LULULEMON ATHLETICA

Driving Global Growth

Lululemon

Case 2 Presentation
Oct 22th, 2025

Executive Summary:

Company Overview

Name: Lululemon Athletica Inc. (often styled "Lululemon" or "LULU")
Founded: 1998 in Vancouver, British Columbia, Canada
Lululemon began as a yoga apparel brand and has expanded into athletic, lifestyle, and performance wear for both women and men.

External Analysis

Market Overview

- Global Athleisure market expanding steadily (~8% CAGR 2023–2028)
- North America remains the largest market; China has the fastest acceleration

Industrial Analysis

- High asset requirement but low entry barriers for industrial giants
- Low bargaining power of suppliers because of diversified and decentralized element market

Competitor Research

- Intense competition in apparel industry and sportswear industry
- Athleisure market has turned from Blue Ocean to Red Ocean

Internal Analysis

Strength

- Innovative R&D and a strong brand culture drive premium pricing, loyal community, and high profit margins

Weakness

- Overdependence on North American sales and limited brand awareness in emerging international markets hinder global expansion.

Opportunity (from external analysis)

- Expansion in high-growth markets, driven by rising wellness culture and premium demand; diversify product line

Strategic Problem

How can Lululemon sustain its growth during market saturation in North America and women sportswear market while intensifying competitiveness on the global market and other kind(s) of products?

Recommendation & Rationale

Option 1
Global Expansion

Option 2
Product Expansion

Overview

Athleisure

What is Athleisure?

"Athleisure"

fashion trend and apparel category that combines "*athletic*" and "*leisure*" wear.

Athletic		***Leisure***
✓ Comfort	✚	✓ Stylish
✓ Flexibility		✓ Versatility
✓ Functionality		✓ Work, Casual, Social gathering

clothing designed for both **exercise** and **everyday use**

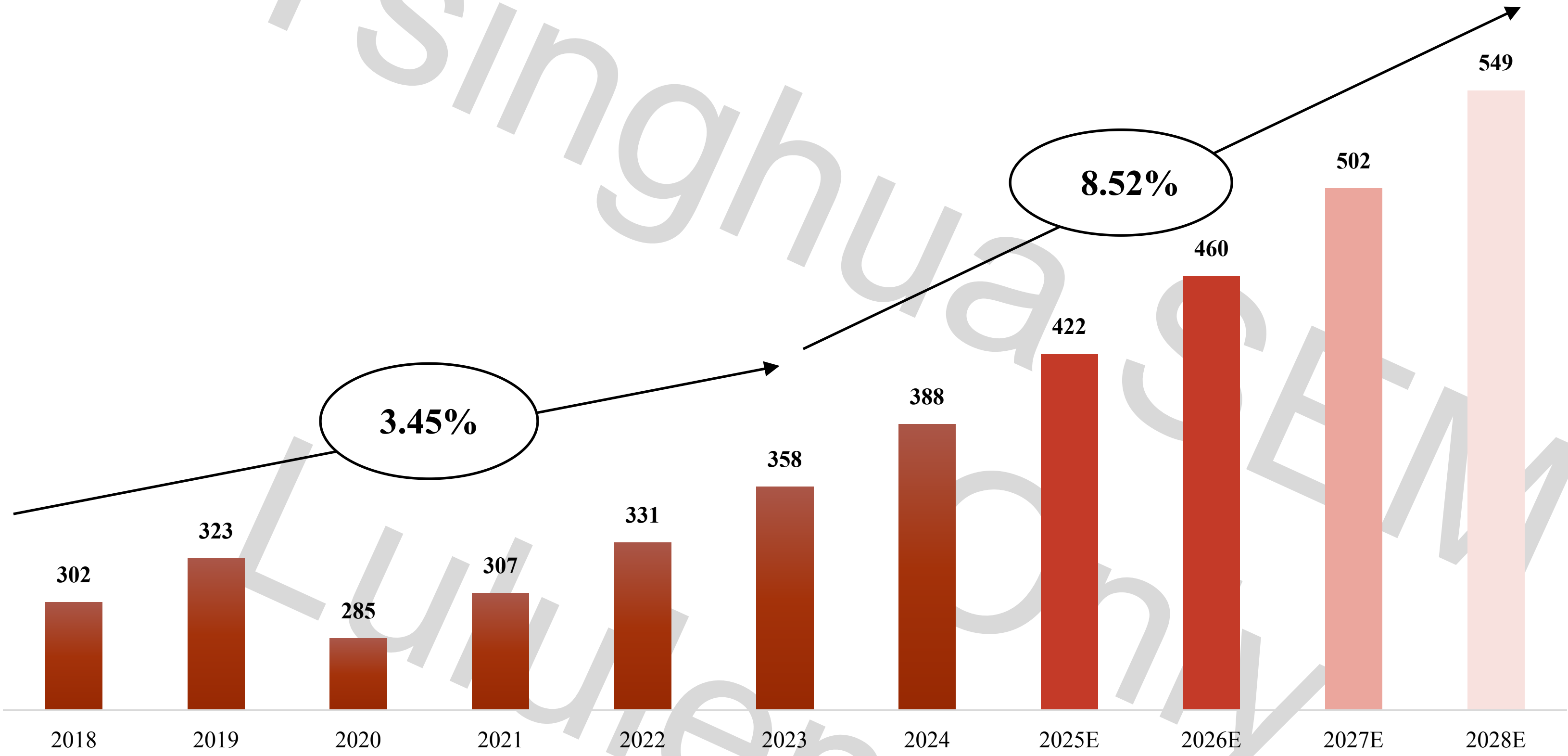
Why It's Popular?

1.Health and wellness culture
2.Comfort and flexibility
3.Remote work and casualization
4.Social media influence

Source: Umashankar et al.(2024), Case Study, Grand View Research

Athleisure Market Size

From Pandemic Resilience to Post-Pandemic Growth Momentum



2018-28E Athleisure Market Size & Growth, $ billion

2018–2023 - Stabilization & Resilience

- Pandemic disruptions slowed growth, with store closures and supply chain issues.
- Work-from-home comfort wear sustained demand, reflecting gradual normalization.

2023–2028 - Rebound & Expansion

- Post-pandemic recovery and wellness culture fueled rapid growth.
- Emerging markets (China, India,SEA) drove adoption as brands localized products.

With market size reaching **$388bln in 2024**, athleisure thrives as **health consciousness** and hybrid work make comfort and versatility **everyday essentials**.

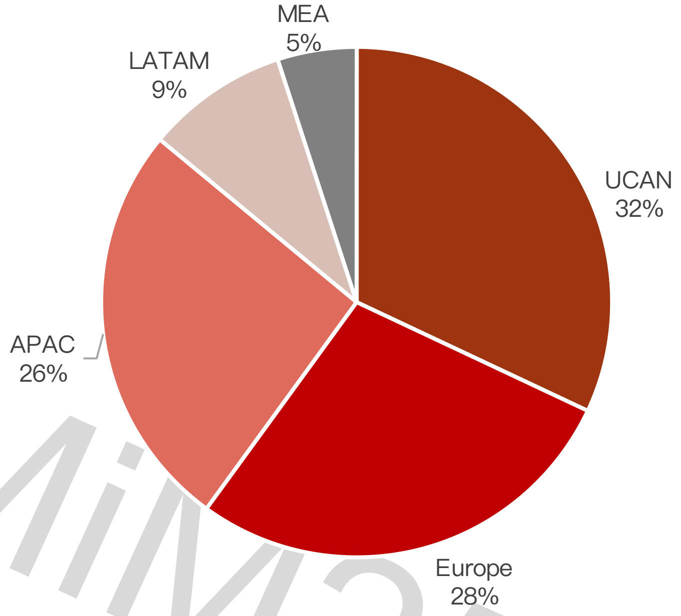
Source: Case Study, Grand View Research

Global Athleisure Market by Region

With UCAN reaching saturation, APAC emerges as the key growth engine driving the next expansion phase

Region	2024 Market Share ($ billion)	CAGR (2025-2030)	Market Feature	Growth Value for Lululemon
UCAN (North America)	124.25 (32 %)	8.7%	Mature, high-value market dominated by premium brands. Consumers already own Athleisure; growth relies on wellness integration and brand loyalty.	Sustain leadership via innovation and community focus.
Europe	108.72 (28%)	9.1%	Mature but selective consumers; growth depends on value and sustainability focus.	Push eco lines and refined aesthetics.
APAC (Asia Pacific)	100.96 (26%)	11.1%	Fastest-growing region driven by urbanization, young demographics, and social-media-led fashion adoption.	Key engine—expand China/India/SEA, boost digital reach.
LATAM (Latin America)	34.95 (9%)	9.6%	Emerging market; growth tied to e-commerce access and price-sensitive consumers.	Introduce affordable tiers, expand online retail.
MEA (Middle East and Africa)	19.41 (5%)	7.5%	Niche demand due to climate and cultural attire; modest activewear segment expanding.	Develop modest wear and heat-adaptive fabrics.

Regional Share of Global Athleisure Market Revenue (2024)



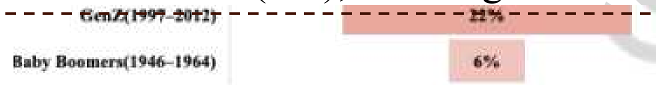
*The global Athleisure market was valued at approximately USD 388 billion in 2024 expected to rise to USD 422 billion in 2025.

Source: Case Study, Precedence Research

Athleisure Consumers' Demographic

Cross-generational lifestyle adoption driven by comfort, quality, and versatility

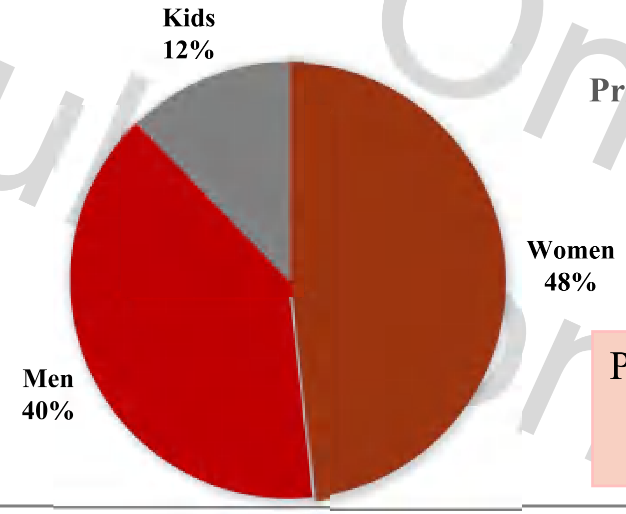
Athleisure is more about lifestyle than sport—weekly wearers are only 6% more likely to play sports than average. Millennials (39%) and Gen X (33%) lead adoption, ahead of Gen Z (22%) and Boomers (6%), showing the trend spans generations.



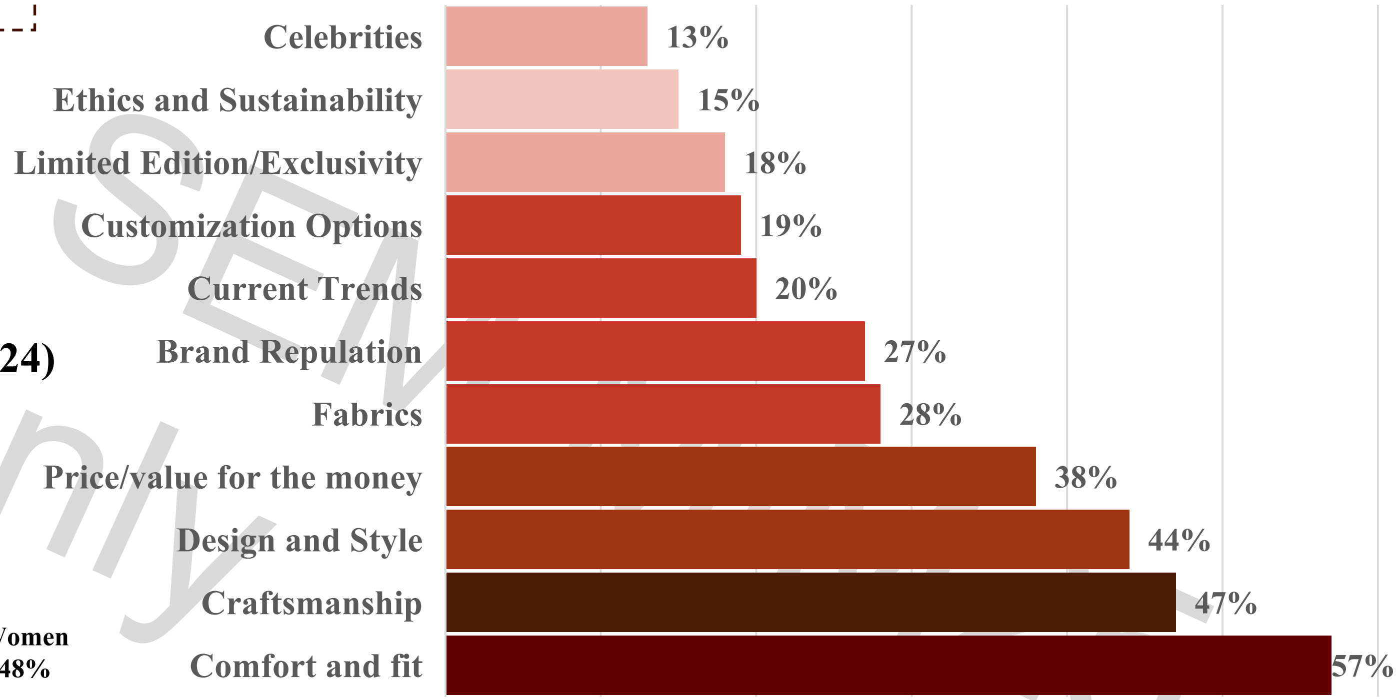
Women held a dominant market position in the "By End-user" segment of the Athleisure Market with a **48.2% share**.

Men's segment followed closely, accounting for **39.6%** of the market, driven by a growing acceptance of Athleisure as everyday and functional wear among male consumers.

BY END-USER ANALYSIS(2024)



Comfort and Qualities are Essential for Athleisure Consumers(2024)



Price isn't the first thing on Athleisure shoppers' minds - at least, not everywhere. Across the board, value-for-money ranks below comfort (57%), quality (47%), and style (44%) when buying luxury or designer activewear.

