the women in Generation Y because lululemon has identified them primarily as their target market. In lululemon athletica’s 2013 Annual Report, lululemon defines their primary target customer as a “a sophisticated and educated woman who understands the importance of an active, healthy lifestyle. She is increasingly tasked with the dual responsibilities of career and family and is constantly challenged to

balance her work, life and health. We believe she pursues exercise to achieve physical fitness and inner peace.”<sup>22</sup>

Generation Y is made up of females 20-37 years old. They are college educated, either currently enrolled or recently graduated.

Generation Y is split into two main lifestyles: independent young adult without children, or young mother. The women are forward thinking, and open to diversity and change. They are less brand-loyal and rely on the Internet for updates on trends. <sup>23</sup> Generation Y takes pride in knowing the current trends in fashion, pop-culture, and technology . Has a brief knowledge of yoga practice because of her interest in trends. Likes to wear lululemon for the trendiness and fashion.

### **Self Interests**

Generation Y desires to be healthy, good-looking and trendy. They are going through a lot of life-changes so they are looking for a source of stability and purpose.

### **Current Relationship**

lululemon’s current relationship with generation Y is still generally average. However, Generation Y is starting catch on to lululemon’s poor reputation and bad PR. Because generation Y is not brand loyal, they are starting to shop at other competing brands like Nike, who is very trendy in college sports and offers a competitive athletic lifestyle.

### **Influentials**

- Friends
- Internet
- Fashion trends

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<sup>22</sup> "Lululemon Athletica, Inc. - Annual Report." Lululemon Athletica, Inc. - Annual Report 2013. 21 Mar. 2013. Web. 12 Nov. 2014.

<sup>23</sup> "Generations X,Y, Z and the Others...Social Librarian Newsletter - WJ Schroer Company." *Generations X,Y, Z and the Others...Social Librarian Newsletter - WJ Schroer Company*. Web. 12 Nov. 2014.

- Other competing brands (Nike, Adidas, Gap, Zela, Lucy Activewear)

### **Primary Message**

lululemon athletica shares the same busy lifestyle, and cares about providing women with trendy and healthy opportunities.

### **Secondary Message**

lululemon is your community-based source of health and athletics. lululemon cares about the life-long health of women and wants to make a change in the world. lululemon believes in a healthy, positive body image for women - supporting women of all sizes, and support all kinds of health (mental and physical).

### **Objective 2**

To create a positive reputation of lululemon athletica's corporate social responsibility by creating a nationwide community of 30,000 athletes supporting women's health by February 2016.

### **Strategy #1**

Implement a Women's Marathon and Half Marathon to promote lululemon's sincere concern for a healthy lifestyle, in particular women's heart health.

### **Tactics**

- Sponsor a Women's Marathon and Half Marathon to support women's heart health.
- Located in El Moro Canyon Loop near Laguna Beach, California. Voted in top 25 places to run. Through the canyons and ridgetops of San Joaquin Hills near the Pacific coastline.<sup>24</sup> California is the leading state in lululemon stores.
- Registration Fee of \$150.

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<sup>24</sup> "25 Best Trail Running Destinations in the U.S." *ACTIVE.com*. Web. 12 Nov. 2014.

- Each registered runner will receive a custom red Run Swiftly Tech Long Sleeve Crew with Silverescent technology as prize for attending the marathon.
- All proceeds will go towards raising funds for women's heart health research, to the American Heart Association.<sup>25</sup>
- Continue to partner with sponsors from the SeaWheeze Half Marathon, such as SPUD (for food), Vega Hydrator and Whistler Water (race beverages).
- Work with other companies to sponsor the race, such as Newton Running (for official race running shoes) and local hotels like the Marriott.
- Offer sponsors opportunities for media coverage and placement of sponsor logo on advertisements/website/podium/race bib.

## **Strategy #2**

Promote community awareness of women's heart health through in-store education and promotions.

