

Lululemon Marketing Plan

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Introduction

Lululemon Athletica Inc. is a Canadian based company founded by snowboarder Chip Wilson in Vancouver BC in 1998. After taking his first yoga class in Vancouver, Wilson discovered that yoga was the new ideology whose time had come. Wilson, whose passion lay in technical athletic fabrics, noticed that cotton clothing was being used for sweaty, stretchy power yoga which seemed completely inappropriate. From this thought, a design studio was born and became a yoga studio at night in order to pay rent. All the yoga instructors were then asked to wear the product and provide their feedback, which was one of the main factors of success for the newly launched apparel.¹

We at KASS Market Consulting Inc. have researched Lululemon's current product offerings, competitive advantage, and marketing strategy. In this report we will discuss our recommendation for a new product development, the Baby Belly Tank, which will allow Lululemon to further develop their athletic apparel to its target market. This recommendation is based on the repositioning and alteration of a current tank top offered at Lululemon called the Run Your Heart Out Tank.

The Run Your Heart Out Tank top has had a very good response from Lululemon's clientele. This product provides fitted top support with a looser fit mid-section that allows the users to tighten the fabric around their hips. This accommodates for various sizes in one top. The product has many positive reviews on the online board, including posts suggesting the flexibility the product offers for the first months of pregnancy.² By repositioning this tank top with some adjustments to the design, Lululemon will offer its first pregnancy workout tank top, called the "Baby Belly Tank". This product provides the active pregnant woman with the flexibility and ease of having their top grow with their belly.

Strategic Focus and Company Plan

Lululemon's culture focuses on developing high quality products, operating with integrity, leading a healthy balanced life, and instilling in their employees a sense of self responsibility and personal achievement.

Lululemon's mission statement is its "Lululemon manifesto," which is a list of 31 ideas and life philosophies for healthy and positive living.³ The complete manifesto is available in Appendix A. This manifesto is embraced by all the employees in the workplace, and creates a definite culture and a unique way of doing business and interacting with the public.

Some of the key statements of the Lululemon manifesto are

¹ Lululemon Athletica Inc., "Learn About Us", Lululemon, <http://www.lululemon.com/about/> (February 20, 2012).

² Lululemon Athletica Inc., "Run Your Heart Out Tank", Lululemon, <http://shop.lululemon.com/products/clothes-accessories/women-tanks/Run-Your-Heart-Out-Tank> (February 23, 2012).

³ Lululemon Athletica Inc., "Learn About Us", Lululemon, <http://www.lululemon.com/about/manifesto#> (February 20, 2012).



- Do one thing a day that scares you
- Listen, listen, listen and then ask strategic questions
- Breathe deeply and appreciate the moment. Living in the moment could be the meaning of life
- Creating components for people to live longer, healthier and more fun life,
- That which matters the most should never give way to that which matters the least
- Drink fresh water as much as you can. Water flushed unwanted toxins from your body and keeps your brain sharp⁴

Goal setting is also a large part of the culture at Lululemon.⁵ The company has established goal setting training to help all its supporters and employees succeed by finding their own personal path. The goal setting program is based on six core concepts: possibility, vision, balance, audacity, format, and integrity.⁶ The goals can apply to career, health, or personal growth and are essential in providing focus and inspiration. As part of its vision, the company has designed a goal-setting worksheet as illustrated in Appendix B that allows individuals to visualize their goals for the next year, five years and then 10 years.⁷ The goal setting training demonstrates that Lululemon is not only interested in making corporate profits but is also committed to their customers and employees and their personal achievements.

Lululemon uses product differentiation to maintain a competitive advantage strategy. The company's advantage is its premium quality garments made of the latest fabrics and assembly methods.⁸ The company has established credibility in the market which allows it to be the brand that is trusted by their consumers. "We believe our vertical retail distribution strategy differentiates us from our competitors and allows us to effectively control our brand image"⁹ states John Currie, Lululemon CFO, in the form 10-K annual report. In addition to Lululemon's fabric technology competitive advantage, they established a sustainable competitive advantage that cannot be copied by any competitors through their development of culture around their brand. "We believe our culture and community-based business approach provide us with competitive advantages that are responsible for our strong financial performance. Our net revenue has increased from \$40.7 million in fiscal 2004 to \$711.7 million in fiscal 2010,

⁴ Lululemon Athletica Inc., "Learn About Us", Lululemon, <http://www.lululemon.com/about/manifesto#> (February 20, 2012).

⁵ Lululemon Athletica Inc., "Education, goal setting: Lululemon, <http://www.lululemon.com/education/goalsetting?mnid=mn;education;goal-setting> (accessed March 2, 2012).

⁶ Lululemon Athletica Inc., "Education, six core concepts", Lululemon, <http://www.lululemon.com/education/sixcoreconcepts> (accessed February 28, 2012).

⁷ Lululemon Athletica Inc., "Goal setting worksheet", Lululemon, http://www.lululemon.com/files/vision_goals_worksheet.pdf

⁸ Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 20.

⁹ U.S. Securities and Exchange Commission, *Form 10-K, Annual Report – Lululemon Athletica Inc.* (Washington, DC: U.S. Federal Exchange Commission, 2011), 8, <http://investor.lululemon.com/secfiling.cfm?filingID=950123-11-26220&CIK=1397187> (accessed February 26, 2012).



representing a 61% compound annual growth rate".¹⁰ As referenced above, Lululemon focuses on a community based approach where consumers are members. This adds to the exclusive feel for the product and services.