Source: Case Study, GWI

Company Overview

Lululemon is a Canadian activewear brand founded in 1998 in Vancouver, known for its high-quality, technical fabrics and for popularizing the Athleisure lifestyle worldwide

Sector	Consumer Discretionary
Industry	Athletic Apparel / Activewear Industry
Key Leaders	Chip Wilson (1998); Bob Meers (2003); Christine Day (2008); Laurent Potdevin (2014); Calvin McDonald (2018)
Current Key Leader	CEO Calvin McDonald; CFO Meghan Frank ; CBPO Nikki Neuburger; GCD Jonathan Cheung
Value	Personal Responsibility | Courage | Connection | Inclusion | Fun

Mission

"To elevate human potential by helping people feel their best"

Vision

"We create transformative products and experiences that build meaningful connections, unlocking greater possibility and wellbeing for all"

Market Capitalization of Lululemon (LULU) (Oct. 2025): **USD ~22.18 billion**

Source: Lululemon's annual reports, Lululemon's official websites

Development History

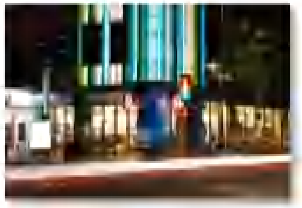
Lululemon evolved from a yoga brand into a global Athleisure leader through expansion and innovation

Founding Period

- **1998: Founded in Vancouver** by Chip Wilson, focused on women’s yoga wear.
- **1999: First store** opened in Vancouver.

1998-2002

Early Expansion



- **2003:** Entered **U.S. market** (Santa Monica).
- **2004:** Advent International invested
- **2005:** Entered APAC via joint venture

2003-2006

Rapid Development Period

- **2007: IPO on NASDAQ.**
- **2009:** Launched **e-commerce**, starting DTC model.
- **2012:** Established **Whitespace**

2007-2012

Leadership Changes & Brand Challenges

- **2013: Product recall** and **founder controversy** hurt brand image.
- **2013:** Christine Day resigned; **Laurent Potdevin became CEO.**
- **2014:** Expanded to **Europe** and **Asia**;.
- **2015:** Settle in **Tmall store**
- **2015:** Chip Wilson exited board.

2013-2015

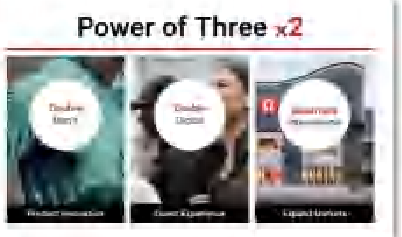
Diversification & Omni Strategy

- **2016–2019:** Diversification & Omni Strategy
- **2018:** Calvin McDonald became CEO.
- **2019:** Launched Power of Three plan
- **2020:** Stores closed but **digital sales rose to ~50%** of total.
- 2020: Acquired Mirror for $500M to enter fitness tech.

2015-2020

Recovery period

- **2022:** Announced Power of Three ×2
- **2023**: Ended Mirror hardware; partnered with Peloton for content and apparel.
- **2025**: Hired Chief AI & Tech Officer

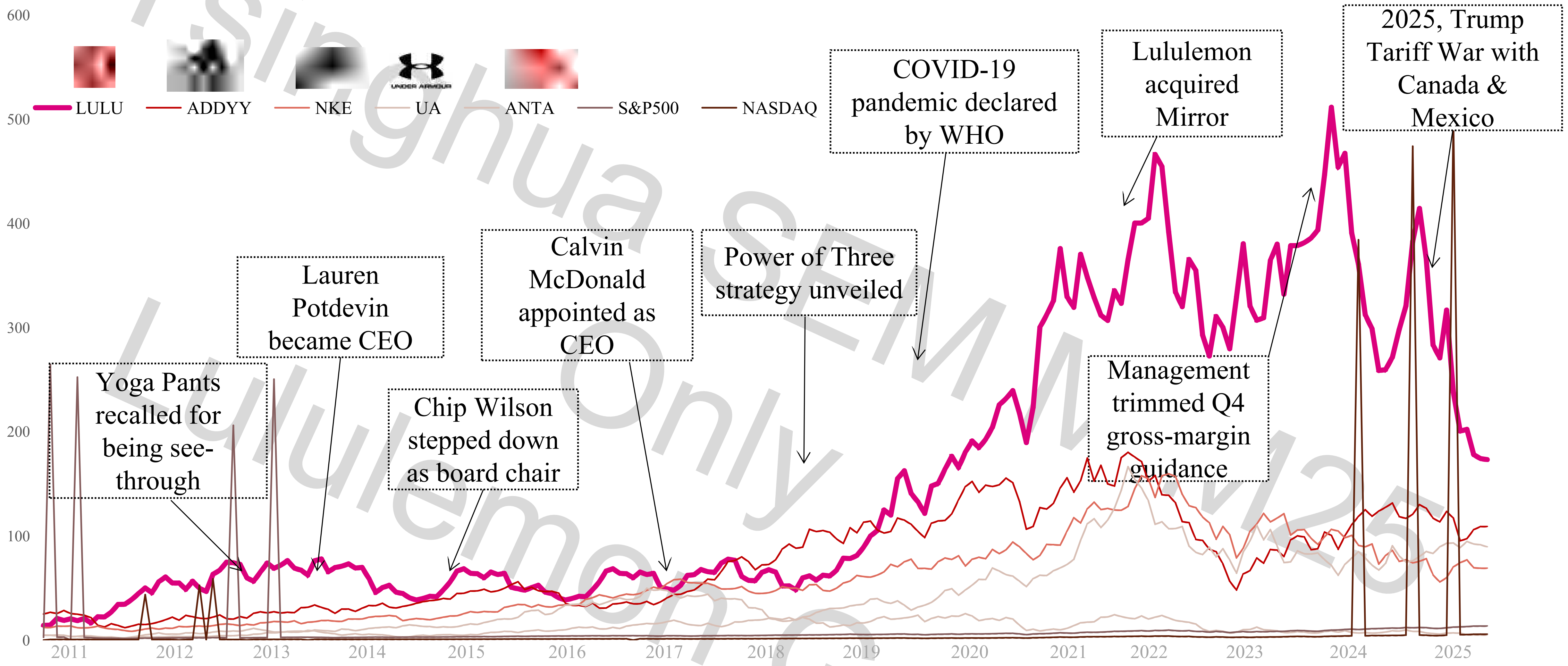


2021-Now

Source: Lululemon’s annual Reports, Lululemon’s official websites

Stock Price

LULU's Stock Price has been decreasing over the last two years, yet it remains higher than global competitors



Source: Case Study, Yahoo Finance

External Analysis

PESTEL Analysis: Politics

2025 U.S. Tariff reforms drive higher import costs and retail inflation

Liberational Day Tariff

Reciprocal Tariffs

Country	Tariffs Charged to the U.S.A.	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

Reciprocal Tariffs

Country	Tariffs Charged to the U.S.A.	U.S.A. Discounted Reciprocal Tariffs
Peru	10%	10%
Nicaragua	36%	18%
Norway	30%	15%
Costa Rica	17%	10%
Jordan	40%	20%
Dominican Republic	10%	10%
United Arab Emirates	10%	10%
New Zealand	20%	10%
Argentina	10%	10%
Ecuador	12%	10%
Guatemala	10%	10%
Honduras	10%	10%
Madagascar	93%	47%
Myanmar (Burma)	88%	44%
Tunisia	55%	28%
Kazakhstan	54%	27%
Serbia	74%	37%
Egypt	10%	10%
Saudi Arabia	10%	10%
El Salvador	10%	10%
Côte d'Ivoire	41%	21%
Laos	95%	48%
Botswana	74%	37%
Trinidad and Tobago	12%	10%
Morocco	10%	10%

- 10% baseline tariff on nearly all imported goods.
- Introduces reciprocal tariffs: higher rates applied to countries that impose trade barriers or retaliatory tariffs against the U.S.

Elimination of the De Minimis Import

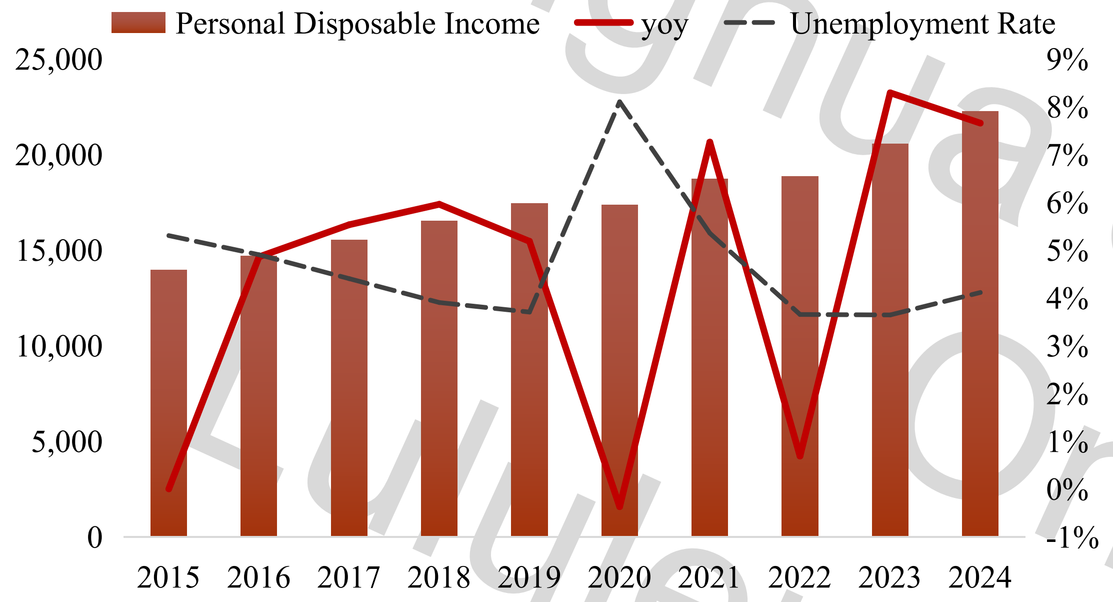
- Impact: Packages under USD 800 now face regular customs procedures and tariffs.
- Analysts expect apparel retail prices to rise 8–15% after the removal of the de minimis exemption.

Source: Center for Strategic & International Studies, BBC

PESTEL Analysis: Economy

Captures both post-COVID rebound and rising wage/inflation tension.

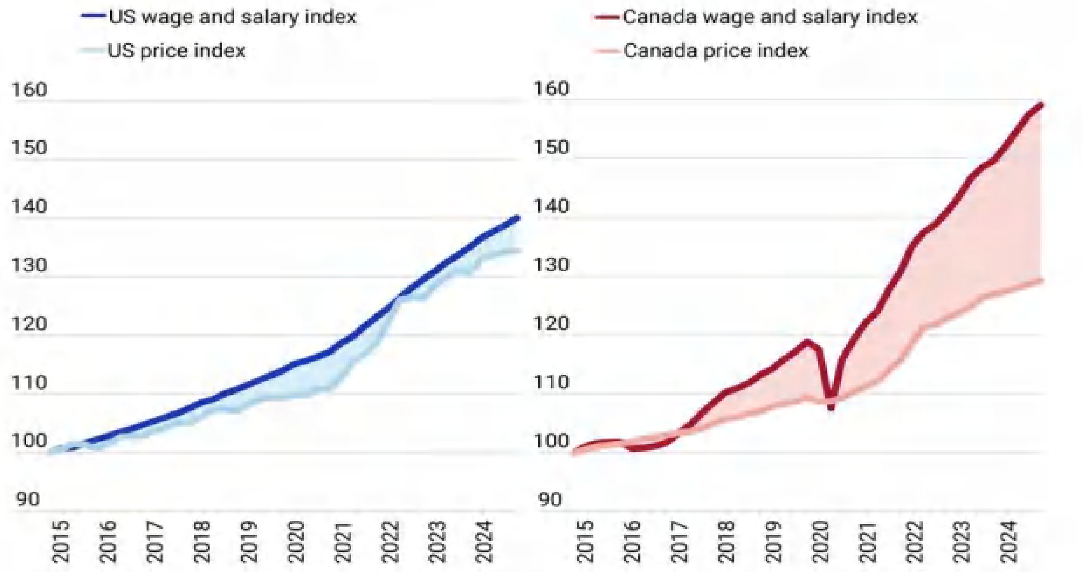
The U.S. economy experienced recession in COVID-19



2015-24 US PDI, Unemployment Rate, $ unit

- Post-COVID rebound: growth in disposable incomes and consumer spending supports retail demand

US & Canada's Minimum Wage



2015-24 US-Canada Wage & Inflation Comparison

- Wage increases & minimum wage hikes: lift cost pressures and compress margins across sectors
- Inflationary environment: rising input, material, and logistics costs intensify cost management challenges

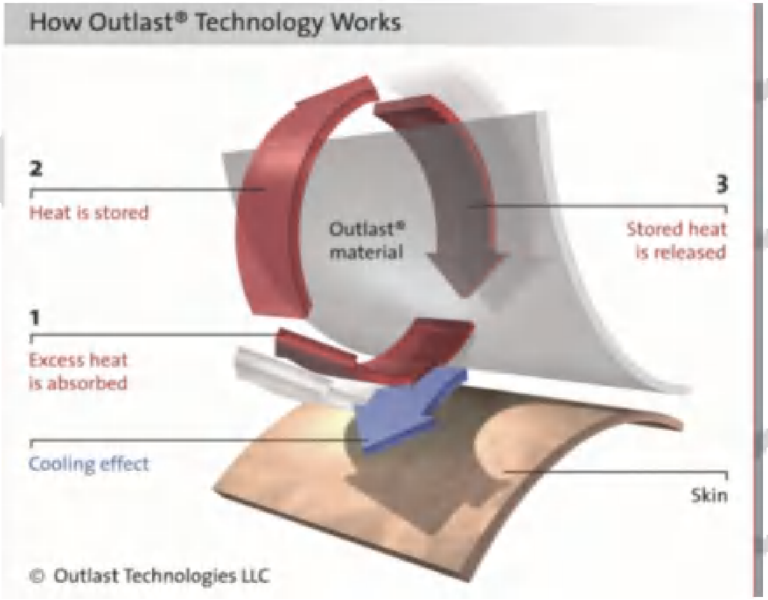
Source: Trading Economics

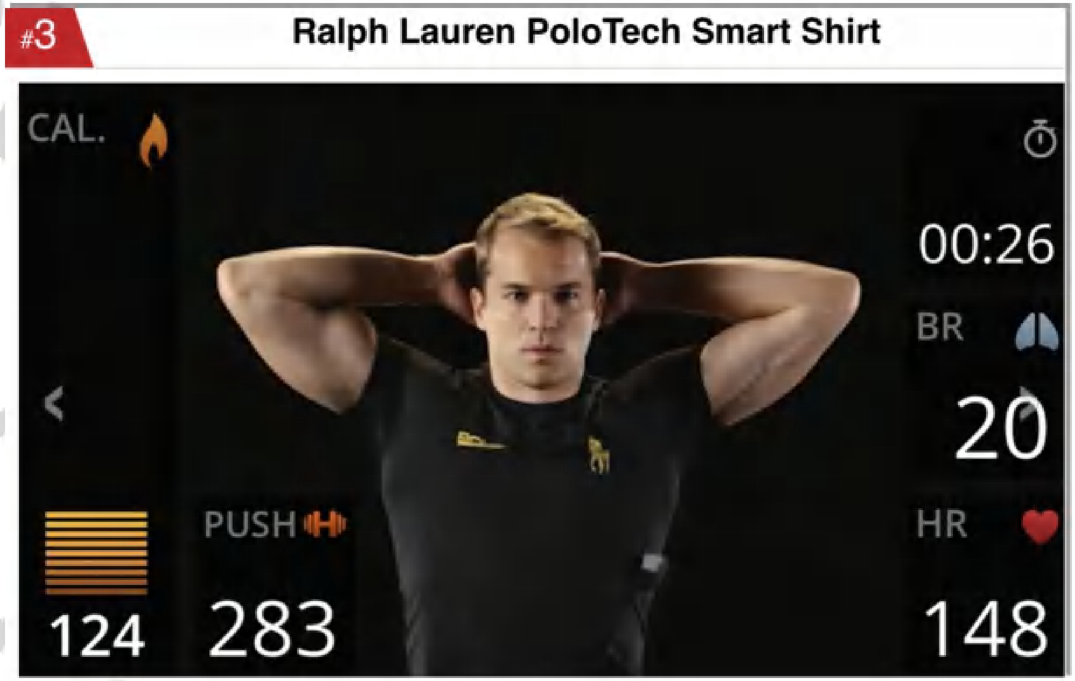
PESTEL Analysis: Technology

Innovation in activewear materials and fabric engineering

Advances in performance textile engineering and smart-fabric technologies are transforming consumer expectations for **comfort, durability, and sustainability**. *For example: the most advanced Outlast® technology, as well as Ralph Lauren's PoloTech.*

Activewear brands face increasing pressure to invest in **material R&D, nanofiber innovation, and sustainable textile sourcing** to stay competitive in a tech-driven market.