## **Tactics**

- Promote in store awareness during the month of February for women's heart health.
- Dedicate store classes to educate about women's heart health:
  - Teaching what heart disease is.
  - How to recognize the symptoms.
  - Exercise options that promote heart health
  - Tips on how to reduce stress.
- Decorate store red for women's heart health awareness.
  - Have mannequins dressed in all red.
- Have 15% of all proceeds of purchases of red clothing go to the American Heart Association to help the cause of women's heart health.

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<sup>25</sup> "Fight Heart Disease in Women | Go Red For Women." *Go Red For Women*®. Web. 12 Nov. 2014.

### **Key Audience: Current customers (Women in generation X)**

We are focusing on women in the generation X group because the demographic of women that do yoga fall primarily within this category. Lulu's core foundation is to provide high-end apparel for people that do yoga, dance or run. In Lulu's 2013 annual report they said, "We also believe longer-term growth in athletic participation will be reinforced as the aging Baby Boomer generation focuses more on longevity. In addition, we believe consumer purchase decisions are driven by both an actual need for functional products and a desire to create a particular lifestyle perception." Generation X focuses on purchasing from a brand that is well known and they focus on stress reduction, weight loss and feeling young/attractive. They are likely to get the information from co-workers, yoga instructors and fashion magazines. The quality of a product is more important than price, so they are willing to spend more.

Generation X is composed of women ages 35-48. They often have kids, are college-educated and have a job. Lululemon appeals to them because it helps them create a fashion statement as well as being comfortable. By wearing Lulu they are able to do yoga and then run errands while wearing the same outfit and not be worried about who they'll run into at the grocery store. This generation is often busy, which leads to little time to workout, which makes yoga the perfect exercise. Yoga has many health benefits and is an excellent stress reliever, which is what this generation is looking for.

### **Self-Interests**

Generation X is looking for ways to stay healthy and trendy. They want to retain the appearance of youth while still being age appropriate. They often are well established in their lives and have the means to purchase high-end clothing.

### **Current Relationship**

After Chip Wilson made his comments publicly shaming women's bodies many women of this generation were outraged. Many of these women don't fit into the mold of the women that Chip was portraying because many have had children and are no longer a

size 4. The fact that Chip blamed women's thighs for the reason his product didn't live up to expectations pissed them off. Many of the yogis wrote angry articles directly towards Chip and how most women's bodies don't fall under the umbrella he said. An article posted on Jezebel a woman said, "You'll now never know if I might've worn your pants if you made your store accessible to women of *every* size. You miss out on the big bucks from big ladies looking to get into yoga in hopes of getting fit."

### **Influentials**

- Yoga instructors
- Fashion magazines
- Other women in their generation
- Competing brands

### **Primary message**

Lululemon is focused on creating a brand that promotes a positive body image to its customers. Lulu supports a healthy lifestyle and understands a healthy body comes in all shapes and sizes.

### **Secondary message**

To promote positive thinking and a stress free life. Practicing yoga can help to live a healthy, stress-free and active life.

### **Objective 3**

To increase the amount of generation X customers by 10% by January 2016.

### **Strategy #1**

Offer educational classes about core foundations of yoga to inspire and attract our customers. These classes will attract our target audience of yogis and reestablish the relationship that was tarnished with them. This will demonstrate to them that our core message of our brand is the same as the core message of yoga.

## **Tactics**

- With every purchase of yoga pants they get a voucher for a free yoga class
- Reach out to yoga instructors from all demographics to join
- Focus on the mantra of living a positive lifestyle

## **Strategy #2**

Reorganize the store so that all sizes are displayed evenly. Lulu needs to establish that women, even fit yogi women, come in a variety of sizes. By displaying each size they carry the same they will show their customers that they aren't "fat shaming" any of their customers for not being a size four.