Situational Analysis

Strengths

Lululemon is currently the third strongest leader in speciality sports apparel, falling behind Nike and Adidas, as outlined in Appendix C. With this strong position within the market, Lululemon has a well-known reputation within the athletic wear industry. The distinctive customer service provides a "community-centric philosophy designed to offer customers an inviting and educational experience."¹¹ This strength aids in its repeat consumer base and exclusive vibe around their company branding. Lululemon also is a leader in the athletic apparel industry for its ability to create apparel made from advanced fabrics and manufacturing techniques. These include using wick-away fabric technology, double knit construction, and superior design to prevent irritation and chaffing.¹²

Weaknesses

Lululemon is currently sold in speciality stores, including their own franchises and website, and small yoga studios as well as in end of season warehouse sales. Rural consumers note that it makes it harder for them to shop for the products, as Canada only has 44 Lululemon retailers which are all located in larger cities.¹³

Opportunities

With the rapid technology expansion of the athletic garment industry, Lululemon has opportunities to further expand its technology and product innovation. It has the opportunity to continue to focus on "developing and offering products that incorporate technology-enhanced fabrics and performance features".¹⁴

¹⁰ U.S. Securities and Exchange Commission, *Form 10-K, Annual Report – Lululemon Athletica Inc.* (Washington, DC: U.S. Federal Exchange Commission, 2011), 2, <http://investor.lululemon.com/secfiling.cfm?filingID=950123-11-26220&CIK=1397187> (accessed February 26, 2012).

¹¹ U.S. Securities and Exchange Commission, *Form 10-K, Annual Report – Lululemon Athletica Inc.* (Washington, DC: U.S. Federal Exchange Commission, 2011), 2, <http://investor.lululemon.com/secfiling.cfm?filingID=950123-11-26220&CIK=1397187> (accessed February 23, 2012).

¹² Lululemon Athletica Inc., "Fabrics and Technologies", Lululemon, <http://www.lululemon.com/education/info/fabricsandtechnologies> (accessed February 28, 2012).

¹³ Lululemon Athletica Inc., "Stores", Lululemon, <http://www.lululemon.com/stores/?cid=fbgec#> (accessed February 26, 2012).

¹⁴ U.S. Securities and Exchange Commission, *Form 10-K, Annual Report – Lululemon Athletica Inc.* (Washington, DC: U.S. Federal Exchange Commission, 2011), 4, <http://investor.lululemon.com/secfiling.cfm?filingID=950123-11-26220&CIK=1397187> (March 13, 2012).



Threats

As noted in the Lululemon Form 10-K Annual Report, Lululemon notes the high level of competition within their industry as a predominant risk. With this high level of competition, Lululemon could face "pricing pressures, reduced profit margins or lost market share or a failure to grow our market share".¹⁵ It also notes that the high material costs related to their products is a large threat.¹⁶ The threat of these materials increasing in cost could lead to high manufacturing costs, resulting in higher priced products and potentially reducing the company's profit margins too low to maintain a competitive strategy.

Target Market

Lululemon's main focuses of marketing campaigns are for women; however, they do carry products for men as well. Lululemon describes its "target customer [as] a sophisticated and educated woman who understands the importance of an active, healthy lifestyle."¹⁷ Our firm's product expansion will allow Lululemon to target its current female clientele by providing a product to match the lifecycle of those women. By specifically targeting their pregnant clientele, Lululemon can continue to meet the demands of its consumers throughout pregnancy and after.

Two main influences of the target market for Lululemon include lifecycle and social class. Where individuals are in their lifecycle can greatly affect how they spend and what they buy. Young people who are married or divorced persons with children are interested in new products.¹⁸ In contrast, young people without children are "at a peak in terms of financial capability."¹⁹ Stats Canada reports that 76.15% of pregnant women in Canada are between 20 and 34 years old. As a large portion of Lululemon's customers are within this age range and will be entering parenthood, this signifies a significant part of the current Lululemon population.²⁰ By targeting Lululemon's current customers who make up a large portion of the pregnant women in Canada, Lululemon can fill the gap between these stages. Further statistical data can be found in Appendix C. Lululemon can effectively grasp the desire for new products, with the flexibility of product use to appeal to the change in lifestyle and financial stability. Secondly, consumers are

¹⁵ U.S. Securities and Exchange Commission, *Form 10-K, Annual Report – Lululemon Athletica Inc.* (Washington, DC: U.S. Federal Exchange Commission, 2011), 14, <http://investor.lululemon.com/secfiling.cfm?filingID=950123-11-26220&CIK=1397187> (March 13, 2012).

¹⁶ U.S. Securities and Exchange Commission, *Form 10-K, Annual Report – Lululemon Athletica Inc.* (Washington, DC: U.S. Federal Exchange Commission, 2011), 12, <http://investor.lululemon.com/secfiling.cfm?filingID=950123-11-26220&CIK=1397187> (March 13, 2012).

¹⁷ U.S. Securities and Exchange Commission, *Form 10-K, Annual Report – Lululemon Athletica Inc.* (Washington, DC: U.S. Federal Exchange Commission, 2011), 2, <http://investor.lululemon.com/secfiling.cfm?filingID=950123-11-26220&CIK=1397187> (February 23, 2012).

