

Introduction

The purpose of this marketing plan is to reach the full potential of Lululemon as an industry leader. I will be covering the company situation to give you a little bit of insight to the company. I will produce a market analysis to show you what the athletic apparel market is like. You will learn of the target market so you can have a better understanding of the customers. We will cover marketing mix strategies so you can see a competitive advantage of Lululemon. I will introduce the product, price, place, and promotional aspect of the marketing mix. I will provide a competitor analysis so you can compare and contrast the different competition. Finally, I will show you my implementation plan and different recommendations.

Company Situation

In the company situation section I will be covering the nature of Lululemon, the history and background, expansion and growth since inception, goals and objectives, and future outlook. I will provide information on how the business was started, and how it continues to grow. Furthermore, I will show you the goals of the organization and the future outlook it has.

Nature of the Business

Lululemon is all about living a healthy lifestyle. They are a caring business that wants people to be happy and healthy. They want to help customers feel less stressed by empowering them to live a happy and active lifestyle.

History and Background

Lululemon was founded by Chip Wilson, an entrepreneur who spent 20 years in the endurance athletics business. The company was founded in 1998 but opened its first store in November 2000.

Chip took a yoga class and was instantly hooked, turning a design studio into a nighttime yoga center. Chip wanted the store to be a community hub where people discussed the health and mental aspects of living a healthy lifestyle.

Yoga is "aimed at training the consciousness for a state of perfect spiritual insight and tranquility"(Merriam). Chip understood the material in yoga apparel was unfit. His passion is in technical athletic fabrics.

Expansion/ Growth over time

Lululemon has become an industry leader and has continued to expand its operations since its inception. The initial goal of the lululemon people was to help its customers live happy and healthy; its store became so busy they had to expand drastically. Since opening its store in Vancouver, BC in 2000; Lululemon has rapidly grown into a global organization. They are an international operation that includes 113 stores worldwide.

Goals & Objectives

The goals and objectives of the company are being exceeded every quarter and are making room for more future growth. Total sales reached \$175.8 million, a 55.7% increase from \$112.9 million in Q3 2009 (Direct). Net income was \$25.7 million, an increase of 35.3% from Q3 2009 net income of \$19.0 million (Direct). The goal of Lululemon was to train their employees so well they could have a positive impact on their families and other members of the community.

Lululemon plans on expanding there store base in North America. They plan to open 22 more stores in fiscal 2011 in the United States and Canada (Form 10-k 3). Lululemon also plans on developing there direct to consumer sales channel (e-commerce).

Lululemon plans to increase brand awareness and customer loyalty through there grass roots marketing efforts, social media, and planned store expansion. They will also introduce new product technologies such as UV protection and inherent reflectivity.

Future Outlook

Lululemon will broaden the appeal of their products by expanding product categories, increase the range of athletic activities there products target, expand beyond North America, grow the men's business line, and grow the youth brand.

Market Analysis

The market analysis section will provide you with an overview of the performance apparel industry. Also, it will provide you with trends attributed the industry

Industry Overview

The market for athletic apparel is highly competitive. The performance apparel industry has been consistent over the past five year. Although there was a minor hiccup in late 2008 to early 2009, the industry overview is still positive and has increasing numbers to date.

Trends

In the first quarter of 2010, Lululemon reported an astonishing \$138.3 million in net revenue; an increase of almost 70% over the previous year (Investor). Lululemon is in a competitive yet profitable industry. The trends of this industry were somewhat horizontal up until a couple of years ago. Lululemon took a little bit if a dive in late 2008 but has bounced back considerably reaching the \$100 per share mark.

Target Market

The target market section will introduce the target market of Lululemon, and provide you with information of the different types of strategies used. "Lululemons primary target customer is a sophisticated and educated woman who understands the importance of an active, healthy lifestyle" (Form 10-k 2). Lululemon's customers are typically high-income women who have the means to produce profits (Investor). Lululemon's target market consists of middle age women who perform yoga on a regular basis, who are of middle to upper class status. This would fall under a demographic, self-concept, lifestyle, and benefit target market.

Undifferentiated segmentation strategy, or Mass Marketing is when every consumer is considered a potential user of its product (Grewal and Levy 246-247). The idea behind this is to have the perception that everyone will receive the same benefit from the product. This strategy doesn't work for Lululemon because they have a very particular consumer base and not everyone will benefit from the products they offer.