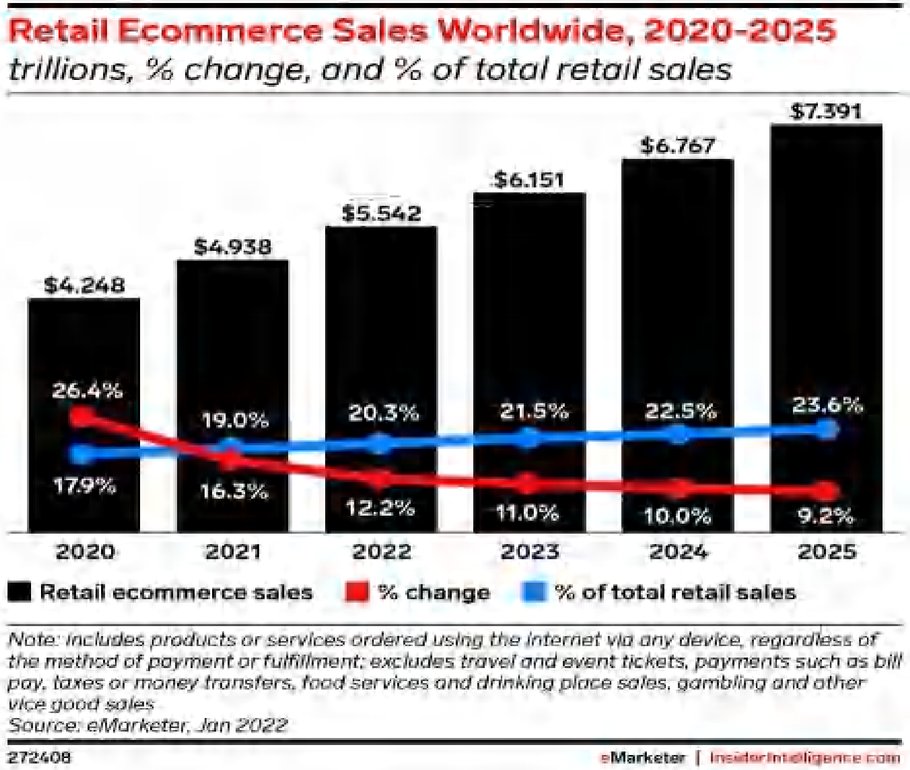


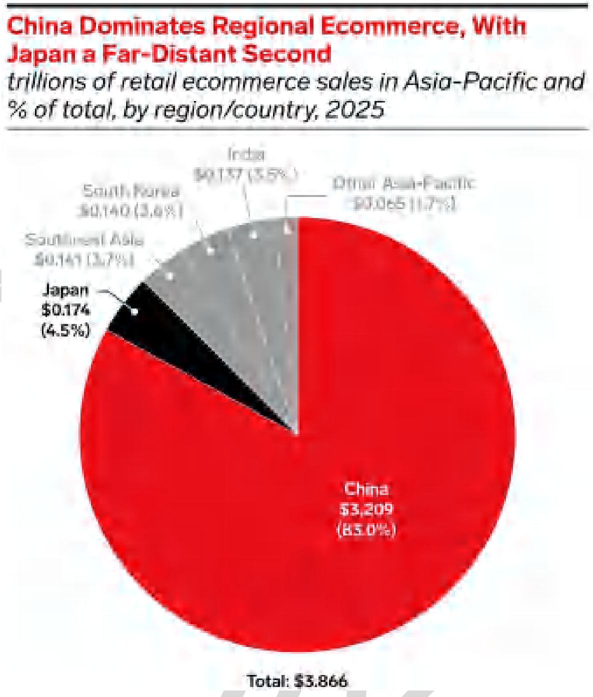


Source: *Innovation in Textiles*

PESTEL Analysis: Technology

Online shopping is becoming mainstream





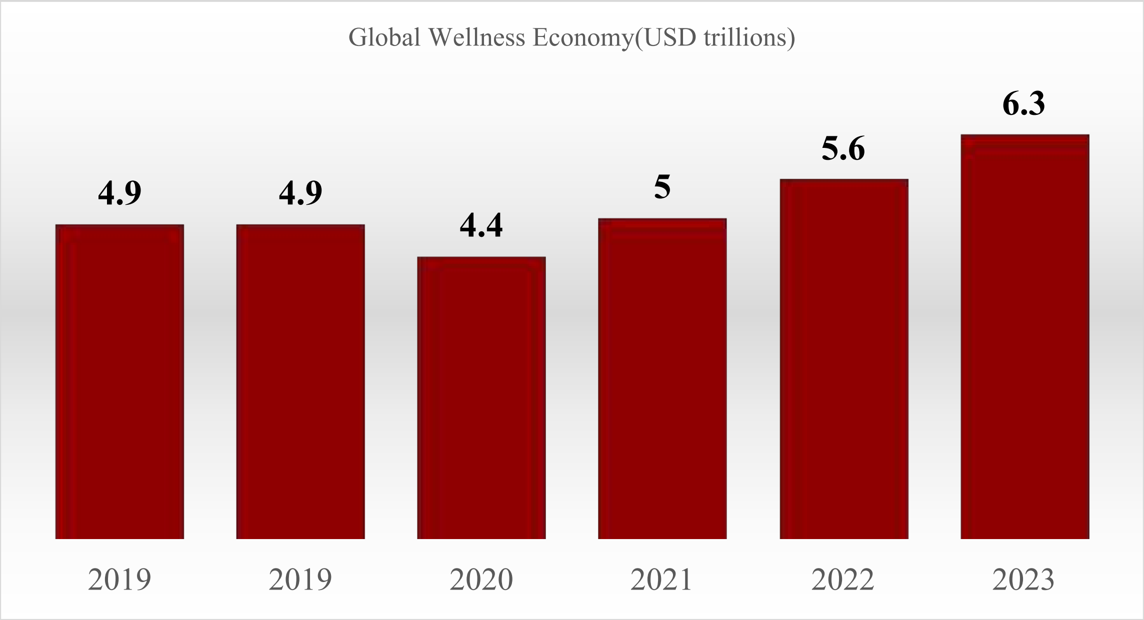
- Global apparel e-commerce market projected to **exceed USD 1.2 trillion by 2025.**
- Consumers now prefer **digital-first, mobile, and omnichannel** experiences.
- Rise of **livestream retail and social commerce** is reshaping brand engagement.

Source: InsiderIntelligence, CB Insights

PESTEL Analysis: Sociocultural

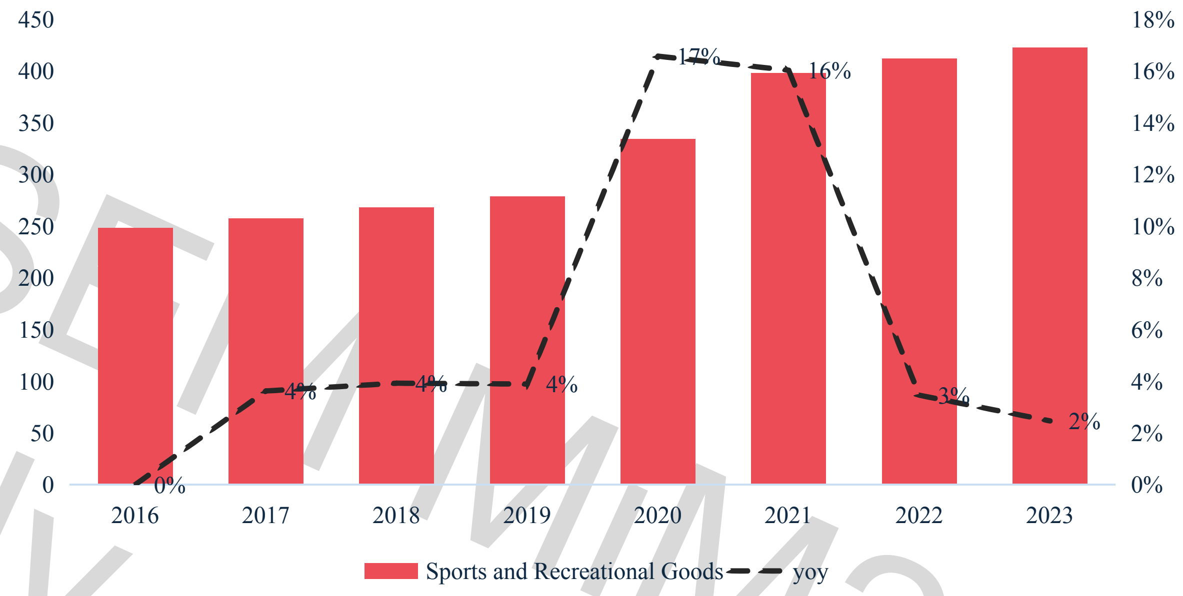
COVID-19 has enhanced people’s health awareness.

The global health economy is on a growth trajectory



Global health awareness has significantly increased post-pandemic, driving demand for yoga, mindfulness, and athletic apparel related to holistic lifestyles which aligns closely with Lululemon’s brand positioning.

Notable increase in sports and recreational consumption

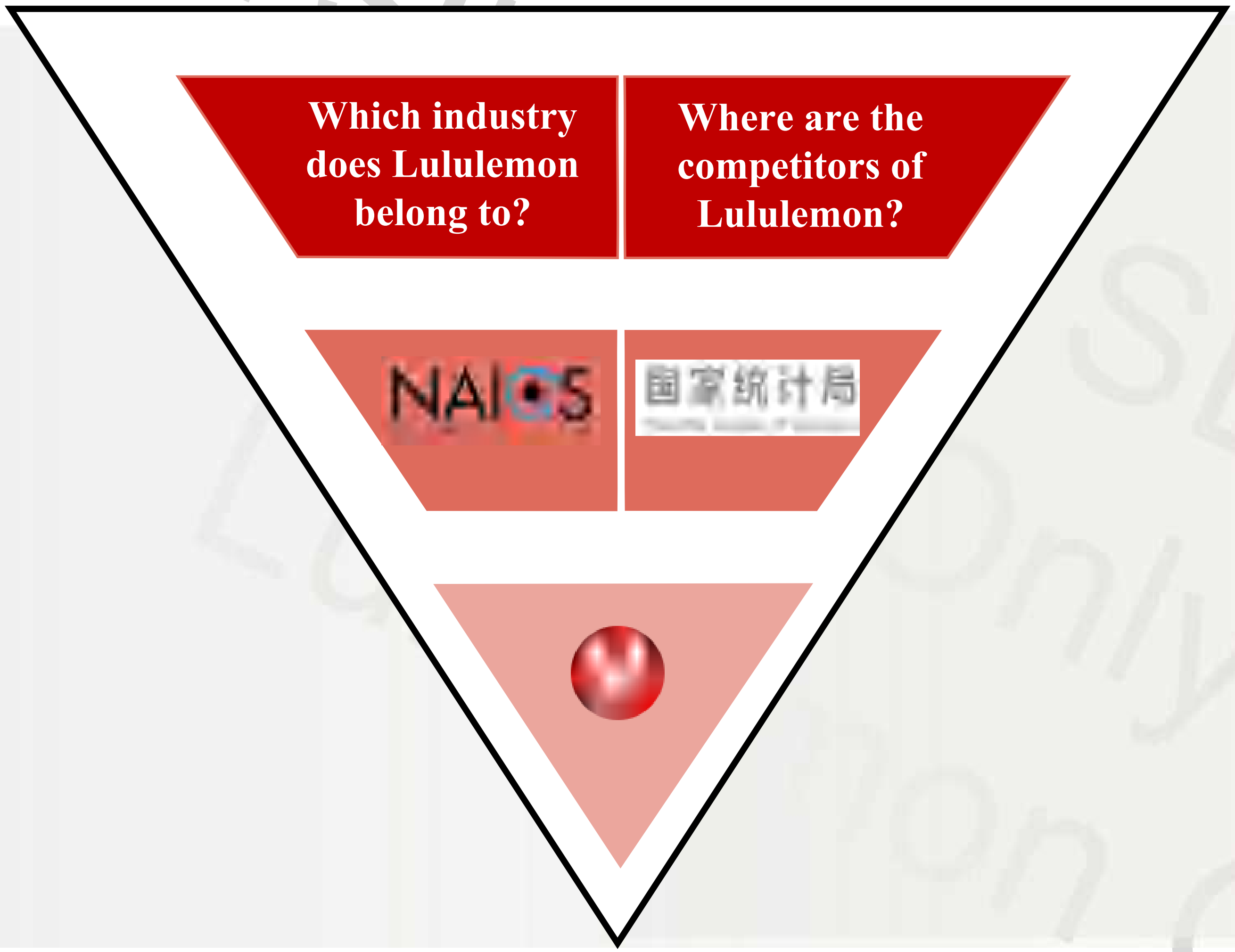


Post-COVID, consumers became more health-conscious, boosting spending on fitness and wellness. Rising health awareness increased demand for premium activewear, reinforcing Lululemon’s position in the wellness lifestyle market.