¹⁸ Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 101-102.

¹⁹ Mark R. Bomball, Walter J. Primeaux, and Donald E. Pursell, "Forecasting Stage 2 of the Family Life Cycle," *Journal of Business*, 48, 1 (January 1, 1975): 65, <http://search.ebscohost.com.rap.ocls.ca/login.aspx?direct=true&db=ent&AN=4586091&site=ehost-live> (accessed February 23, 2012).

²⁰ Statistics Canada, "Pregnancy outcomes by age", Statistics Canada, <http://www40.statcan.gc.ca/101/cst01/hlth65a-eng.htm> (accessed February 3, 2012).



influenced by social class. Lululemon targets educated women; therefore, these women would most likely fall into the upper-class with a high likelihood of having at least an under-graduate degree.²¹ By knowing what class its target market is in, Lululemon can effectively advertise its brand to this target segment. According to the text *MKTG*, social class tells marketers where to distribute products and what mediums to use to reach that social class.²²

Product Strategy

The Lululemon Baby Belly Tank is a consumer product. It is classified as a heterogeneous shopping product, which means that the consumer's decision to purchase the product is often highly individual. This product has many different key features that will persuade the consumer to choose the Baby Belly Tank over any other yoga wear being offered for pregnant or post-pregnant women.

The tank top has a racer back for good bust support and also allows the consumer to move freely when exercising. It will have a built-in bra that is lined with coolmax material to help bring any perspiration to the surface of the skin, so the consumer stays cool and dry. The built-in bra also features removable cups to add shape, gives extra coverage, and allows for expansion throughout the term of pregnancy or post pregnancy. With chafe-resistant fabric, the consumer is able to achieve maximum comfort while working out. The tank top features a relaxed fit, ending at the hip. The main component of this tank top that will attract pregnant women is the adjustable fabric over the stomach area. The loose fitting fabric can be pulled tighter using draw strings around the bottom of the tank top, allowing the woman to adjust the fit as her baby belly grows and as she loses the baby weight after birth.

One of the main features of the product, which is also the competitive advantage, is the Power Luxtreme and Luon fabrics. The Luxtreme is Lululemon's fastest wicking fabric.²³ The moisture wicking is built into the fabric of the tank top and helps the consumers keep cool while performing their yoga or exercise of their choice. Luon is another type of wicking fabric that offers 4-way stretch, is preshrunk, and will not stretch out or lose its shape at any time.²⁴ Both of these fabrics are made of very high quality nylon to allow for superior comfort and offers great coverage. No other company has this technology in fabric which allows Lululemon to have a strong competitive advantage over other yoga wear manufacturers.

Lululemon offers a large variety in sizes for its tank tops. Specifically, for this tank top, the sizes will range from 2-12. Sizes in numerical order allow the tank top to provide a more specific fit and can cover a wider range of body shapes for consumers. Lululemon offers a sizing chart

²¹ Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 72.

²² Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 72.

²³ Lululemon Athletica Inc., "Fabrics and Technologies", Lululemon, <http://www.lululemon.com/education/info/fabricsandtechnologies> (accessed March 15, 2012).

²⁴ Lululemon Athletica Inc., "Fabrics and Technologies", Lululemon, <http://www.lululemon.com/education/info/fabricsandtechnologies> (accessed March 15, 2012).



online and in store so that the consumer can easily identify which size they will need. Lululemon can also have your tank top altered to fit by having it pinned by one of their Educators (sales people) and they will send it off to a local seamstress to have it tailored, ready to pick up within 7 days.²⁵

The Baby Belly Tank will come in colours and patterns that depend on the season and no colour or fabric will ever be repeated more than once. This offers exclusivity and stronger appeal to the consumer. The packaging for the tank top is a reusable tote bag. It features the Lululemon manifesto on the outside of the bag and the consumer will feel they are being more environmentally friendly because they can reuse the. There will be a price tag attached to the tank top that indicates price, size, the name, and the SKU needed to scan the product at the cash register. On the label on the inside of the tank top, it will be printed on the inside of the fabric so there will be nothing to irritate the consumer. There will be a small image printed on the fabric on the back of the tank top in the middle of the racer back. It will be a silver iridescent Lululemon logo. Appendix E includes a sample bag and price tag for this product. The warranty for this product encompasses any problems with the construction as well overall satisfaction. Returns are permitted within 14 days of purchasing the product for a full money refund.²⁶

The branding strategy that applies to Lululemon is manufacturer's brand. This applies to the Baby Belly Tank as Lululemon is the manufacturer and the brand name. Despite the product being sold in a very few speciality clothing stores the product will mainly be offered in Lululemon stores that are strategically placed in the centre of the target market, as well it will be sold on its online store.

The competitive advantage for the Baby Belly tank, which was mentioned earlier, is the Luon and Luxtreme wicking, a feature part of the fabric. This is the highest quality of nylon available and by having it sewn directly into the fabric of the tank top it offers a high quality of wicking and puts the tank top superior to its competitors. It creates a strong appeal to the target market and gives the tank top exclusivity.

Place Strategy

We suggest that Lululemon uses three different distribution strategies for this new product: two types of speciality stores and off price discount stores.

²⁵ Lululemon Athletica Inc., "Product Features", Lululemon, <http://www.lululemon.com/education/info/productfeatures> (accessed March 23, 2012).