A differentiated segmentation strategy is when a firm targets several market segments and provides different offerings for each one (Grewal and Levy 247). Tyco, for example has several different formats. Tyco has a wide range of store formats anywhere from electronic video games to ADT security systems. This segmentation strategy doesn't apply to Lululemon because they don't have a wide range of store formats. Lululemon offers a specific product to a specific consumer.

A concentrated segmentation strategy is when an organization focuses all its energy on one primary target market and customizes its product to fit the specific need of that market (Grewal and Levy 247-248). My research shows that Lululemon has implemented the concentrated segmentation strategy because of their specific products offered and its specific client base. Again, Lululemon has targeted an older demographic with the means to afford its high end products.

Marketing Mix Strategies

The Marketing Mix will cover the products and services Lululemon has to offer; it will also look at pricing, promotion, and placement of the products.

Products/Services

Lululemon has a wide variety of products ranging from men and women's apparel and also educational information on yoga, fabrics and care, sizes and fittings, and goal setting. In the women's department, Lululemon offers everything from bras, tanks, tops, jackets, hoodies, pants, crops, shorts, skirts, dresses, socks, underwear, bags, and yoga mats. The men's department is similar to the women's excluding the bras.

Value Proposition

Lululemon has great value positioning because it differentiates itself with its products. No other company uses these types of materials for this type of activity. Lululemon's activity is mainly yoga. Value based positioning is a very important part of the market segmentation strategy. Value is a great positioning method because consumers take into consideration the price they pay for the product and the quality received by the product (Grewal and Levy 264).

Salient attributes is one of the most common positioning methods. The salient attributes method focuses on the attributes of a product; these attributes are most important to the consumer (Grewal and Levy 264). Lululemon has salient attributes.

A symbol can also be used as a positioning method (Grewal and Levy 246). For example, Coca-Cola is one of the most recognizable symbols in the world. This creates value because people are familiar with the logo.

Competition positioning happens when an organization decides to position its product against a competitor or an entire product classification (Grewal and Levy 265). Lululemon competes well against other companies because of its unique products.

Quality Control Program

Value is also added due to Lululemons quality control program. Lululemon has a strict return policy, which must occur within 14 days of the ship date. Customers cannot return any article of clothing that has been washed or worn. The return policies set by Lululemon ensures that no used or defected products are put back into circulation, therefore practicing better quality control. Lululemon also uses cutting edge material called Luon which is very durable and able to withstand each workout (Form 10-k 5).

Technology

Luon is the original fabric that made Lululemon pants famous. Luon is moisture wicking and pre-shrunk. It provides great coverage and shape retention and offers four-way stretch for freedom of movement. This kind of durability makes it great for any activity. Running luon has an inherent wicking ability which is brushed on both sides keeping the consumer warmer than normal luon.

Luxtreme is a lightweight and silky fabric that is primarily used for the women's running line. Luxtreme is the fastest wicking fabric used by Lululemon. These different types of fabric give Lululemon a competitive advantage in the market. Since no one else offers these products, new technology is in Lululemons best interest.

Price

The pricing section will cover the costs of Lululemons operations. You will learn of the company's pricing strategy and how it is implemented. Also, you will understand the different factors affecting the pricing strategy and the discounts that Lululemon provides.

Costs

For the period ending January 30, 2010, Lululemons total liabilities was \$108,913,000 ("Balance Sheet"). Lululemons cost of revenue for the same period ending was \$316,757,000 ("Income Statement"). Total revenues reached \$711,704,000, which is a \$394,947,000 difference. Lululemon does not use a cost-based pricing strategy.

Company's Pricing Strategy

Lululemon uses a value-based pricing strategy when determining the price of their products. A value-based pricing strategy is when an organization focuses on the overall value of the product as perceived by its consumers (Grewal and Levy 428).

Factors Affecting Pricing Strategy

Some factors that affect Lululemons pricing strategy are both internal and external. The internal pressures of pricing would have to do with the cost of adding value to their products. Costs such as high impact fabric and training their sales team to market their products. The external prices would have to do with the pressures of the market. Competitors charging lower prices for similar products would be a major factor affecting Lululemons pricing strategy.

