CASE STUDY

lululemon athletica

Lululemon athletica opened its first location in Vancouver in 1998. By 2012, the company was operating 174 stores in Canada, the United States, Australia, and New Zealand. Its sales were more than $1 billion, and it had stock market value of more than $10 billion. The company had quickly become one of Canada's great retail success stories.

The idea for the business grew out of what founder Chip Wilson saw as key trends in the apparel market. First, athletic apparel for women was not particularly comfortable or attractive. Second, female consumers were driving retail sales in Canada and throughout North America. Third, yoga was rapidly rising in popularity. Wilson believed that the time was right for the launch of a female-focused yoga apparel company.

Consumers agreed, and lululemon grew rapidly as it soon became apparent that the comfortable and attractive clothing was a wardrobe staple both in and out of the yoga studio. The company, the clothing, and the focus on health and fitness sonated with consumers and the way they wanted to live ıeir lives.

From the beginning, lululemon has taken a grassroots approach to marketing. When opening a new store, the company develops word of mouth by giving clothing samples to local yoga studios, athletes, and fitness instructors. Similarly, it is very careful in hiring people who are a good fit with the company's message of health, fitness, and well-being. Those employees are trained to be educators and ambassadors for lululemon in the local community. The company is also constantly collecting and analyzing feedback from its customers and using that information to improve its products. This strong emphasis on corporate values and culture is important to lululemon and may provide it with a strong point of competitive differentiation relative to many other companies that have followed lululemon's lead and launched similar lines of female athletic apparel—including The Gap, Victoria's Secret, American Eagle, and many others.

To the surprise of some experts, lululemon athletica is one of the few Canadian retailers that have successfully entered the U.S. market, even receiving Oprah's blessing as a "favourite thing." Remarking on the company's success, commentators have wondered if the company is the "perfect stock." It continues to grow rapidly and command high margins, while

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maintaining a strong balance sheet and an impressive return on equity. Others pundits, however, have expressed concern over increasing competition, stockouts, and the company's high stock-market valuation.

Former Starbucks executive and current lululemon CEO Christine Day sums up the company's philosophy and recent success: "Reaching a billion dollars in revenue is clearly an important milestone that as a company we can all be very proud of. But far more important than the number itself are the beliefs, values, culture and people that achieved it. We really are so much more than our numbers; it is the everyday actions of our dedicated team that translates into an unparalleled guest experience and allows us to achieve our ultimate goal of elevating the world."[1]

Sources: Bouw, Brenda (2007), "Zen and the Art of Retailing," *The Globe and Mail*, Report on Business (November 30), http://www.theglobeandmail.com/report-on-business/zen-and-the-art-of-retailing/article1090270/?page=all, accessed August 15, 2012. Caplinger, Dan (2012), "Has lululemon athletica Become the Perfect Stock?" *The Motley Fool (fool.com)* (March 30), http://www.dailyfinance.com/2012/03/30/has-lululemon-athletica-become-the-perfect-stock, accessed August 15, 2012. Reuters (2010), "Lululemon Shares End at a Record High after Oprah's Blessing," *Reuters News* (November 22), http://ca.reuters.com/article/domesticNews/idCATRE6AL5YH20101122, accessed August 15, 2012. lululemon athletica Press Release (March 22, 2012), "lululemon athletica inc. Announces Fourth Quarter and Full Year Fiscal Results, 2011," http://www.lululemon.com/media/index.php?id=219, accessed July 5, 2012.

Questions

1. What are the personality traits that lululemon is looking for in its customers? Are those the same traits the company looks for in its employees?
2. Does lululemon have a brand personality?
3. How would you describe the relationship between consumers and the lululemon brand?
4. What demographic segments does lululemon serve?
5. What psychographic segments does lululemon serve?
6. What impact might wearing lululemon have on consumers' self-concept?
7. Based on your understanding of lululemon and its customers, do you think it can continue to grow rapidly over the next five years?