Source: Global Wellness Institute, FRED Economic Data

Industrial Boundary

Industry definition and competitive boundary of Lululemon



01	Identify	**Which industry does Lululemon belong to?** **Where are the competitors of Lululemon?**
02	2022 NAICS Codes	**Main Industry**: Apparel Manufacturing (315) **Other Industry**: Sporting and Athletic Goods Manufacturing (339920)
03	GB/T 4754-2017	**Main Industry**: Apparel and Clothing Accessories Manufacturing (18) **Other Industry**: Apparel and Clothing Accessories Retailers (5232+5233)
04		**Market Involved: Apparel Market** **Segmented Market: Active Wear Market** **Niche Market: Athleisure**

Source: NAICS, 国家标准全文公开系统

Industrial Environment for Athleisure

Forces driving competition in Athleisure

1. Threats of New Entrants ★★★★

- High asset requirements create strong entry barriers.
- Large assets enable economies of scale and network effects.
- Limited ability to counter new entrants.

2. Bargaining Power of Suppliers

★★

- Low concentration and transitional cost in element markets.
- High dependence on clients.
- Nearly no forward integration.

3. Bargaining Power of Purchasers

★★★★★

- Diverse products with low switching costs.
- Price-sensitive market; loyal buyers less so.
- Lack of backward integration has minimal impact.

5. Rivalry ★★★★★★

4. Threats of Substitute Products ★★

- Can only be non-sports apparel.
- Functions differ and cannot fulfill Athleisure customers' main desire.
- Most High competence in pricing but low competence in quality and design.

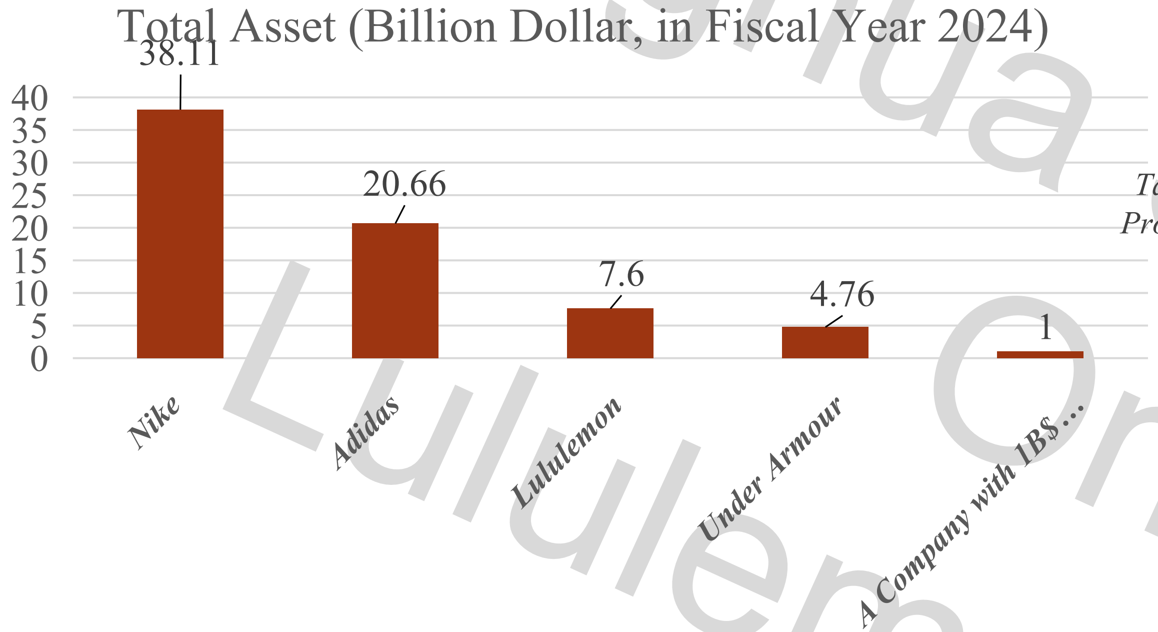
■ To be delved into following pages

Source: Organized by teammates using research reports by financial institutions (including Barclays, Haitong International, Changjiang Securities, etc., see in our reference)

Deep Dive of 2 Factors

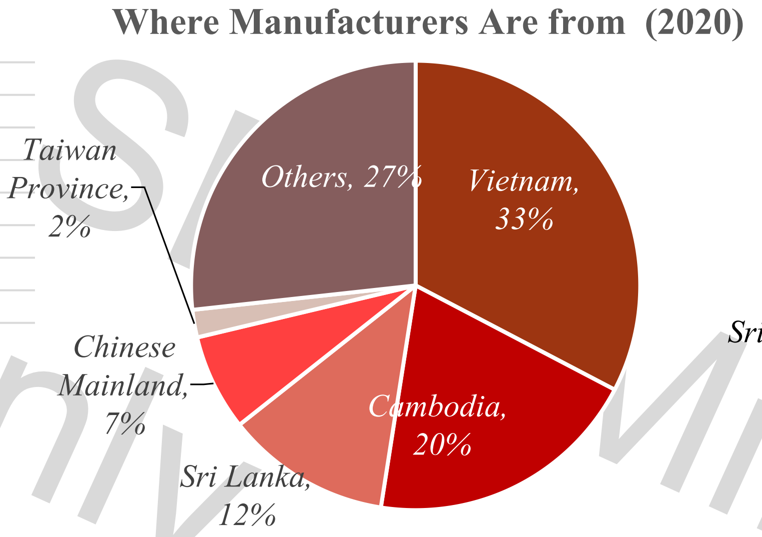
Examining entry barriers and supply distribution

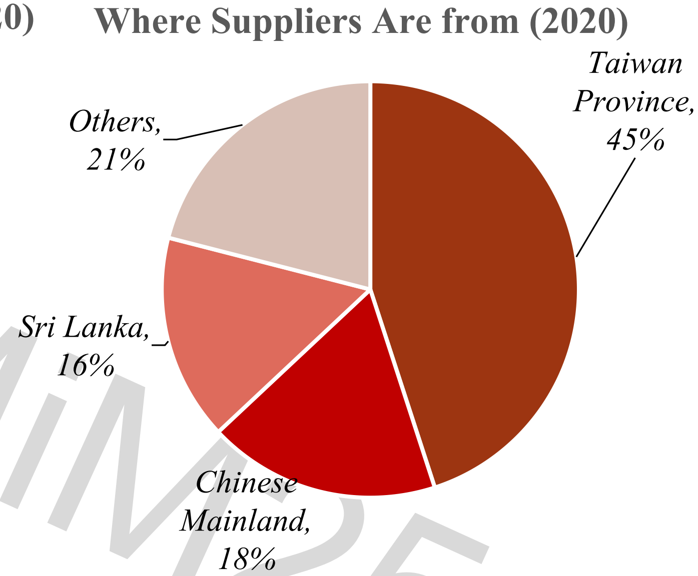
Threat of New Entrants - Asset Requirement



- High assets requirement raises entry barriers
- Limited capital hinders newcomers
- However, giants' entry is much simpler

Suppliers Have Weak Bargaining Power.



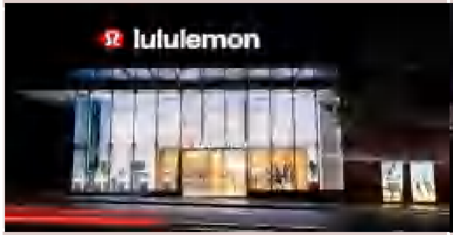
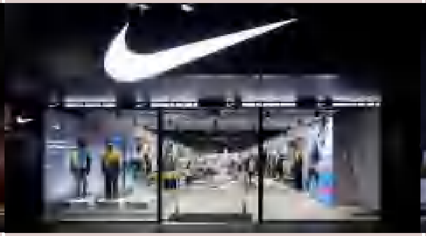
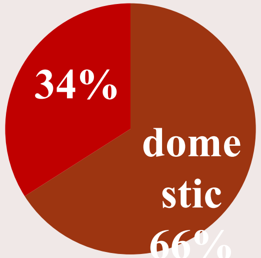
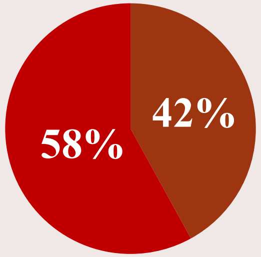
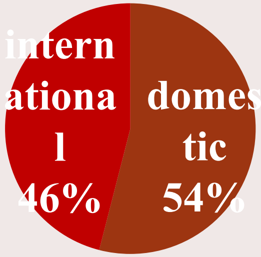
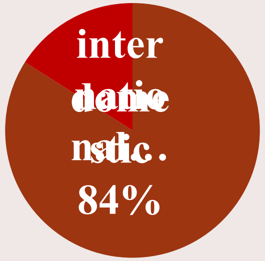
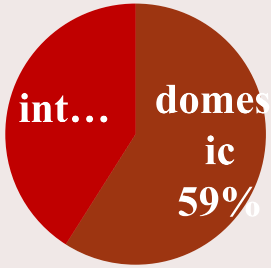


- No single player dominates the supply chain of apparel industry, so that incumbents can source materials from multiple regions

Source: Listed companies' annual reports in fiscal years 2024; Case Study

Key Competitor Comparison

Competitive positioning in the global activewear market

Brands Name	Lululemon	Nike	Adidas	Alo	Under Armour
Founded	1998 (Vancouver, Canada)	1964 (US)	1924 (Germany)	2007 (Los Angeles, US)	1996 (US)
Store Image					
Positioning	**Premium Athleisure brand** blending performance, mindfulness and lifestyle.	**Global sports leader** combining both performance and innovation.	**Sport-fashion hybrid** balancing athletic function and style.	**Trend-driven, digital-native luxury yoga and lifestyle brand.**	**Performance-focused brand** centered on func-tionality and training.
International and Domestic Revenue (2024) International Domestic	$10.6 B 	$51.6 B 	$25 B 	$372.5 M 	US $5.16 B 

Source: GWI

Key Competitor Comparison

Competitive positioning in the global activewear market

Brands Name	Lululemon	Nike	Adidas	Alo	Under Armour
Store Count	**770** stores worldwide	**1,000** company stores plus thousands of retail partners	**2,200** stores worldwide	**70** stores globally (including flagships in US & Asia)	**400** stores (owned & licensed)
Main Pricing Range	**High** $100~$120	**Middle-High** $70~$100	**Middle to Mid-High** $60~$80	**High** $90~$120	**Middle** $50~$75
Product Portfolio	**Align, Scuba, Wunder Train,** Anti-Ball Crushing, Swiftly, etc.	**Air Force 1**, Dunk, **Air Jordan**, Air Max, **Dri-FIT**, **Yoga**, etc.	**Adidas Originals, Ultraboost**, **Yeezy**, Adizero, NMD, Gazelle, etc.	**Airbrush**, **Accolade**, **AirLift**, etc.	**HeatGear**, **ColdGear**, **Curry Brand**, HOVR, Project Rock, etc.
Key Features	• **Premium fabrics**. • **Exceptional, flattering fit & minimal sizing**. • Community	• **Innovation**, **tech-nology & collabo-ration** with fame. • Massive presence in **casual wear**.	• **Classic, clean designs**. • **High-profile partnerships** with other brands	• Known for its **Instagram-style**. • Focuses on both **aesthetics & functional fabric**.	• **Performance & Tech-Driven** • **Hardcore Trai-ning & team sports**.

Source: GWI, Lululemon's official websites, Amazon (We use legging products to describe their main pricing range)

Other Competitors

Broader rivalry in apparel market and even within Athleisure

Intensity of rivalry among existing competitors is very high, as there are many incumbents whose strategic interests are rooted in the market.

Other Brands	Positioning	Pricing Range	Key Features
ANNA SUI	Fashion	Very High	• Iconic Design • Stylish Fashion
Maia Active	Female Sports	Mid-High	• Asia-Oriented • Attention to Details
Particle Fever	Sports &Tech	Middle	• Pioneering Design • Niche Culture
Lorna Jane	Female Sports	High	• Athleisure Brand • Women-Oriented
VSX	Fashion & Sports	Middle	• Sports Underwear
Fabletics	Sports & Digital	Middle	• Athleisure Brand • VIP Program
…	…	…	• …

*More competitors to be analyzed

Source: Ke et al.(2023), Amazon (We use legging products to describe their main pricing range)

Industrial Structure

From Blue Ocean to Red Ocean

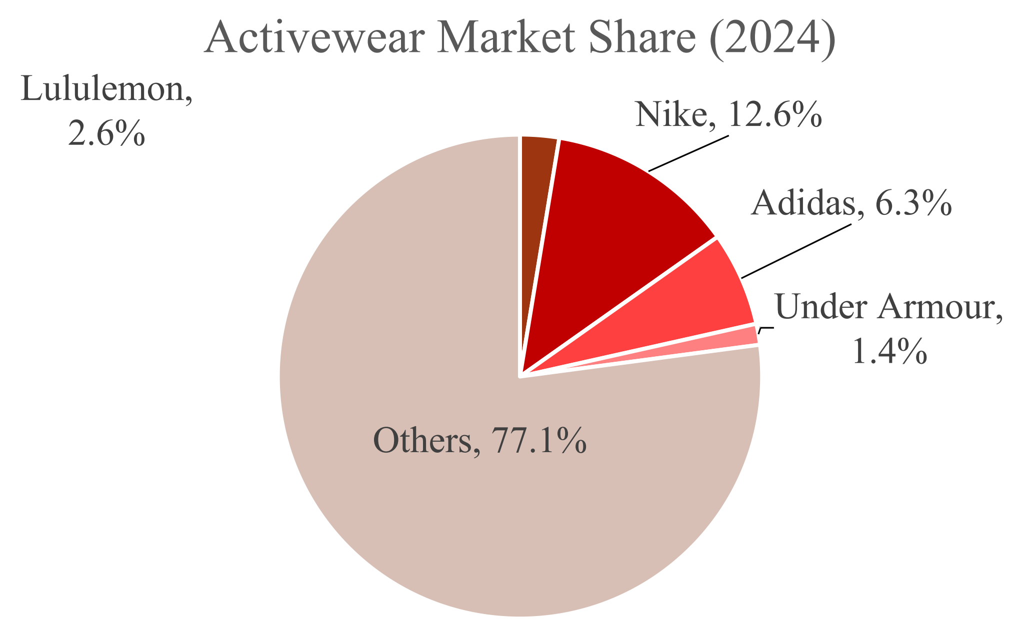
From Blue Ocean to Red Ocean

1998: Lululemon created a new yoga-inspired activewear market with no rivals.

Early stage: Uncontested niche focused on wellness and premium lifestyle.

Later stage: Success attracted brands like Nike, Adidas, Alo, Under Armour and many other brands.

Now: Market saturated — intense competition in design, price, and branding.