The substitutes including under Under Armor and Tek gear will compete with Lululemon for the best market price. The tastes and preferences of the consumer affect the price due to brand loyalty of other substitutes. Expectations play a big role in the pricing because customers want a product they can trust.

Discounts

Discounts can be found through independent web sites such as Buy Cheapr. Lululemon offers free shipping on their apparel with a minimum purchase. Lululemon will mark down existing inventory that includes older style clothing.

Promotions

"Promotions are special incentives or excitement-building programs that encourage the purchase of a product or service, such as coupons, rebates, contests, free samples, and point-of-purchase displays"(Grewal and Levy 533). Lululemon has a lot of community outreach programs that builds excitement and encourages purchases among its community members. Also, the stores have point-of-purchase displays promoting products and services as well.

Trade Shows

Lululemon does not use trade shows as part of its promotion. Lululemon wants to remain a value based organization and not provide its products and services to just anyone. They want to remain very specialized and maintain a level of prestige, which decreases when promoting through trade shows.

Sales Presentations

Sales presentations are conducted in the store through employee demonstrations. The Lululemon people are very well educated and can demonstrate or inform its customers in a heartbeat.

Advertising

Advertising is "the placement of announcements and persuasive messages in time or space purchases in any of the mass media by business firms, nonprofit organizations government agencies, and individuals who seek to inform and/ or persuade members of a particular target market or audience about their products, services, organizations, or ideas" (Grewal and Levy 532).

Lululemon uses its stores as a main advertisement tool. While consumers browse the store they have the opportunity to touch and feel products. Sales representatives have the opportunity to offer personal service to the consumer, which is a psychological benefit to the customer. In visiting the store to make purchases the consumer will get instant gratification knowing that they can take to product home with them if they choose to. While making a purchase consumer will see an array of point-of-purchase displays designed to capture the consumer's attention and persuade the purchase of another product. All of these are examples of how Lululemon advertises their image and their products.

CRM Tools

Lululemon customer service is the greatest promotional tool it uses. Lululemon employees are well equipped to explain the benefits of their products. Lululemon does not mass advertise with database marketing, which helps them to maintain their prestige.

Public Relations

Public relations is a critical aspect of the Lululemon organization. Each year, every one of Lululemons stores selects up to 8 charitable contributions to contribute to. The program is very unique because it allows the customers to decide which organizations to contribute to. This builds a great image and relationship with the surrounding communities.

Web Marketing

Lululemon also uses the internet channel to advertise its products and brand image. When customers visit the website they can receive an education tutorial on what type of fabrics are used in the production of their products. It is a very user friendly website that lets you search for people of all ages.

Place/Location

This section will include the different geographic locations that Lululemon provides products and services to. You will also learn of the different types of distribution channels and how Lululemon implements them.

Geographic Area

Lululemon offers its product in many geographical locations including The United State, Canada, Australia, China, and New Zealand. "Lululemon locates its stores in street locations, lifestyle centers and malls that position lululemon athletica stores to be an integral part of their communities"(Form 10-k 2).

Distribution Channels

An intensive distribution strategy is designed to get an organizations products into as many outlets as possible (Grewal and Levy 428). Lululemon is a very specific and unique product so they do not use the intensive distribution strategy when it comes to promoting their product.

Selective distribution uses only a few selected customers in a designated territory (Grewal and Levy 492). Lululemon uses this type of distribution because it helps them to maintain a particular image and control the flow of merchandise into an area.

Lululemon also sells lululemon athletica products through premium yoga studios, health clubs and fitness centers. This channel represented only 2.2% of their net revenue in fiscal 2006 and 1.8% of their net revenue in fiscal 2007 (Form 10-k 6). Lululemon believes their vertical retail distribution strategy differentiates them from their competitors and allows them to more effectively control their brand image (Form 10-k 8)

Competitor Analysis

In the next section of my marketing plan I will discuss direct and indirect competition of the organization and also do a SWOT analysis of each of these competitors.

Direct Competition

The market for athletic apparel is highly competitive. It includes increasing competition from established companies who are expanding their production and marketing of performance products, as well as from frequent new entrants to the market.

List of Competitors

"Lululemon is in direct competition with wholesalers and direct sellers of athletic apparel, such as Nike Inc., adidas AG, which includes the adidas and Reebok brands, and Under Armor, Inc. (Form 10-k 8).