²⁶ Lululemon Athletica Inc., "FAQ: Returns", Lululemon, <http://www.lululemon.com/faq> (accessed March 22,2012).



Speciality Stores

Corporate Lululemon Athletica stores will sell the Baby Belly Tank across Canada in all corporate owned Lululemon Athletica stores. Today, there are nearly 250²⁷ stores worldwide, located in “street locations, lifestyle center and malls that position each Lululemon Athletica store as an integral part of its community.”²⁸ Stores receive clothing through a direct distribution channel, meaning it goes straight from the producer to the customer. Stores located in North America may receive their shipments from either the distribution centers located in Vancouver, British Columbia or Renton, Washington.²⁹ Lululemon also uses direct distribution when customers order products through the e-commerce website. During the launch stage, the Baby Belly Tank will be placed at the front of the store to better feature and show off the new product. Afterwards the product will be moved to where the rest of the tank tops are placed in the store to make room for more colors and styles at the front of the store. Eventually, if Lululemon expands its maternity line, this tank top can be found with rest of the maternity clothing.

Lululemon can also sell the Baby Belly Tank through what they call “strategic sales dealers”. Examples of these places are small athletic clothing stores, gyms, and studios and now maternity stores. Two examples of these stores in the Kitchener-Waterloo area include Blue Skies Yoga and Eco Store, and Studio Energi.³⁰ According to Lululemon’s website, “these partnerships are strategically implemented to feature our core athletic apparel and yoga equipment in yoga, Pilates and fitness studios across North America.”³¹ Even though this channel contributes very little to its overall revenue, 2% in 2011, Lululemon believes that these premium locations offer an alternative distribution channel that is convenient for consumers and enhances the brand awareness.³² In the small athletic clothing stores, gyms and studios the Baby Belly Tank will be located with the other Lululemon yoga tanks. Special marketing displays will be included in the store display so customers can visually differentiate between the maternity and regular clothing lines. In maternity stores, no special marketing displays will be needed since the store only sells maternity clothing. The Baby Belly Tank will be placed with other active wear and lounge wear products.

²⁷ Lululemon Athletica Inc., “Find your Local Lululemon Athletica Store Location,” Lululemon, <http://www.lululemon.com/stores/> (accessed March 16th 2012).

²⁸ Lululemon Athletica Inc., “Seeking Alpha”, Lululemon, <http://seekingalpha.com/symbol/lulu/description> (accessed March 16th 2012).

²⁹ U.S. Securities and Exchange Commission, *Form 10-K, Annual Report – Lululemon Athletica Inc.* (Washington, DC: U.S. Federal Exchange Commission, 2011), 6, <http://investor.lululemon.com/secfiling.cfm?filingID=950123-11-26220&CIK=1397187> (accessed February 23, 2012).

³⁰ Lululemon Athletica Inc., “Strategic Sales Dealers”, Lululemon, <http://www.lululemon.com/dealers?zone=74&city=Waterloo> (accessed March 25, 2012).

³¹ Lululemon Athletica Inc., “Strategic Sales Program”, Lululemon, <http://www.lululemon.com/wholesale/> (accessed March 16th 2012).

³² U.S. Securities and Exchange Commission, *Form 10-K, Annual Report – Lululemon Athletica Inc.* (Washington, DC: U.S. Federal Exchange Commission, 2011), 6, <http://investor.lululemon.com/secfiling.cfm?filingID=950123-11-26220&CIK=1397187> (accessed February 23, 2012).



Discount Stores

Even though Lululemon is not currently offered in discount store retailers, in the future it may want to consider selling its Baby Belly Tank to an off pricing store such as Winners. Winners is known for carrying many brand names at discounted prices. Winners would purchase the Baby Belly Tank through the manufacturer and then sell them to the customer. This type of retailer would be successful because it is similar to Lululemon's website feature "We Made too Much" where they sell their discontinued and surplus products at a discounted rate.³³ Selling the Baby Belly Tank at Winners will allow a designated storefront location of discounted Lululemon clothing. The in-store product placement for this retailer type would be in the women's exercise and lounge wear section. Winners currently organizes its clothing by sizes meaning that the Baby Belly Tank would be mixed in with other exercise tops of the same size. Customers first shop by size then by styles. Occasionally Winners places new products all of the same styles together on one rack, not divided by sized. Lululemon's Baby Belly Tank would participate in the placement in order to draw more attention from customers. Once the product is sold through and limited amount are left, the remaining tank tops will be separated by size and mixed in with similar exercise tank tops. A sample store front display is found in Appendix F.

Non-traditional Channels

Lululemon will not be using non-traditional distribution channels. Because Lululemon has already developed a successful direct distribution channel, a non-traditional type is not necessary. Also, because this product may require customers to try it on first before purchasing, non-traditional channels such as mail-order and infomercials would be less successful.

Price Strategy

Lululemon has a profit-oriented pricing objective which indicates that the main objective of the company is to maximize profit, satisfactory profits and target return on investment.³⁴ This objective is mirrored in the Lululemon price skimming strategy. This pricing strategy allows the company to have high introductory prices because its product has unique advantages compared to its competitors.³⁵ Being as Lululemon is currently in its maturity stage, the prices have been stabilized due to the presence of competitors in the market³⁶; we recommend maintaining the price skimming strategy for our new Baby Belly Tank in order to remain consistent with their existing product image. When we compare market share, Nike is the main competitor to Lululemon. Nike also has a price skimming strategy due to the fact that it is one the main industry leading sports company. Both Nike and Lululemon have created the branding of their

³³ Lululemon Athletica Inc., "We Made Too Much", Lululemon, <http://shop.lululemon.com/products/category/women-we-made-too-much?sli=1> (accessed March 21, 2012).