Entry of New Rivals:

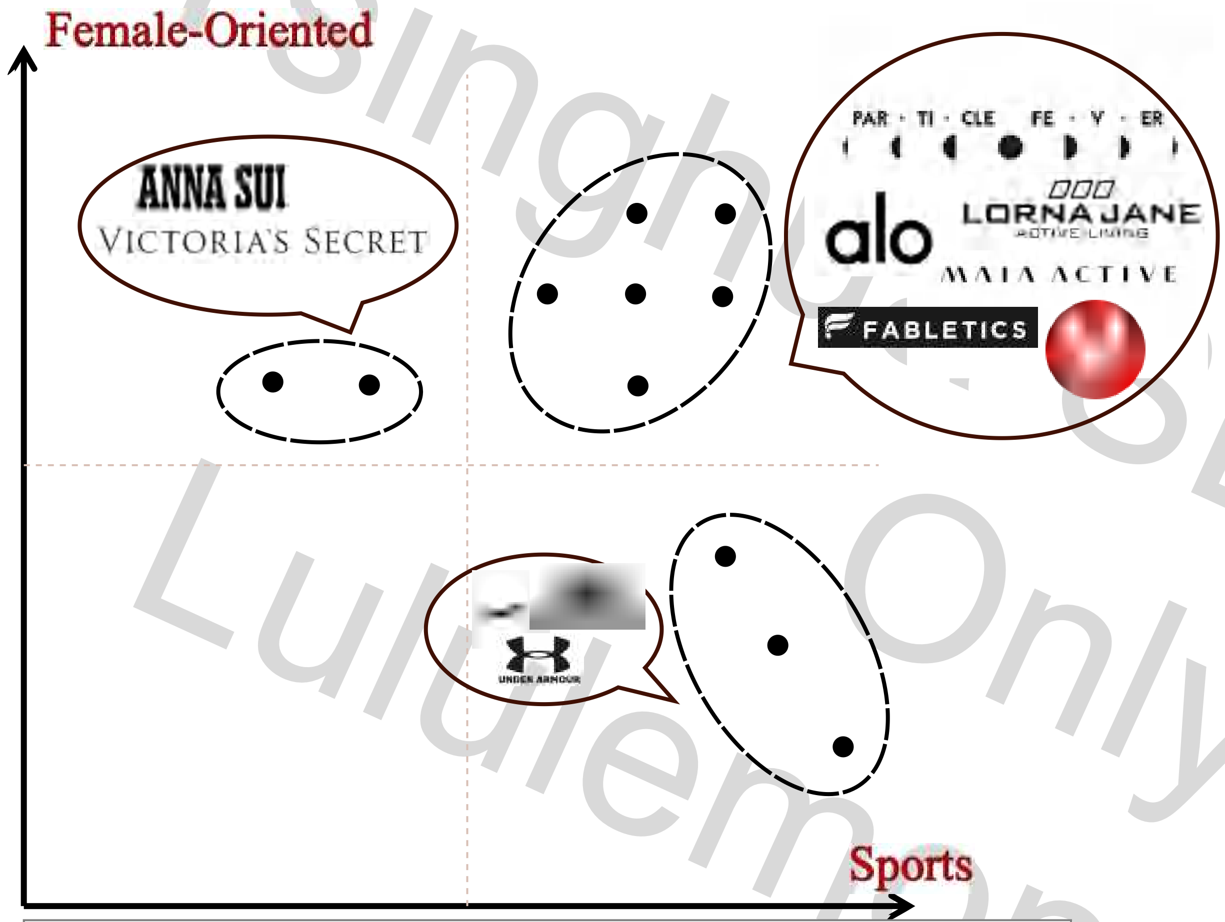
1998 — 2002 — 2004 — 2007 — 2011

Outcome: Blue ocean evolved into a **red ocean** of monopolistic competition.

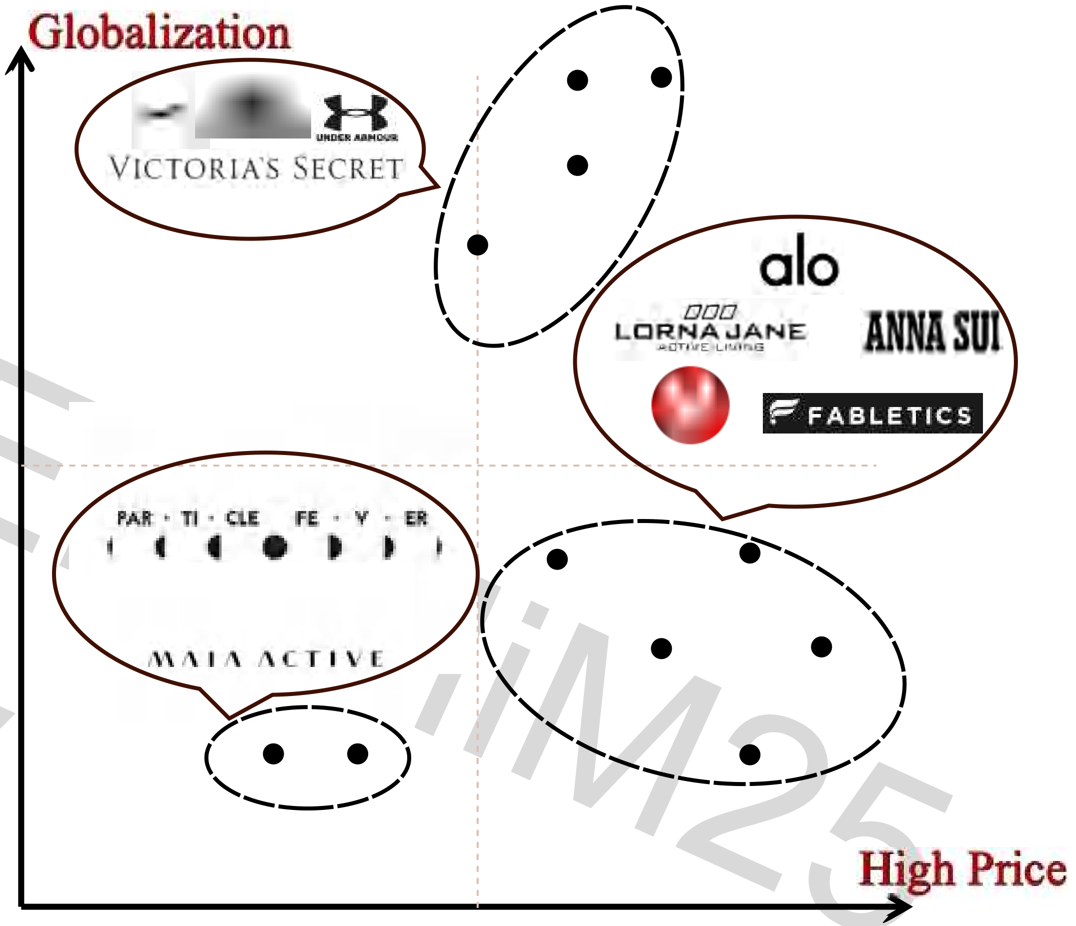
Source: Listed companies' annual reports in fiscal year 2024, Grand View Research

Strategic Group

Most important competitors of Lululemon: Alo, Lorna Jane, Fabletics (The same strategic groups relatively in both maps)



3 Strategic Groups: Athleisure, Technical Sports, Fashion and Sports



3 Strategic Groups: Regional Boutique, International Big Name, Concentrated Middle Brand

Source: Hitt M. A., Ireland R. D., Hoskisson R. E., et al. Strategic Management: Competitiveness and Globalization Concepts and Cases (14th Edition)[M]. Boston: Cengage, 2024.

Tsinghua SEM Only Lululemon Group iM25

Question 1

What factors allow Lululemon to stand out in a market which is highly competitive now?

Group Discussion - 2 min

Tsinghua SEM MiM25 Only
Lululemon Gro

Internal Analysis

Customer Targeting and Profile

Evolving beyond its yoga-core audience, Lululemon attracted wider segments within the global activewear market

Stage 1 : Super Girl

Age: 24-45 years old

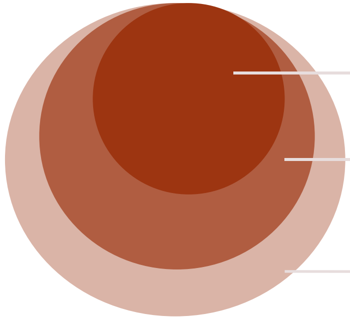
Gender: Female

Income Level: Upper-middle to high-income

Lifestyle: Active, health-conscious, urban, yoga lover

Values: Quality, self-improvement, community

Stage 2 : Active People



Target Customer
AGE ~=30

Core Customer
AGE>30

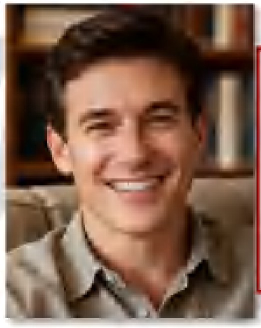
Potential Customer
AGE <30 Gen Z

Gender: Female & Male

Size: until 20/3X

Emily, 31, Marketing Manager in Canada

"Yoga centers my day. Lululemon gear feels effortless and keeps me connected to a mindful community."



Jason, 34, Consultant in the US

"I wear Lululemon from workouts to meetings. The comfort and clean look fit every part of my day."

Mei, 18, Student in Shanghai

"Finding my size used to be hard. Lululemon's inclusive fit lets me move freely and feel confident."

KPC: KPC 1 – From Physical Comfort to Inner Empowerment

Basic needs:
Lululemon's Athleisure

Psycological needs:
Lululemon's Brand Value

Physical Comfort → Security & Reliability → Connection & Community → Confidence & Recognition → Self-Realization

Source: Team Discussion; Robbins S P, Coulter M. Management(16th Edition)[M]. London: Pearson, 2024.

From Power of Three to Power of Three X2

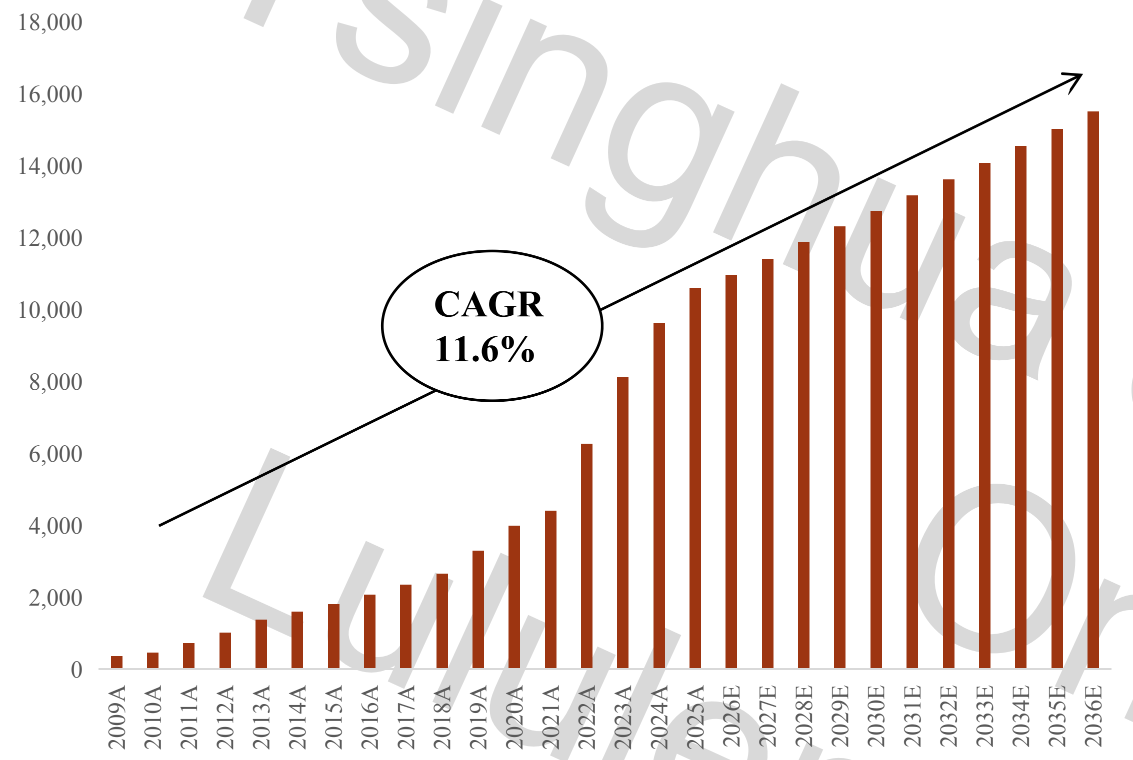
Power of Three advances Lululemon’s pillars of product, digital, and international growth。

	Strategic Pillar	Intended Goals	Achievements (2018 | 2023)
Power of Three 2018-23	Product Innovation	**Expand core categories** Double Men’s revenue by 2023	~ **$690** million | ~ **$2.25** billion
	Omnichannel Guest Experience	**DTC+E-commerce** Double digital revenue by 2023	~ **$859** million | ~ **$4.31** billion
	Market Expansion	**Globalization** Quadruple international revenue	~ **$360** million | ~ **$1.99** billion
Power of Three x2 2024-26	Product Innovation 2.0	**Expand core categories** Double men’s revenue by 2026	?
	Omnichannel Guest Experience 2.0	**DTC+E-commerce** Double digital revenue by 2026	?
	Market Expansion 2.0	**Gobalization** Reach ~30% of total revenue from international markets by 2026.	?

Source: Case Study, Lululemon’s annual reports from 2018 to 2024.