Strengths and Weaknesses of each competitor

Nike Inc. has a large brand loyalty but lacks in customer service. The Web-site for Nike is not very user friendly. Also, some of Nike products are overpriced.

Adidas has a strong grasp on the soccer community but lacks the product range to cover other sports. Reebok is in the same boat as adidas; they mainly produce running shoes and cheap athletic apparel.

Under Armor has a great customer base with a lot of brand loyalty. They offer quality products but the products are still expensive. They offer a wide range of apparel and are still growing.

Competitors' Value Proposition

Nike Ink has increased its brand value by brand awareness, brand image, customer loyalty, and having a broad range of apparel items. They place their products in all the major retail outlets. Nike Inc. offers apparel for many different sports at affordable prices.

Adidas has gained value through specializing in soccer. Lululemon has no athletic apparel for soccer players. Reebok gains value by specializing in running shoes and providing consumers with affordable athletic apparel.

Under Armor provides value by producing quality apparel and a lot of advertising. Under Armour spends a lot of money on advertising to get consumers to perceive their products as the number one brand.

Indirect Competition

Lululemon also competes indirectly with retailers specifically focused on women's athletic apparel. Although, retail performance apparel is at the front of the battle, there is also competition in the supply chain. Companies like Nike have a firm grasp on the supply chain, making it harder for companies like Lululemon enter the market place.

List of Competitors

Competitors include Lucy Activewear Inc., The Finish Line Inc. (including Finish Line and Paiva collection), and bebe stores, inc. (BEBE SPORT collection)" (Form 10-k 8).

Strengths and Weaknesses of Indirect Competitors

These are also well established companies who are expanding their production and marketing of performance products. Although these companies are well established and growing, they can't match Lululemons brand image. Another weakness of the indirect competitors is that Lululemon has very specialized product, where Lucy Activewear and The Finish Line have a much broader product lines, which creates less customer service.

Competitors Value Proposition

The competitors listed above all have great brand recognition. They have better brand awareness due to mass advertising and offer better promotions. All of these aspects increase the competitor's value.

SWOT Analysis

A SWOT analysis will show you the different strengths, weaknesses, opportunities, and threats that Lululemon faces in the market place. The benefit to a SWOT analysis is that it will show you what areas need improvement and what areas the company excels in.

Internal Strengths

Lululemon is a premium active brand, which stands for leading a healthy, balanced and fun life. They also offer a distinctive retail experience by placing their stores lifestyle centers and malls. Lululemon also has an innovative design process. Lululemon has designed and developed innovative athletic apparel that combines not just athletic performance but style as well. They use a feedback-based design process, which there design teams get frequent feedback from customers (Form 10-k 3).

Lululemon has close collaboration with third-party suppliers to formulate innovative and technically-advanced fabrics and features for their products. The organization also has an experienced management team that has been proven to execute.

Also, Lululemon has a very strong portfolio; the organizations net revenue has increased from \$40.7 million in 2004 to 274.7 million in 2007 (Form 10-k 1). A competitive advantage of Lululemon is a culture and community-based business approach.

Lululemon has a strong advantage on the basis of brand image and recognition as well as product quality, innovation, style, distribution and price. Their vertical retail distribution strategy differentiates them from competitors and allows them to more effectively control brand image.

Internal Weaknesses

The main internal weakness with Lululemon is its experience. The rapid growth of Lululemon in recent years has caused a problem. They have limited operating experience at their current scale of operation. If they cannot manage the demand and expansion of their organization, the brand

image and financial performance might suffer. Any disruption in the information system could disrupt business and reduce sales. (Form 10-k 10).

External Opportunities

Lululemon has a lot of external opportunities in the sports retail industry. Nike has been a big name in the industry and it has basically outgrown itself. Lululemon has the ability to expand and grow into a corporation like Nike; the corporation just has to expand its product line. Instead of focusing on yoga, Lululemon could focus on other sports such as football or basketball, and even track and field. Once the organization established new product lines they could add different product categories such as sports equipment, not just apparel.

External Threats

General economic conditions and volatility in the worldwide economy has adversely affected consumer spending, which has negatively affected the results of operations and may continue to do so in the future.

Problems with the distribution system could harm Lululemons ability to meet customer expectations, manage inventory, complete sales and achieve objectives for operating efficiencies (Form 10-k 11).