³⁴ Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 256.

³⁵ Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 273.

³⁶ Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 266.



products which allows them to be in charge of their pricing even if it carries an above average price.³⁷ As mentioned in our place strategy, once the Baby Belly Tank is launched in the market, it will be sold in Lululemon Specialty stores, some maternity stores, and in discount stores such as Winners once the product is discontinued. A pricing chart is reflecting these various retailers in Appendix G. When the product is sold at the Lululemon Stores, the maternity stores, we will adopt the price skimming strategy that is slightly higher than the Run your Heart tank given that the product is new to the market and it will attract both existing pregnant customers as well new pregnant active women. Once the product is discontinued and is no longer being carried in the specialty stores, we will then lower the retail price of the product while still using the price skimming strategy being as Baby Belly Tank is now being sold in discount stores where competition is based on lower price than the specialty stores.

We recommend that Lululemon offers that promotional allowance sales promotion to its retailers such as the maternity speciality stores and discount stores. The promotional allowance is a payment to a dealer for promoting Lululemon's product.³⁸ In order for the retailers to receive this promotional discount, they must have a Lululemon display in the front of their stores promoting the Baby Belly Tank. This display must be permanent and updated at least twice a month with the new Lululemon collection.

Promotions Strategy

We will use each part of the promotional mix, advertising, public relations, sales promotion, and social media to inform, persuade, and remind consumers of our new products. See Appendix H for a complete promotional schedule.

For the Baby Belly Tank we will focus on new-product publicity which is known as the act of explaining how this new product is different and beneficial to the customers.³⁹ The product needs to be defined and the benefits need to be strongly showcased to the new target market so they can see why this product would be good for them to have. By adopting this public relation tool, Lululemon will increase the exposure and the publicity of the Baby Belly Tank which will benefit Lululemon by achieving a strong presence.

In the beginning of this product's lifecycle, our main objective is to heavily advertise to stimulate interest in the new product. For the Baby Belly Tank, the focus will be on product advertising. The focus of this campaign will be on the benefits the tank top to pregnant women. Due to this being a new product for Lululemon, pioneering advertising would be appropriate as it will

³⁷ Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 273.

³⁸ Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 276.

³⁹ Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 235.



stimulate primary demand for the product.⁴⁰ Focusing on the vanity of the Lululemon brand, these ads will focus on the trendy image of Lululemon and the benefit of looking trendy while pregnant.⁴¹ This vanity appeal will be delivered through a lifestyle execution style, showing women that they can maintain their active lifestyle while pregnant.⁴² All the main features of the product will be showcased for the consumer to see everything it has to offer. For expecting, pregnant, or recently pregnant women they want to be able to continue their workout routine but want to be able to do this in comfortable workout clothing that isn't restricting or uncomfortable. Some of the media types that we would showcase this advertisement through would be internet and magazines. This will allow us to show the product in colour and the ability to select the demographic we are targeting towards. The advertisement would be on a flighted media schedule where ads run heavily every other week on internet ads and will be featured monthly in a magazine such as Women's Health or Self Magazine.⁴³ This campaign will run heavily in the introductory stage of the product. A sample advertisement schedule is illustrated in Appendix I.

As part of Lululemon's public relations strategy, we suggest offering educational yoga classes in public outdoor areas with pregnant instructors. Lululemon currently offers educational classes through a program called "Expansion Series"⁴⁴ where groups perform a yoga session in unlikely venues. Lululemon could continue offering these classes, but tailored to pregnant women. The objective of these yoga classes would be to show pregnant moms modified yoga positions for both safety and comfort. These women were active before their pregnancy and these educational classes would demonstrate that they can still take part in their favourite yoga exercises while pregnant. Just like "Expansion Series" these yoga sessions for pregnant women will be offered in select cities. Invitations will be sent out through Facebook and Twitter. There will be a high emphasis on these events in the first 2 months of launching the Baby Belly Tank, however these classes will continue to be offered periodically just like "Expansion Series". We believe this event will be successful because it is similar to Lululemon's current public relations effort. These educational classes are extremely popular. For example "Expansion Series" held a yoga session on March 21st 2012. Capacity of the building where it was to be held was 150 people; however on Facebook they had over 280 people attending.⁴⁵

Lululemon's consumer sales promotions component is to implement a contest in order to create interest in the Baby Belly Tank which may also encourage brand switching.⁴⁶ The idea for the

⁴⁰ Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 225.

⁴¹ Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 226.

⁴² Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 227.

⁴³ Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 234.

⁴⁴ "Expansion Series Part 3: Yoga at the Design Exchange", Lululemon, <https://www.facebook.com/events/333599210017423/> (accessed March 16, 2012).

⁴⁵ "Expansion Series Part 3: Yoga at the Design Exchange", Lululemon, <https://www.facebook.com/events/333599210017423/> (accessed March 16, 2012).