## **Tactics**

- Have all sizes of the clothing displayed together
- Don't section off the store by size
- Offer sizes larger than a 12
- Carry enough merchandise in each size

## **Strategy #3**

Offer a rewards program that works off a point system. The dollar amount equates to a certain amount of points. So every time they shop they earn points. When they hit a certain amount of points that get a percentage off coupon.

## **Tactics**

- Send all the current customers emails about the program
- Every time a customer makes a purchase ask them if they want to sign up
- Have a form they fill out that collects their demographics
- Send out a 25% coupon for all reward members on their birthdays

Sources:

<http://www.statisticbrain.com/yoga-statistics/>

<http://www.yogastage.com/pages/cms/demographics>

<http://jezebel.com/im-a-size-18-yogi-and-lululemon-can-kiss-my-fat-ass-986201424>

Key Audience: Potential Customers

Lululemon takes pride in their in its lifestyle company and is reaching out to new potential customers to increase its business sales. Therefore, we are targeting women and men who have an interest in high quality yoga apparel that matches their lifestyle.

(Pregnant) Each year around 210 million women worldwide become pregnant.<sup>26</sup> Lulu is missing out on a large segment of women in their target demographic because it hasn't strategically conveyed that its apparel can be comfortable and accommodating to the expecting women. For this reason, we are focusing our attention towards potential customers who are pregnant or trying to be pregnant. This demographic includes young women between the ages of 25-34 of the middle and upper socioeconomic class who are expecting or trying to conceive. They are conscious of their own health and the health of their family as well.<sup>27</sup> Expecting women have a reliable income with savings and want high quality products to ensure comfort throughout the duration of their pregnancy. Additionally, this group is generally well-educated and striving to live an active lifestyle while liking to stay up to date on the current trends.

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<sup>26</sup> "Get In the Know About Pregnancy, Contraception and Abortion." *Healthy Families*. Web. 12 Nov. 2014.

<sup>27</sup> "Lululemon Athletica Retailer Profile (with Images) Â· Acarron." *Storify*. Web. 12 Nov. 2014.

(Men) lululemon is reaching out to a new demographic: men. We want to broaden the appeal of our brand and increase our efforts in targeting the male audience. Less than two years ago, men's clothing sales made up just 8% of Lululemon's revenues, so this group is key to target in order to remain competitive in the already ultra-competitive athletic apparel market.<sup>28</sup> Men associate the lululemon brand with being a women's clothing company, overlooking lululemon's men-specific collection. We need to better define our men's brand by expanding our products into an exclusively male apparel store. Last year alone 17.8 percent of men practiced yoga out of 20.4 million Americans. Although this is a very small market, we need to reach out to the men's demographic in order to keep up with our current competition. This demographic includes young men between the ages of 25- 44 who enjoy staying active through participation in yoga, running or otherwise. <http://shop.lululemon.com/products/clothes-accessories/mens-shorts-to-and-from/ABC-Short-11in>

### **Self-Interests**

Customers desire a brand to fit their lifestyle while still looking good. They want a product that is versatile for when they are working out, running errands and lounging around.

Current Relationship: The company has a narrow focus in their product line and the consumers that they target. This is causing lululemon to miss out on a large portion of potential customers in their target market.

### Influentials

- Lululemon athletica
- Other competing brands (Nike, Nordstrom, Under Armor...)

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<sup>28</sup> Warnica, Richard. "Lulu for Him?" *Canadian Business*. 13 Apr. 2013. Web. 12 Nov. 2014.

- Current customers

Friends of customers

### Primary Message

We want to reach out to our potential customers who are interested in lululemon but have never purchased products before; we are determined to meet the demands of consumers in an effort to increase our brand awareness.

### Secondary Message

- Lululemon will provide specific yoga classes to target potential customers
- We are including new design efforts that can effectively reach our target audiences
- We want to show our potential customers that we can accommodate to their lifestyle

### Objective

Connect with the potential consumers in the local market to raise sales 20% by January 2016 to broaden appeal of the lululemon brand.

## Strategy #1

Build a relationship with potential pregnant women by establishing support through the Lululemon brand.