The retail sports apparel industry is very competitive and volatile. There are always new and innovative ideas being brought to market by growing organizations. There will always be a potential for decline in such a specialized market. Yoga is a huge fad today but could be an afterthought tomorrow. Also, the cost of raw materials could increase cost of goods sold and cause results of operations and financial conditions to suffer (Form 10-k 11). Increasing labor costs and other factors associated with the production of products in China could increase the costs to produce Lululemon products (Form 10-k 11).

Implementation Plan/Recommendations

Lululemon should expand on their target market. It seems foolish to have growth such as this and not reach out to consumers other than women. If Lululemon did want to stick with its target market then I would suggest going above and beyond; they should amp up their research and development to all time highs and come up with something life changing.

By increasing research and development they can find a way to make the products and services more affordable. The price of Lululemon apparel can definitely use some changes. A lot of their products are more expensive than the substitute items.

The placement of Lululemons product could definitely use some work. There are a lot of yoga enthusiasts that have never heard of the Lululemon brand. By placing the Lululemon brand in smaller, more concentrated areas, the organization could expand its reach. Retail stores such as Dick's Sporting goods Dunham's would be a good starting point for new placement. Also, online sites such as Amazon would greatly increase the reach of the Lululemon brand.

Promotion can now increase due to the placement of products. The retailers: Dick's and Dunham's can now promote the Lululemon products and services. Also, web promotion can grow due to sites like Amazon now carrying the Lululemon brand.

Conclusion

Lululemon has a strong outlook in terms of financial strength and consumer base. They have produced exceptionally well in the past few years with their innovative products and the strategies they have implemented. Lululemon has grown exceptionally well in the past couple of years and continues to show improvement.

There is room for Lululemon to grow in different aspects of their organization.

Recommendations would include expanding the placement of their products to smaller, unnoticed locations. I recommend they build aspects of the organization to provide services to other sports; sports include football, baseball, tennis, soccer, and even swimming just to name a few. I would also recommend they stay ahead of the technology curve; technology has helped them considerably in the past.

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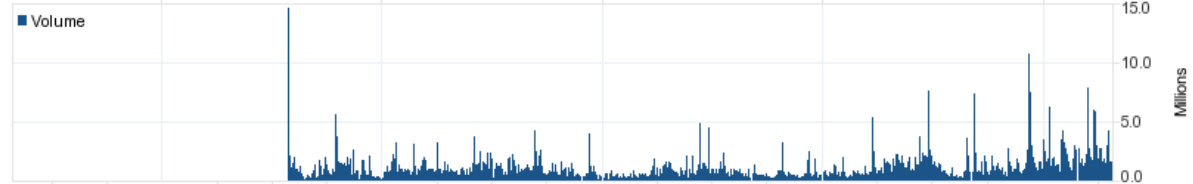
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Appendix:

lululemon athletica inc.

■ LULU ■ NKE

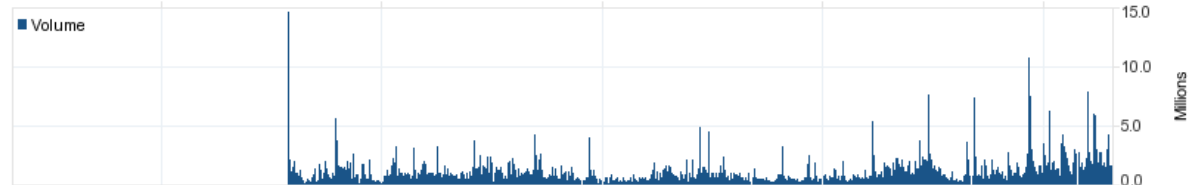
Apr 26, 2011



lululemon athletica inc.