⁴⁶ Charles W. Lamb et al, *MKTG: Canadian Edition* (Toronto: Nelson Education Ltd., 2008), 243.



contest is for the pregnant women to send in a picture with their Baby Belly Tank while doing a yoga session. The winner of the best picture will receive a Lululemon gift bag with prizes up to \$500. This contest represents a great method to draw the interest of pregnant women in the Baby Belly Tank and increase revenue from this product. By having this sales promotion, Lululemon will be able to draw attention to the new product while still embracing its values, goals and mission towards healthy living.

The current Social Media strategy used by Lululemon includes Facebook, Twitter, YouTube, Tumblr, and Flickr. Lululemon promotes products by posting pictures with short, catchy tag lines. Lululemon also promotes their products through video demonstrations. To launch this new product, we will develop a multifaceted social media campaign, using all of Lululemon's platforms. Video demonstrations can show how the product can adapt to the growing sizes of pregnancy bellies, while Facebook, Tumblr, and Flickr will have still shots of the product in use, all promoted through their Twitter.⁴⁷ This approach assists the customer as it informs and educates the user on how the product can be used in their life.

Conclusion

In summary, we at KASS Market Consulting Inc. believe the re-adaptation of the Run Your Heart Out Tank into the Baby Belly Tank will successfully reach the current target market who are presently pregnant. With the option to increase the size of the belly, the users have the adaptability to continue their active lifestyle while still looking fashionable in Lululemon apparel. The Baby Belly tank will be available in the Lululemon specialty store, Maternity stores as well as discount stores. Continuing with Lululemon's price skimming strategy, this product will hit the shelves at a price slightly higher than the standard tank top and be distributed in Lululemon speciality stores, maternity speciality stores, and in discount stores once discontinued. By adopting different sales promotion strategies, Lululemon will be able to promote its product while still remaining its prestige image in the yoga market.

⁴⁷Lululemon Athletica Inc., "Yoga clothes & running gear for sweaty workouts" Lululemon Athletica Inc., <http://shop.lululemon.com/home.jsp> (accessed March 16, 2012).



Appendix

Appendix A

DRINK FRESH WATER AND AS MUCH WATER AS YOU CAN. WATER FLUSHES UNWANTED TOXINS FROM YOUR BODY AND KEEPS YOUR BRAIN SHARP.

LOVE

A daily hit of athletic-induced endorphins gives you the power to make better decisions, helps you be at peace with yourself, and offsets stress. **The pursuit of happiness is the source of all unhappiness.**

Do one thing a day that scares YOU.

LISTEN, LISTEN, LISTEN & THEN ASK STRATEGIC QUESTIONS.
Write down your short and long-term GOALS four times a year. Two personal, two business and two health goals for the next 1, 5 & 10 years. Goal setting triggers your subconscious computer.

LIFE IS FULL OF SETBACKS.
Success is determined by how you handle setbacks.

Your OUTLOOK ON LIFE is a direct reflection of how much you like yourself.

WHAT WE DO TO THE EARTH WE DO TO OURSELVES.
The world is changing at such a rapid rate that waiting to implement changes will leave you 2 steps behind. DO IT NOW, DO IT NOW, DO IT NOW!

Friends are MORE important than money.

BREATHE DEEPLY
& APPRECIATE THE MOMENT. Living in the moment could be the meaning of life.

STRESS is related TO 99% OF ALL ILLNESS.

JEALOUSY works the opposite way you want it to.

Successful people replace the words "wish", "should" & "try" with **"I WILL".**

DO NOT USE cleaning chemicals on your kitchen counters or floors. Someone will inevitably make a sandwich on your counter.

SWEAT ONCE A DAY to regenerate your skin.

DANCE, SING, FLOSS & TRAVEL.

Children are the orgasm of life. JUST LIKE YOU DID NOT KNOW WHAT AN ORGASM was before you had one, nature does not let you know how great children are until you have them.

Take various vitamins. You never know what small mineral can eliminate the bottleneck to ever-lasting health.

That which matters **THE MOST** SHOULD NEVER GIVE WAY to that which matters **THE LEAST.**

Visualize your eventual demise. It can have an amazing effect on how you live for the moment.

Don't trust that an old age pension will be sufficient.

THE CONCEPTS THAT CAN ONLY BE DONE THROUGH AT A TIME. Choose a positive thought. Live near the ocean & inhale the pure salt air that flows over the water. VANCOUVER will do nicely.

Observe a plant before and after watering and relate these benefits to your body and brain.

Practice yoga so you can remain **ACTIVE** in physical sports as you age.

Creativity is maximized when **you're living in the moment.**

Nature wants us to be mediocre because we have a greater chance to survive and reproduce. Mediocrity is as close to the bottom as it is to the top, and will give you a lousy life.

Commemorate in COOL PARTS. We are all around a different world with a little different set of people and a little different set of experiences. It is a gift to see a different part of the world through the eyes of a different person and a chance to see the world through their eyes.

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⁴⁸ Lululemon Athletica Inc., "The Lululemon Manifesto", Lululemon, http://www.lululemon.com/files/poster_EN_tabloid_2009.pdf (accessed February 20, 2012).