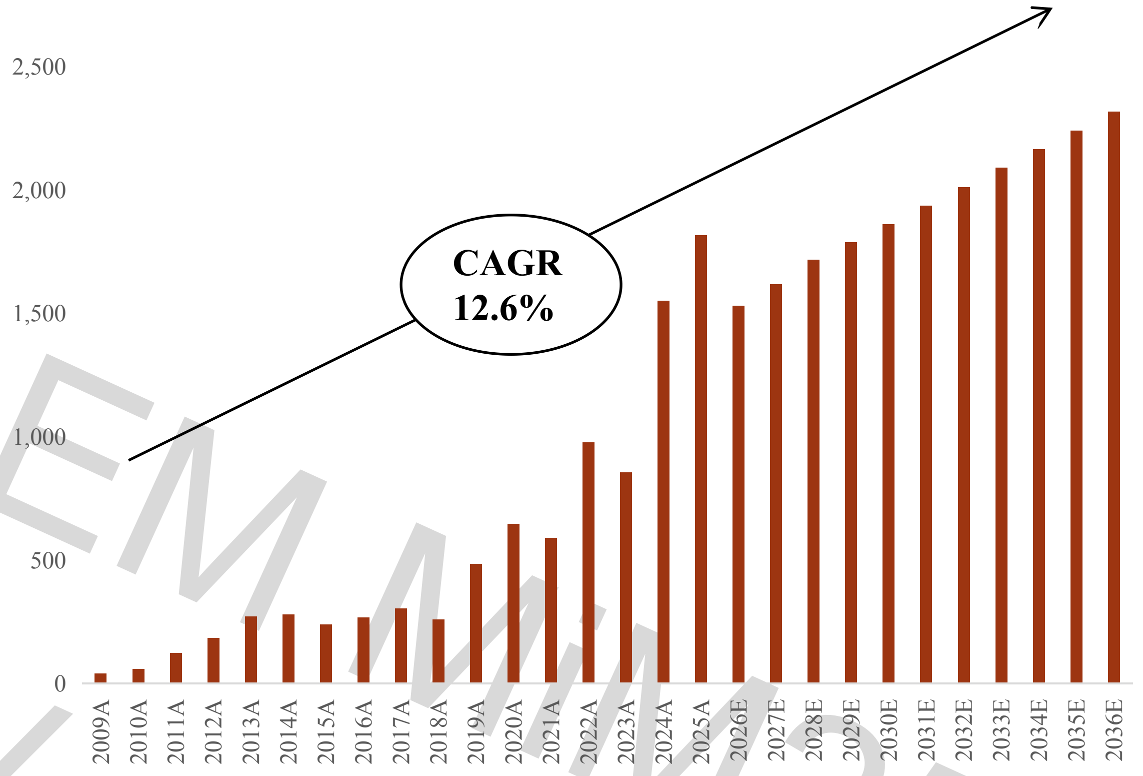
Financial Review – Overall Profitability

Lululemon sustains double-digit revenue growth and net income across cycles



2009-36E LULU Global Net Revenues, $ million

- Steady, compounding top line with only a brief 2020 dip, followed by a sharp rebound to new highs
- Momentum reflects broader assortment and DTC scale, supporting continued expansion



2009-36E LULU Global Net Income, $ million

- Profits grow faster than sales over time, showing margin expansion and operating leverage
- Temporary volatility around 2020–2021, then a rapid recovery to record earnings

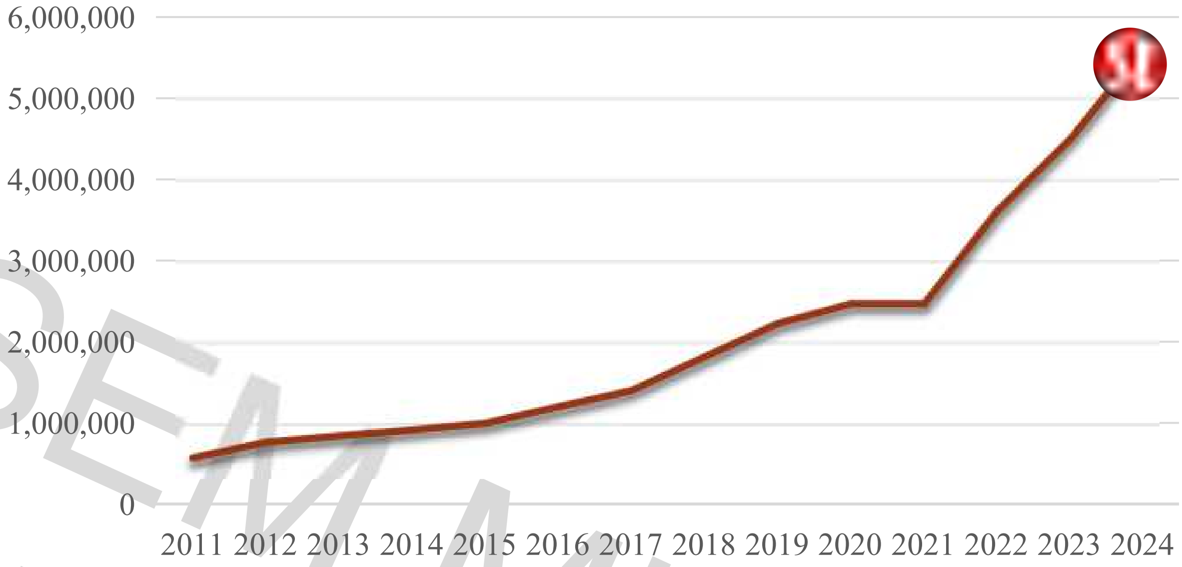
Source: Case Study, Lululemon's annual report in fiscal years 2024

Financial Review – Profitability vs Competitors

Lululemon's growth is *both high quality and self-sustaining:* it expands margins and earnings while staying cost-disciplined

Gross Margin	2020	2021	2022	2023	2024
Lululemon	55.98	57.68	55.39	58.31	59.23
Nike	44.91	45.98	43.53	44.69	42.74
Adidas	50.02	50.7	47.28	47.52	50.78
Anta	58.15	61.64	60.24	62.59	62.17
GAP	37.44	34.09	39.81	34.32	38.79

2020-24 Gross Margin – 5 Competitors, % unit



2011-24 LULU Global Gross Profit, $ unit

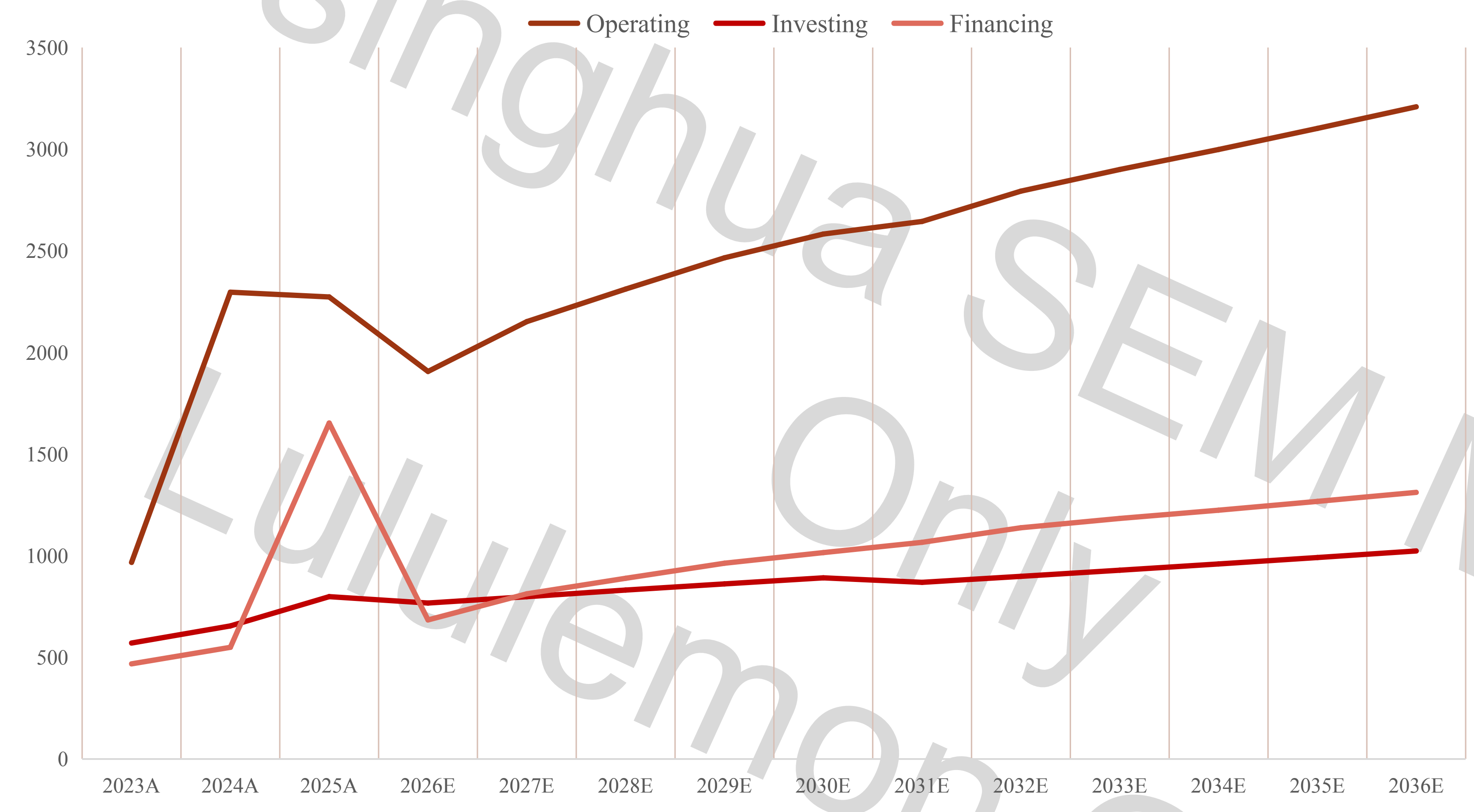
- LULU commands a massive **~20% margin advantage** over value retailers like GAP and a significant ~10-15% over global giants **Nike and Adidas**
- The only true competitor in margin performance is China's Anta, which has consistently matched or even exceeded Lululemon's margins

- Gross profit expands from roughly **$1B in 2010** to nearly **$6B in 2023**, tracking faster than revenue, evidence of improving margins
- Even during cost inflation (2021–22), margins held above **55–57%**, indicating strong pricing power

Source: Case Study, Lululemon's annual reports from 2011~2024

Financial Review – Conversion & Cash Reinvestment

Overall profitability can be explained by LULU's exceptional cash flow resilience and operating reinvestments



Global Net CF from Operating, Investing, and Financing Activities, $ million

- Operating cash flow expands consistently, highlighting resilient cash conversion and operational scalability as growth compounds
- Investing outflows remain contained relative to operating inflows, implying self-funded expansion and efficient capital allocation
- Financing flows are dominated by share repurchases, underscoring Lululemon's net-cash profile and commitment to disciplined shareholder returns

Source: Case Study, Lululemon' s annual reports from 2022-2024

Tsinghua SEM Lululemon Only Group

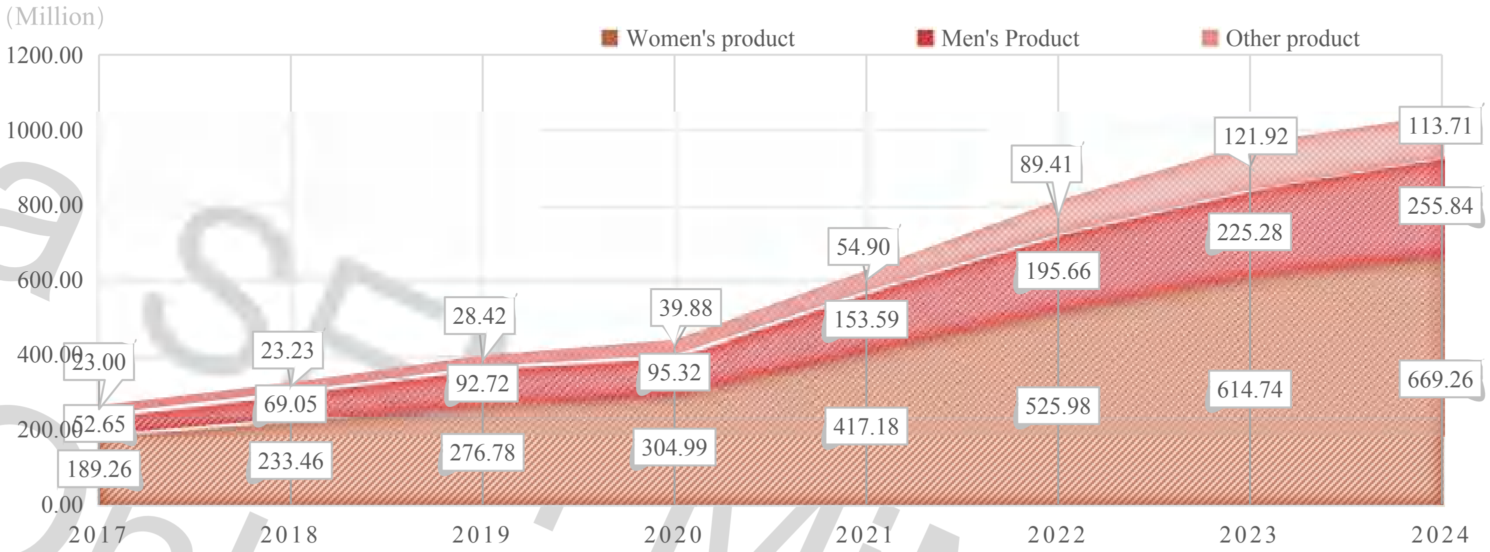
Revenue per Category

Continuous category expansion diversified revenue streams, while women's apparel remains the dominant contributor to overall

Category Launching Timeline

- 1998 Women's Yoga Apparel Launch
- 2009 Ivivva (Kidswear) (discontinued in 2017)
- 2014 Men's Line Expansion
- 2017 Footwear Collaboration
- 2019 Lululemon-Designed Footwear
- 2019 Selfcare Line (discontinued in 2022)
- 2020 – At-home Fitness (Mirror Acquisition)
- 2020 Plus-Sizes Women's Line (Launched **inclusive sizing up to 20/3X)**

Revenue by product categories



	2017	2018	2019	2020	2021	2022	2023	2024
Women's product	71.44%	71.67%	69.56%	69.29%	66.68%	64.85%	63.91%	64.43%
Men's Product	19.88%	21.20%	23.30%	21.65%	24.55%	24.12%	23.42%	24.63%
Other product	8.68%	7.13%	7.14%	9.06%	8.77%	11.02%	12.67%	10.95%

Source: Lululemon's official websites, Lululemon's annual reports from 2017 to 2024

Product Line

From yoga roots to a global Athleisure portfolio across gender and category

TOPS


Underwear
$14-54
¥160-220


Sport Bras
$48-98
¥350-850


Dresses
$ 78-198
¥ 680-1180


Coats & Jackets
$ 98- 698
¥ 1080-3580


Hoodies
$ 98-188
¥ 880-1380


Shirts
$ 68-118
¥ 1080-1880


Coat & Jackets
$ 138-598
¥ 1080-4280


Half Zips
Sweatshirts
$ 98-188
¥ 850-1680


Hoodies &
Sweatshirts
$ 98-199


Shirts
$ 48-128
¥ 450-1080


Tank Tops
$ 48-88
¥ 400-550

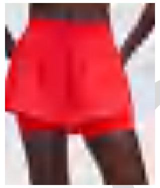

Vests
$ 118-298
¥ 1180-2380

BOTTOMS

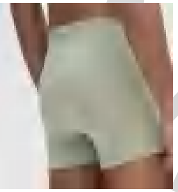

Joggers
$ 98-168
¥880-1080


Leggings
$ 98-168
¥ 750-1080


Pants
$ 98-118
¥ 750-1480


Shorts
$ 64-128
¥ 480-880


Skirts
$ 68-178
¥ 580-980


Underwears
$ 24-38
¥ 220


Joggers
$ 98-168
¥ 850-1180


Shorts
$ 68-128
¥ 450-850


Sweatpants
$ 98-188


Dress Pants
$ 128-148

SHOES


Slides
$ 58-128
¥ 520-680


Cross Training Shoes
$ 128-158
¥ 1180-1380


Sneakers
$ 128-138
¥ 1080-1280


Trail Running Shoes
$ 168
¥ 1180-1380

OTHERS


Bags
$ 78-198
¥ 480-1780


Bag Accessories
$ 18-58
¥ 180


Tote
$ 68-238
¥ 420-1280


Yoga mats
$ 88-128
¥ 480-580


Hats
$ 28-68
¥ 220-520

Water bottles
$ 28-78
¥ 220-450

Source: Lululemon's official websites

Lululemon Studio

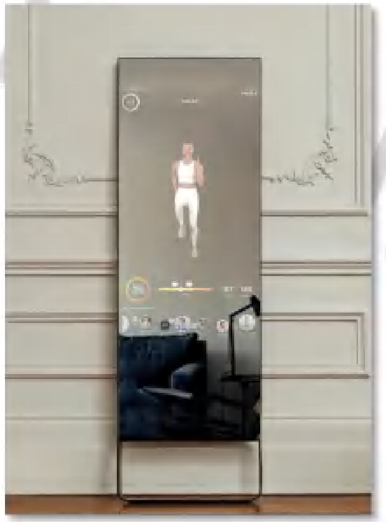
Mirror's 2023 discontinuation marked Lululemon's pivot toward digital expansion and an integrated wellness ecosystem