### Tactics:

Create awareness of pregnant friendly apparel

Illustrate on the website and in stores the capris and pants that have a more accommodating waistband for a pregnant belly as well as the tops that are longer and more comforting for a developing belly and growing breasts.

Create maternity yoga classes (mommy and me yoga)

Personalized to pregnant women to demonstrate that they can still be active during pregnancy through modified moves and poses.

Arrange pregnant women walking groups (meet at lulu and then walk together) “One of the best cardiovascular exercises for pregnant women, walking keeps you fit without jarring your knees and ankles.” [http://www.babycenter.com/0\\_the-best-kinds-of-exercise-for-pregnancy\\_7880.bc](http://www.babycenter.com/0_the-best-kinds-of-exercise-for-pregnancy_7880.bc)

To promote:

Send out informational emails to current customers informing them of multipurpose apparel and yoga classes available as well as uploading information to lulus website.

Include pregnant women modeling the clothing on lululemon’s website.

Pregnant mannequins in stores to showcase pregnancy specific apparel making clothes more relatable to the customers.

Strategy #2: Broaden the appeal of the lululemon brand to reach male demographic by inviting them to lululemon yoga classes. lululemon can present itself as a transparent and hospitable company by bringing in new males.

Tactics:

Expand men's apparel selection in stores, by offering them their own space, lululemon "can have a very positive impact and increase their earnings by 30% to 40%."

<http://racked.com/archives/2014/10/07/lululemon-men.php>

-Recruit more male sales associates.

Create yoga for men classes, increasing brand awareness for men and everyone.

Include couples yoga classes to target men and women to come together

Include sign in sheets at yoga classes to identify how many male and women attend.

To promote yoga classes:

Send out an informational email to inform current lululemon customers of new yoga classes taking place.

Upload an informational flyer on lulu's website to create awareness of new yoga classes taking place.

**Evaluation and Criteria**

Objective 1: Increase stock price by 30 percent by January 2016. A solid increase in same-store sales will be the clearest sign that the brand has recovered and can justify its growth ambitions once again.

*Criteria:*

We will know if this objective is successful by looking at the stock price of lululemon on January 1, 2016 to see if the stock price rose by 30 percent.

*Tools:*

lululemon will increase its stock price by reestablishing trust with shareholders, thus improving the reputation of the company. Shareholders want to invest their money in a company with a trustworthy and ethical leadership team. By traveling around the country the new CEO and Vice President can enhance the brand's image, meeting with lululemon employees and customers. Additionally, this new leadership team will ensure lululemon is transparent about financial information and getting shareholders excited about future growth opportunities.

Objective 2:

To create a positive reputation of lululemon athletica's corporate social responsibility by creating a nationwide community of 30,000 athletes supporting women's health by February 2016.

*Criteria:* We will know if we have reached our objective when in February 2016, more than 30,000 people contributed in either our run, educational classes, or purchased red clothing during our women's heart health awareness month (February 2015 and 2016).

*Tools:* We will measure our success by tracking the attendance of our Women's Marathon and Half Marathon and the attendance of our educational heart health classes, and by measuring the purchases of red during February 2015/2016.

Current Customers - Generation X

Evaluation and Criteria:

Objective 3

To increase the amount of generation X customers by 10% by January 2016.

*Criteria:* We will know if we've met this goal if by January 2016 the sales made by generation X customers have increased by 10%.

*Tools:* We will look at our sale records from the previous year and compare them to 2015. By looking through our records we can see the demographics of the people that have purchased from us and focus on women over the age of 35.

#### **Objective 4**

Connect with the potential consumers in the local market to raise sales 20% by January 2016 to broaden appeal of the lululemon brand.

*Criteria:* We will know when this objective is successful if lululemon receives more new customers.

*Tools:* lululemon will measure the success by analyzing financial statements and tracking media coverage on the new products and comparing it to last years financial statements.