Appendix C

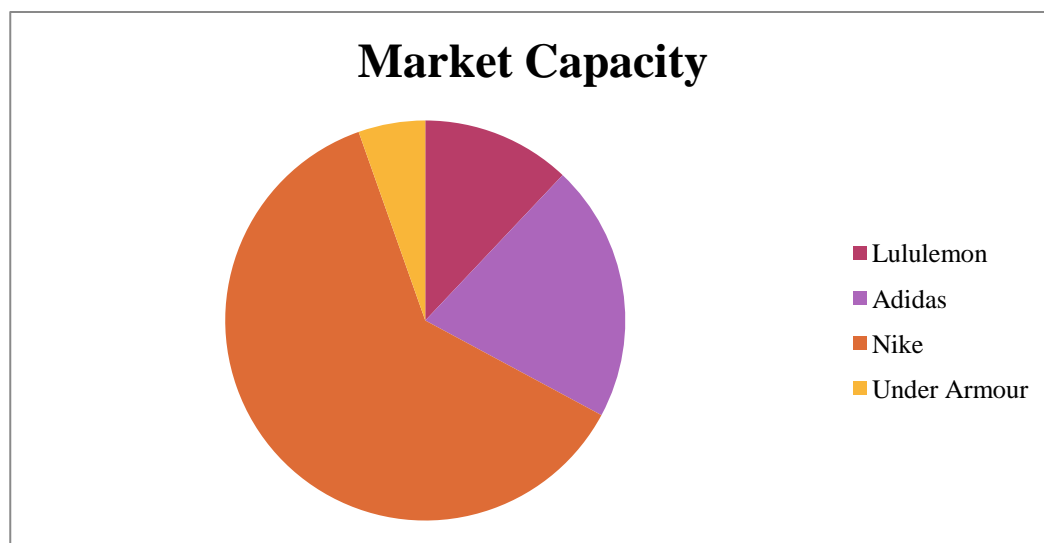
Direct Competitor Comparison					
	LULU	ADDYY.PK	NKE	UA	Industry
Market Cap:	9.27B	16.00B	47.50B	4.16B	260.79M
Employees:	4,572	41,866	38,000	N/A	1.66k
Qtrly Rev Growth (yoy):	31.00%	8.00%	18.40%	33.90%	14.70%
Revenue (ttm):	874.72M	17.12B	22.66B	1.47B	716.95M
Gross Margin (ttm):	57.59%	47.78%	44.24%	48.40%	36.17%
EBITDA (ttm):	271.23M	1.62B	3.35B	199.07M	53.10M
Operating Margin (ttm):	27.91%	7.74%	13.12%	11.05%	7.15%
Net Income (ttm):	165.31M	867.21M	2.23B	96.92M	N/A
EPS (ttm):	1.13	2.07	4.67	1.85	0.81
P/E (ttm):	57.00	18.45	22.16	43.49	10.52
PEG (5 yr expected):	1.79	2.80	1.72	1.63	1.11
P/S (ttm):	10.42	0.92	2.08	2.72	0.38

ADDYY.PK = Adidas AG

NKE = Nike Inc.

UA = Under Armour, Inc.

Industry = Textile - Apparel Clothing



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⁵⁰ Yahoo Inc., "Lululemon Athletica Inc. LULU", Yahoo Inc., <http://ca.finance.yahoo.com/q/co?s=LULU> (accessed February 3, 2012).



Appendix D

Pregnancy outcomes by age group (Total pregnancies)

	2005	
	Total pregnancies ¹	
	number of events	rate per 1,000 women
All ages^{2,3}	447,485	54.6
Under 20 ⁴	30,948	24.6
Under 15 ⁵	414	1.9
15 to 19	30,534	29.2
15 to 17	9,899	15.8
18 to 19	20,635	49.0
20 to 24	87,099	79.4
25 to 29	129,106	118.9
30 to 34	124,135	112.5
35 to 39	61,040	51.9
40 and older ⁶	15,026	11.0

1. Pregnancies equal the sum of live births, fetal loss and induced abortions.
 2. Rates for the "All Ages" group are based on the population of females aged 15 to 49 years. The numerator used in the rate calculation is the total number live births, occurring to females, regardless of their age.
 3. Totals for "All ages" include number of events with unspecified age groups.
 4. Rates for "Under 20" are based on the female population aged 14 to 19 years.
 5. Rates for "Under 15" are based on the female population aged 14 years.
 6. Rates for "40 and older" are based on the female population aged 40 to 44 years.
- Source: Statistics Canada, Canadian Vital Statistics, Birth Database and Stillbirth Database; Canadian Institute for Health Information, Hospital Morbidity Database and Therapeutic Abortion Database. The Statistics Canada publication *Reproductive Health: Pregnancies and Rates, Canada, 1974-1993*, Catalogue no. [82-568-XPB](#) and CANSIM, table [106-9002](#) was a major source of data for the years prior to 1994.
Last modified: 2010-10-25.

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⁵¹Statistics Canada, "Pregnancy outcomes by age", Statistics Canada, <http://www40.statcan.gc.ca/l01/cst01/hlth65a-eng.htm> (accessed February 3, 2012).



Appendix E

Baby Belly Tank



Importance of yoga during pregnancy

Sickness

Yoga helps to reduce the morning sickness, nausea and the mood swings as well.

Relief of pain

Practicing yoga can relief pain during pregnancy. It also helps in the relief of pain during the birth of the baby.

Peace and inner strength

Yoga gives peace and inner strength to pregnant women.

Important position of yoga

The most beneficial pose of **yoga** during pregnancy is Bidalāsana. It relieves lower back pain, improves digestion, increases the blood circulation and provides sufficient space for the movement of baby.

Raise energy level

Yoga helps to raise the energy of the women's body.

Release tension around birth canal

It helps to reduce the tension around birth canal.