Background & Value Proposition

- Acquired Mirror in June 2020 for $500 Million
- Lululemon Studio officially launched on October 5, 2022
- Use exclusive benefits to turn one-time buyers into long-term retained wellness community members

Pure apparel → Provides immersive at-home workouts → Holistic health & wellness ecosystem

Business Model



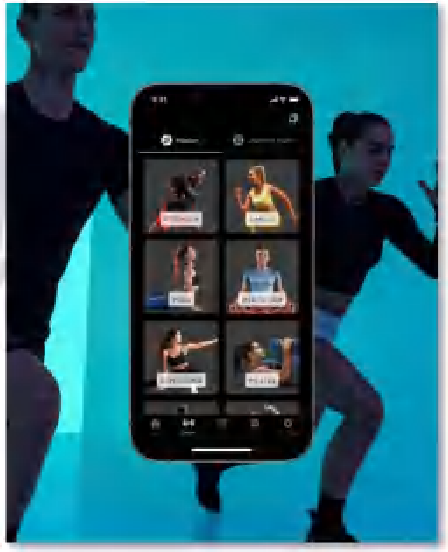
Hardware

- **$1,495**
Smart mirror (discontinued for sale since 2023)

+

APP Subscription

- **$39/month** membership fee
- >10,000 classes, 50+ workout types



Source: Sirianni et al.(2013), Mutlu et al.(2023),冷雄辉等(2024), Case Study, Lululemon's official websites.

ESG Action - Lululemon Gives

Fulfill CSR and contribute to human mental health

Movement and mindfulness

Expanding on its previous USD 75 million investment

2020 2025 2030

Since **2021**, the Centre for Social Impact has equipped **over 10 million people** worldwide with wellbeing resources

2030 Goal

20 Million People Globally equipped by 2030 with resources to improve mental health and wellbeing

$100 million in funding through lululemon Gives

Supply chain disclosure

1#

KnowTheChain

Recognized in 2023 for the 2nd consecutive year for leadership in supply chain transparency and ethical labor practices

Action on the road

2020-2025

Enabling access to mental health support	Partnered with ***UNICEF, NAMI, and The Trevor Project*** — reaching **3M+ people** through mental health counseling and resilience programs
Empowered youth wellbeing	Strengthened wellbeing for **700K students** and provided **50K+ training certifications** with The JED Foundation and Jack.org
Strengthened global changemaker networks	Supported United for Global Mental Health and Girls Opportunity Alliance — empowering leaders in **170+ countries and 4K+ grassroots communities**

Future Events

- Lululemon will support the **Mission 44** event **in Austin, Texas**
- The event will focus **on elevating youth wellbeing** through **movement and connection**
- **Ambassador Sri Amirah** will lead yoga and meditation workshops at the event

Source: Lululemon's official websites

Business Model Canvas

Unlocking the Blue Ocean in the Athleisure market through innovation

Key Partners

- **Garment material supplier**
- **Logistic service provider**
- **Marketing service provider**
- **Fitness Influencer & Ambassadors**

Key Resources

- Global **material suppliers**
- Innovation center **Whitehouse**

Key Technology

- Analysis Team **- Sweat dex**
- **Patents on materials**

Athleisure Market

Key Power

- Sports community
- Innovative product
- Science of feel
- Brand image
- Affordable Luxury position

Operating Channels

DTC Method

- Official offline store
- Company-operated store

Retailer

- Operated in certain nations

Operating market

Americas	China	Others
≈74.8% net revenue	≈14.6% net revenue	≈10.6% net revenue

User Persona

Super girl

- advanced education
- Age 23-35
- High-income
- Fitness-conscious
- Fashionable
- Professional

Expand into

- **Men's market**
- **Sweet Life idea**

Cost Structure

- **Outsourced production**
- **Store Operation**
- **Marketing Cost**
- **R&D investigation**

Revenue Structure

- **Premium Athleisure sales**: Yogo, running apparels for both male and female
- **Expanding product line**: Like accessories, footwear
- **Lululemon Studio(Mirror)**: Online training website

Source: Lululemon's annual report in fiscal year 2024

Value Chain Analysis

Lululemon’s core competencies in R&D and community-based marketing

Support Activities

Firm Infrastructure	Integrated CRM and digital systems enhancing operational control and efficiency
Human Resources	Retail-driven HR fostering a mindful, authentic “Educator” culture
R&D	Whitespace Lab drives innovation via the Science of Feel approach
Supply Chain	Strategic global sourcing enabling flexibility and quality control

Primary activity

Distribution Channels	Marketing	Sales & Service
Fully DTC model — owned stores + e-commerce integration	Community-based approach via ambassadors and local engagement	Experience-oriented retail enhancing customer connection and loyalty

MARGIN

Source: Team Discussion

Firm Infrastructure

Lululemon operates a global retail and logistics network of 784 stores and multi-hub distribution centers

Global Infrastructure

North America	Asian-Pacific Region	Europe, Middle East, Africa	Latin America
445 Stores	229 Stores	34 Stores	17 Stores

etc.

etc.

Since 2003 | Since 1999

Since 2013 | Since 2004 | Since 2016 | Since 2012 | Since 2015 | Since 2015 | Since 2015

~75%
of total revenue

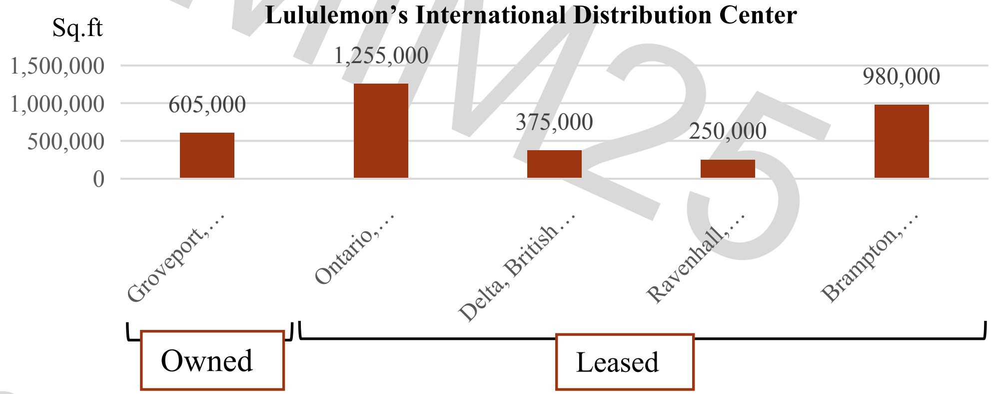
~25%
of total revenue

Distributor Center

Overview

- Lululemon operates distribution facilities in **the United States, Canada, and Australia**, supported **by third-party logistics providers** in the U.S., PRC, and the Netherlands
- The network combines owned and leased centers to balance cost efficiency with operational control

Regional redundancy — Centralized, scalable network



Source: Lululemon's annual reports in fiscal years 2024 and 2025Q1

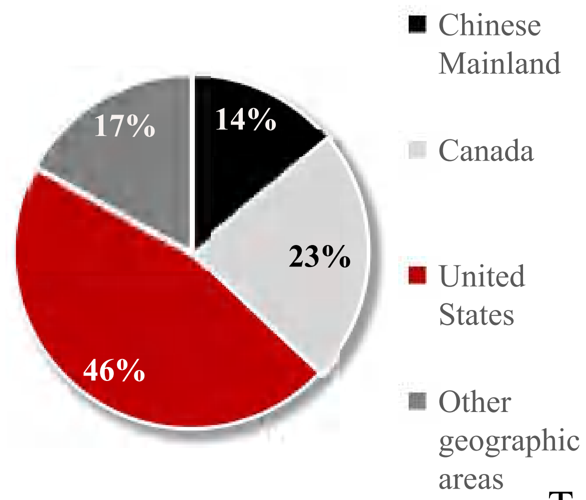
HRM – Integrate Employees into Corporate Culture

Prioritize employee diversity & growth as corporate culture

Employee structure

- 41% diverse representation below assistant manager level, within retail stores in:
  Australia, EU, New Zealand & North America
- 100% gender pay equity goal globally

2024 Employees by Region



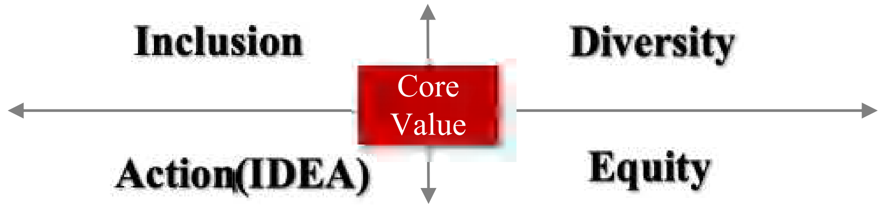
Compare to 2023

China	↑	4%
Canada	↓	1%
US	↓	6%
Others	↑	3%

Total Employees Number: **39000**

A culture of learning

Employee empowerment and inclusive leadership are key



Personal Growth Program

Purpose, Vision, and Goals (PVG) program
- Professional one-to-one internal coaching program
- Leader Series
- Mentorship program

Teaching Tool for Employees:
- Access to lululemon learning platform & LinkedIn Learning

+50,000hrs tracked in 2023

Source: Lululemon's annual reports in fiscal years 2024, Lululemon's impact report in 2023, Wall Street Journal

R&D: Design (1/3)

Design philosophy: "Science of Feel" & human-centered

R&D Process

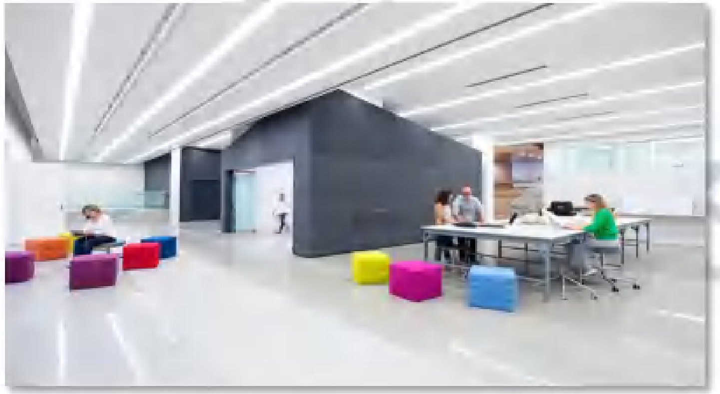
DESIGN | LAB

WHITESPACE: Lululemon's R&D Engine

Overview

Founded: 2012, at Lululemon's Vancouver

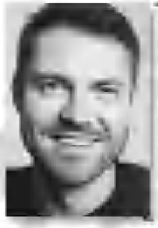
Purpose: Transform human movement science into apparel innovation



Team

Team: ~50 Multi-disciplinary scientist (psychologists, anthropologists, biomechanics etc.)

Collaborating to merge *a science & emotion* in design



Dr. Tom Waller, Senior VP / Chief Science Officer, Whitespace

Past Roles:

- Head of Aqualab, Speedo
- Head of R&D, Progressive Sports Technologies

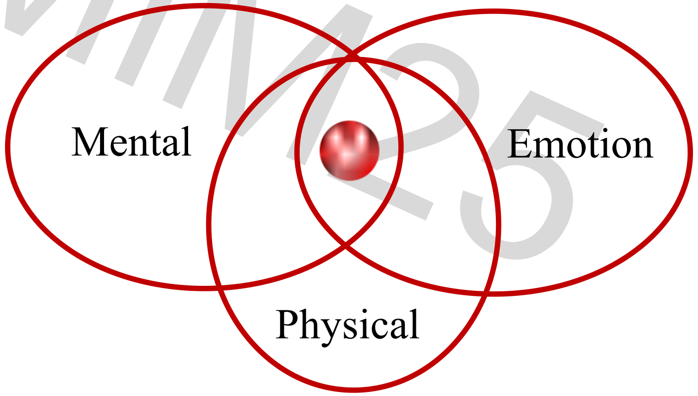
Jonathan Cheung, Global Creative Director

- Over 30 years of global creative leadership experience
- Drives Lululemon's product innovation roadmap under the new integrated structure

Design Philosophy

"Science of Feel"

- Focuses on sensation and emotion overlooks
- Finds same-size bodies move differently, inspiring custom-fit designs
- Based on customer information



Source: Case Study, Lululemon's official websites

R&D: LAB (2/3)

Lulu Lab connects R&D and retail through co-creation and customer testing to drive innovation and community engagement

R&D Process

DESIGN → LAB

LAB: Bridge Between R&D and Retail

Co-Creation & Testing Space

Dual studio + Boutique

"Athleisure meets urban fashion"

Designers worked in-store, observing customers using prototypes

- Customers acted as **co-testers**, giving real-time feedback
- Enabled **pre-launch testing**, lowering risk and improving market fit

Community Engagement & Brand Storytelling

Labs integrated into local creative hubs, reflecting Lululemon's ambassador-led culture

Ambassador

Embody Lululemon's "**Science of feel** " philosophy and **co-create through product feedback**

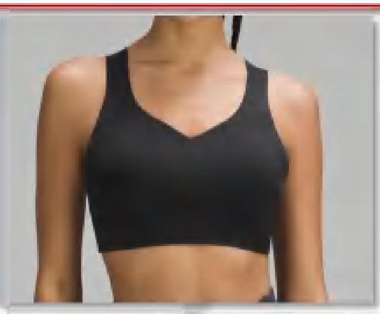
Role: Build community, host wellness events, and inform product design

Source: Case Study, Lululemon's official websites

R&D: Outcomes (3/3)

Whitespace Lab turns human-centered research into products that unite science, comfort, and style