■ LULU ■ UA

Apr 26, 2011



Corporate-Owned Franchise Total

Canada

Alberta 7 — 7

British Columbia 9 2 11

Manitoba 1 — 1

Ontario 16 — 16

Québec 4 — 4

Saskatchewan — 1 1

Total Canada 37 3 40

United States

California 11 1 12

Colorado — 2 2

Florida 2 — 2

Illinois 4 — 4

Massachusetts 4 — 4

New York 1 — 1

Oregon 1 — 1

Texas 4 — 4

Virginia 2 — 2

Washington 1 1 2

Total United States 30 4 34

International

Australia — 3 3

Japan 4 — 4

Total International 4 3 7

Overall total, as of January 31, 2007 41 10 51

Overall total, as of February 3, 2008 71 10 81

Income Statement (all numbers in thousands)

| Period Ending | Jan 30, 2011 | Jan 31, 2010 | Feb 1, 2009 |
|--|--------------|--------------|-------------|
| Total Revenue | 711,704 | 452,898 | 353,488 |
| Cost of Revenue | 316,757 | 229,812 | 174,421 |
| Gross Profit | 394,947 | 223,086 | 179,067 |
| Operating Expenses | | | |
| Research Development | - | - | - |
| Selling General and Administrative | 212,784 | 136,161 | 118,098 |
| Non Recurring | 1,772 | 379 | 4,405 |
| Others | - | - | - |
| Total Operating Expenses | - | - | - |
| Operating Income or Loss | 180,391 | 86,546 | 56,564 |
| Income from Continuing Operations | | | |
| Total Other Income/Expenses Net | 2,886 | 164 | 821 |
| Earnings before Interest and Taxes | 183,277 | 86,710 | 57,385 |
| Interest Expense | - | - | - |
| Income before Tax | 183,277 | 86,710 | 57,385 |
| Income Tax Expense | 61,080 | 28,429 | 16,884 |
| Minority Interest | (350) | - | - |
| Net Income from Continuing Ops | 122,197 | 58,281 | 40,501 |
| Non-recurring Events | | | |
| Discontinued Operations | - | - | (1,138) |
| Extraordinary Items | - | - | - |
| Effect of Accounting Changes | - | - | - |
| Other Items | - | - | - |
| Net Income | 121,847 | 58,281 | 39,363 |
| Preferred Stock and Other Adjustments | - | - | - |
| Net Income Applicable To Common Shares | 121,847 | 58,281 | 39,363 |

Balance Sheet (all numbers in thousands)

| Period Ending | Jan 30, 2011 | Jan 31, 2010 | Feb 1, 2009 |
|--------------------------------------|--------------|--------------|-------------|
| Assets: | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 316,286 | 159,573 | 56,797 |
| Short Term Investments | - | - | - |
| Net Receivables | 9,116 | 8,238 | 4,029 |
| Inventory | 57,469 | 44,070 | 52,051 |
| Other Current Assets | 6,408 | 4,529 | 4,111 |
| Total Current Assets | 389,279 | 216,410 | 116,988 |
| Long Term Investments | - | - | 2,863 |
| Property Plant and Equipment | 70,954 | 61,591 | 61,662 |
| Goodwill | - | - | 774 |
| Intangible Assets | 27,112 | 8,050 | 8,160 |
| Accumulated Amortization | - | - | - |
| Other Assets | 4,063 | 6,105 | 5,453 |
| Deferred Long Term Asset Charges | 7,894 | 15,102 | 19,373 |
| Total Assets | 499,302 | 307,258 | 211,636 |
| Liabilities: | | | |
| Current Liabilities | | | |
| Accounts Payable | 67,196 | 46,979 | 35,367 |
| Short/Current Long Term Debt | - | - | - |
| Other Current Liabilities | 18,168 | 11,699 | 9,968 |
| Total Current Liabilities | 85,364 | 58,678 | 45,335 |
| Long Term Debt | - | - | - |
| Other Liabilities | 19,645 | 15,472 | 11,301 |
| Deferred Long Term Liability Charges | - | - | 158 |
| Minority Interest | 3,904 | - | - |
| Negative Goodwill | - | - | - |
| Total Liabilities | 108,913 | 74,150 | 56,794 |

Stockholders' Equity:

| | | | |
|-------------------------------|---------|---------|----------|
| Misc. Stocks Options Warrants | - | - | - |
| Redeemable Preferred Stock | - | - | - |
| Preferred Stock | - | - | - |
| Common Stock | 534 | 511 | 504 |
| Retained Earnings | 189,656 | 67,809 | 9,528 |
| Treasury Stock | - | - | - |
| Capital Surplus | 179,870 | 158,921 | 155,961 |
| Other Stockholder Equity | 20,329 | 5,867 | (11,151) |
| Total Stockholder Equity | 390,389 | 233,108 | 154,842 |
| Net Tangible Assets | 363,277 | 225,058 | 146,682 |

Currency in USD.