Natural birth

It helps in the natural birth of the baby, prepares the pelvis for the natural child birth.

Baby Belly Tank



Why we made this product?

1. A Yoga Tank Top that targets pregnant women
2. Made with our famous Luon and Luxtreme Power fabrics
3. Allows pregnant women to remain active while maintain their current lifestyle
4. Unique product that is not offered by any other retailer

Size: 6

Price: \$ 68 CND



Front Price Tag Panel

Back Price Tag Panel⁵²

⁵² Cool Health Tips, "Pregnancy and Yoga Tips", CHT, <http://www.coolhealthtips.com/pregnancy-and-yoga-tips-benefits-of-yoga-in-pregnancy.html> (accessed March 25, 2012).



Appendix F

Examples of Winners Store placement.





Appendix G

Price chart comparing new vs old product across the 3 different types of retailers.

	Lululemon Stores	Online	Maternity Stores	Discount Stores
Old Product	\$ 58	\$ 58	\$ 58	\$ 52
New Product	\$ 68	\$ 68	\$ 68	\$ 52

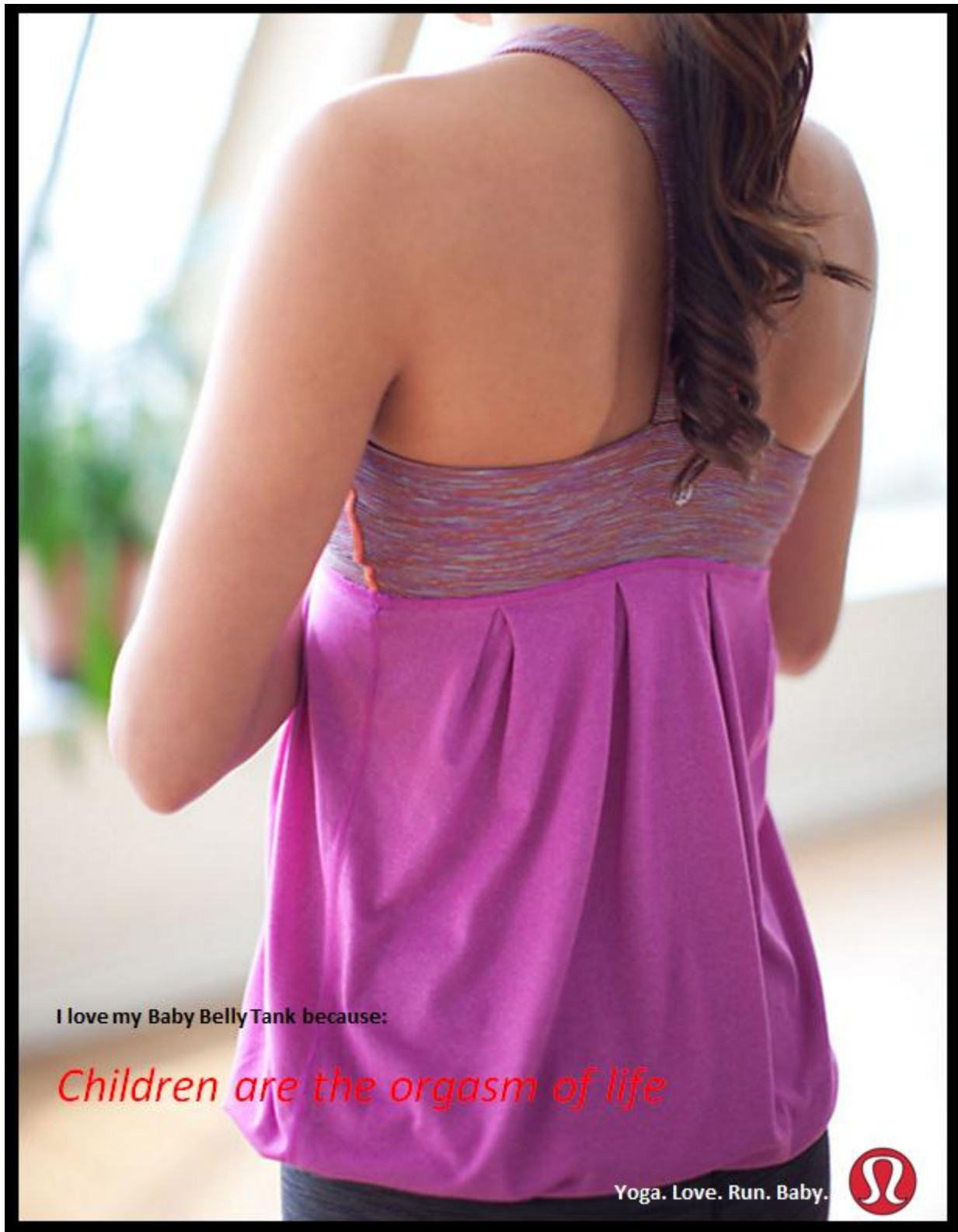


Appendix H

Product Stage	Time Length	Focus
Introductory	First 3 months	Social Media
	3 months-6months	Public Relations
	3 months	Sales Promotion
	First 6 months	Advertising
Growth	3 months	Public Relations
Maturity	6 months	Sales Promotion
Decline	Last 3 months	Advertising



Appendix I



I love my Baby Belly Tank because:

Children are the orgasm of life

Yoga. Love. Run. Baby.





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