R&D Outcomes Examples

Product		Functional Innovation	Functional Innovation
Elite bra	 	• Engineered to **embrace natural breast motion** instead of restricting it, minimizing discomfort during high-intensity activity	• Creates a longer, slimmer torso line • Improves bust contour for a balanced, natural shape
ABC	   	• Designed based on **male ergonomic data** to improve fit during walking, sitting, and cycling	• Minimalist, tailored silhouette that transitions easily from work to casual settings
Bliss	 	• Lululemon's **first women-specific running shoe**, designed from over **1 million foot scans** of female runners	• Available in diverse colorways to match daily activewear and personal style

Source： Case Study, Lululemon's official website

Global Supply - Sourcing & Manufacturing (1/2)

Global outsourcing allows for flexible and rapid delivery, challenges come from tariffs

Sourcing

Total **67** suppliers around the worlds

Top 5 Fabric suppliers 52% | Others 48%

Top 1 18%

ECLAT ELASTIC TEXTILE

Key Supplier for: Everlux; Nulu; Warpstreme

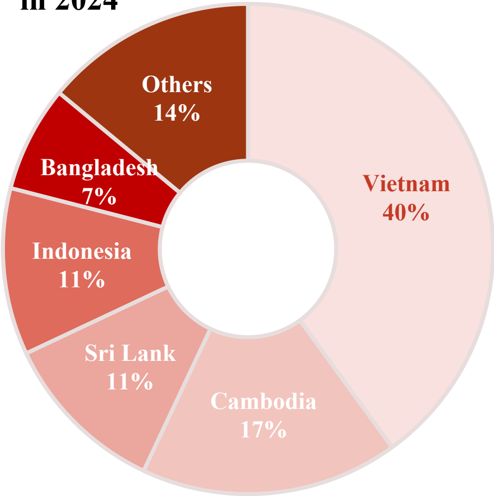
Key Fabric technology used in Lululemon

Fabric	Feature	Designed for
Everlux™	keep you cool, dry and focused during the most intense workouts	sweaty studio sessions
Nulu™	lightweight and delivers that next-to-nothing feeling	**yoga**
Luxtreme ™	high-performance fabric developed to handle serious sweat	running and training

Manufacturing

Manufacturing operations of the company are **concentrated in Southeast Asia**, and it is severely **affected by Trump's tariff policy**

Global manufacturers Proportion in 2024



Tariff Cost Estimation

Country	Original cost* ($)	Tariff to USA (%)	Tariff Cost
Vietnam	40	20%	8
Cambodia	17	19%	3.23
Sri Lank	11	20%	2.2
Indonesia	11	19%	2.09
Bangladesh	7	20%	1.4
Others	14	10%**	1.4
Total			18.32

Without calculating "Others", the cost of lululemon's sales in the US is expected to increase by approximately

$18.32 in tariff costs for every $100, with an estimated increase on ≈18%

Rising Threat: The cost of sales in the US has surged sharply; the manufacturing chain may needs to be transferred

*Source: Lululemon's annual report in fiscal year 2024; 美国公布近70国最新关税，*价格按照100美元进行计算,**others 用最低关税10%来计算*

Global Supply - Shipping (2/2)

Strong global freight capacity; UCAN market speed costs to rise sharply (policy-impacted)

World Range Shipping System

Through the use of third-party logistics providers for warehousing and global distribution, the company achieves full coverage across 76 countries and regions.

Shipping area covered area

Region	Number of Countries	Part of Countries list
Asia	16	India, China, Malaysia
Europe	30	Belgium, Finland, France
North America	19	United States, Bahamas, Jamaica
South America	7	Brazil, Argentina, Peru
Oceania	2	Australia, New Zealand
Africa	2	South Africa, Tanzania

Fees and Timing on Lululemon's website

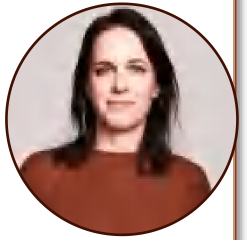
Shipping location	Shipping time	price
In North America	2-7 Business day depends on fee	0, $20(Express Shipping), $30(Priority Shipping)
International	5-10 Business day	$30(Standard shipping)

Damage from tariffs and removal of the *de minimis* exemption

Lululemon reduced its outlook for the 2025 and said it expects higher tariffs and the removal of the de minimis exemption to reduce gross profit by **US$240 million** in 2025

For 2026, **it expects a US$320 million net impact on its operating margin**

Chief financial officer **Meghan Frank**



2/3 of Lululemon's U.S. e-commerce orders are fulfilled through Canadian distribution centres.

The de minimis exemption helped the company realize "meaningful duty savings", as most American orders were under the $US800 threshold

"We are looking actively at our (distribution centre) network, and part of our mitigation strategy is inventory placement and making sure we're most efficient as we move forward"

Source: Lululemon's official websites, Lululemon's annual report in fiscal year 2024

Global Distribution (1/3)

Different kind of stores improve the sufficient, resources support growth

Vertical Retail Model

1 Pop up store

Quick Test relatively unproved market

- Remove excessive inventory
- Fast test, Quick move

2 Co-locating Store

280m² → 511m²

Increase store size to accommodate both female's and male's products

- Goal: Engage with customers
- Improve in-person experience
- "women buying for men" idea

3 Experiential Megastore

2,323m²

"Life-style" space: Multi-concept

- Goal: Test new ideas
- Target: attract GenZ and Millennials Customers

Key Benefits:

- ➢ Consistent customer experience
- ➢ Increase Gross margin
- ➢ Obtain data for decision making

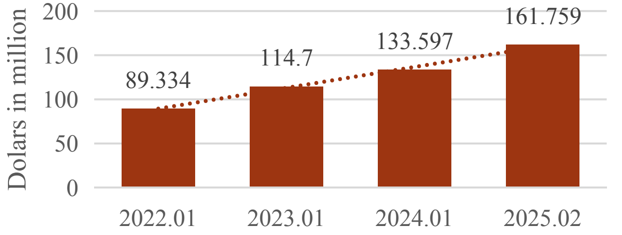
Supporting Resources

RFID & Online supporting system

Centralized system to monitor the growth of different markets

"In 2023, Lululemon rolled out a ***cloud-based RFID inventory management solution*** *to its 600+ global stores, helping optimize in-store product assortments."*

Omni-channel retail system could system cost



Open shops smartly —— Sweat dex

Scientific evaluation system for shops opening

1 Customer

- Customer size: potential customers interested in the premium activewear category in the target market/city
- Purchasing Power : Scale of customers (among the interested group) who can afford premium activewear

2 Culture

- Policy & Regulatory Environment
- Real Estate Accessibility

3 Nearby sports facilities

- Quantity of Sports Facilities
- Maturity of Sports Atmosphere

Key Benefits:

- ➢ Quantify Evaluation
- ➢ Data-driven analysis
- ➢ Open in valuable location

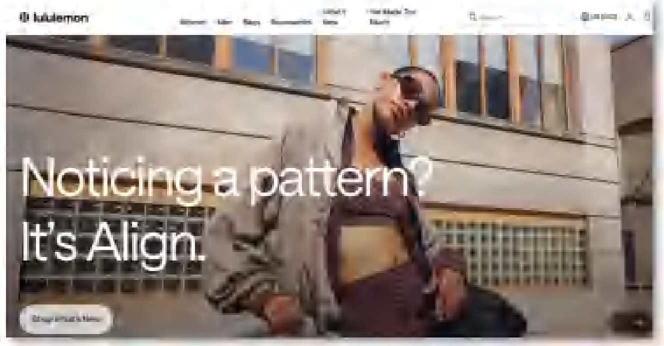
Source: Case Study, Lululemon's annual report in fiscal year 2024, Retail TouchPoints

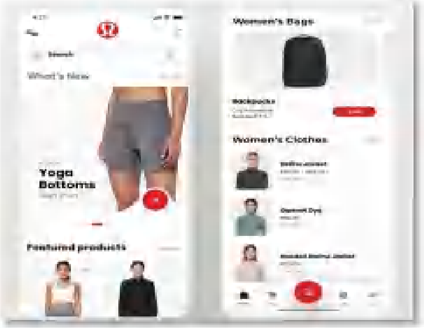
E-commerce & logistics Issue (2/3)

Integrates digital to enhance customer experience, promote sustainability, and expand global reach

DTC omnichannel strategy ➡ Designed to seamlessly integrate its **digital and physical retail ecosystems,**
Ensuring Stable Service quality | Control Experience | Direct Profit | Data Collection

Official website & APP





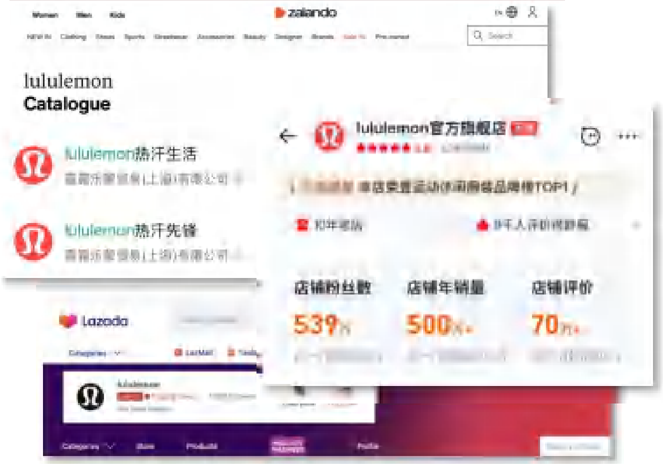
1. **BOPIS (Buy Online, Pick Up In-Store)**
   Order online and collect it in a Lululemon store within 2hrs
2. **Curbside Pickup (During Covid)**
   Contact-free service where staff bring online orders to customers' cars outside the store
3. **Ship-from-Store**
   Orders are fulfilled directly from a nearby store's inventory instead of a central warehouse

Like new

Trade-in and resale program for gently used gear

- Customers earn **store credit**; refreshed items sold online (U.S. only)
- Reinforces **loyalty** an d supports **circular sustainability**

Third-party cooperation Platform



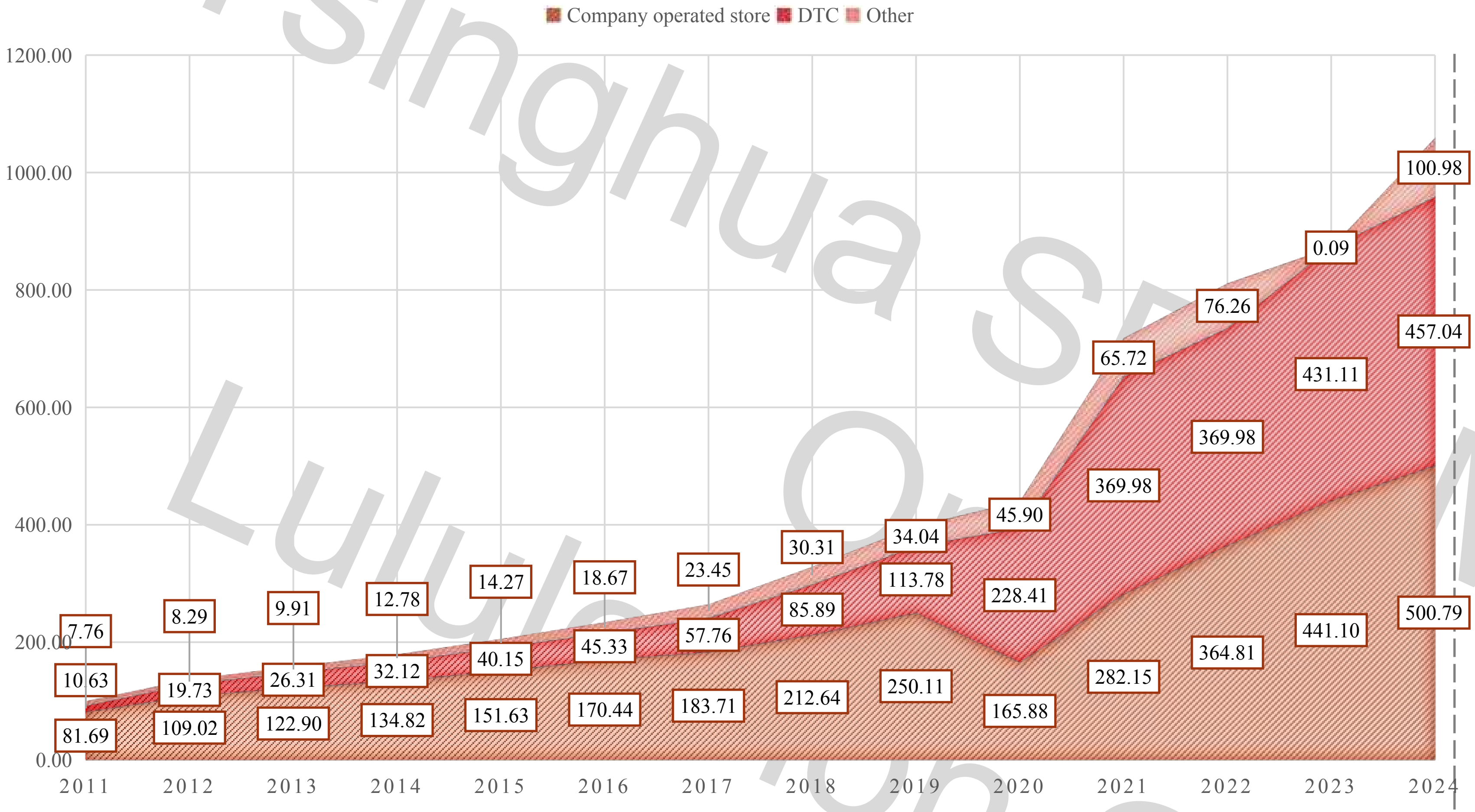
Third-party partnerships enhance global reach and support Lululemon's international growth strategy

- Increase brand exposure
- Adapt to local purchasing habits and payment methods

Source: Case Study, Lululemon's official websites

Revenue by channel (3/3)

Lululemon's digital expansion drives revenue growth and strong investment returns



Revenue By Channel in USD million

Capital Expenditure to Revenue Ratio

CapEx / Revenue ratio	2020	2021	2022
E-commerce	1.63%	2.94%	4.25%
Company-store	8.09%	6.72%	8.32%
Other channel	12.59%	18.75%	36.44%

- **Strategic Shift to Digitalization:** 1.6% → 4.3% (2020–2022) shows digital channels are now a core focus of long-term investment

Aligned with the Power of Three ×2 goal

- **Healthy Investment Efficiency:** revenue growth outpaced spending, signaling high ROI and sustainable returns from digital investments

Source: Lululemon's official reports from 2011 to 2024

Marketing – Marketing Model (1/3)

Community marketing model has turned Lululemon into a symbol

Core Community Characters

The brand positions itself as a symbol a key link connecting everyone

Indoor educator

Act as a key link in Lululemon's community marketing

- Mostly well-educated, high-caliber individuals who love sports, matching the brand's target customer profile

Responsible for

- Ambassador Recruitment: Connect with local yoga teachers, fitness coaches & opinion leaders

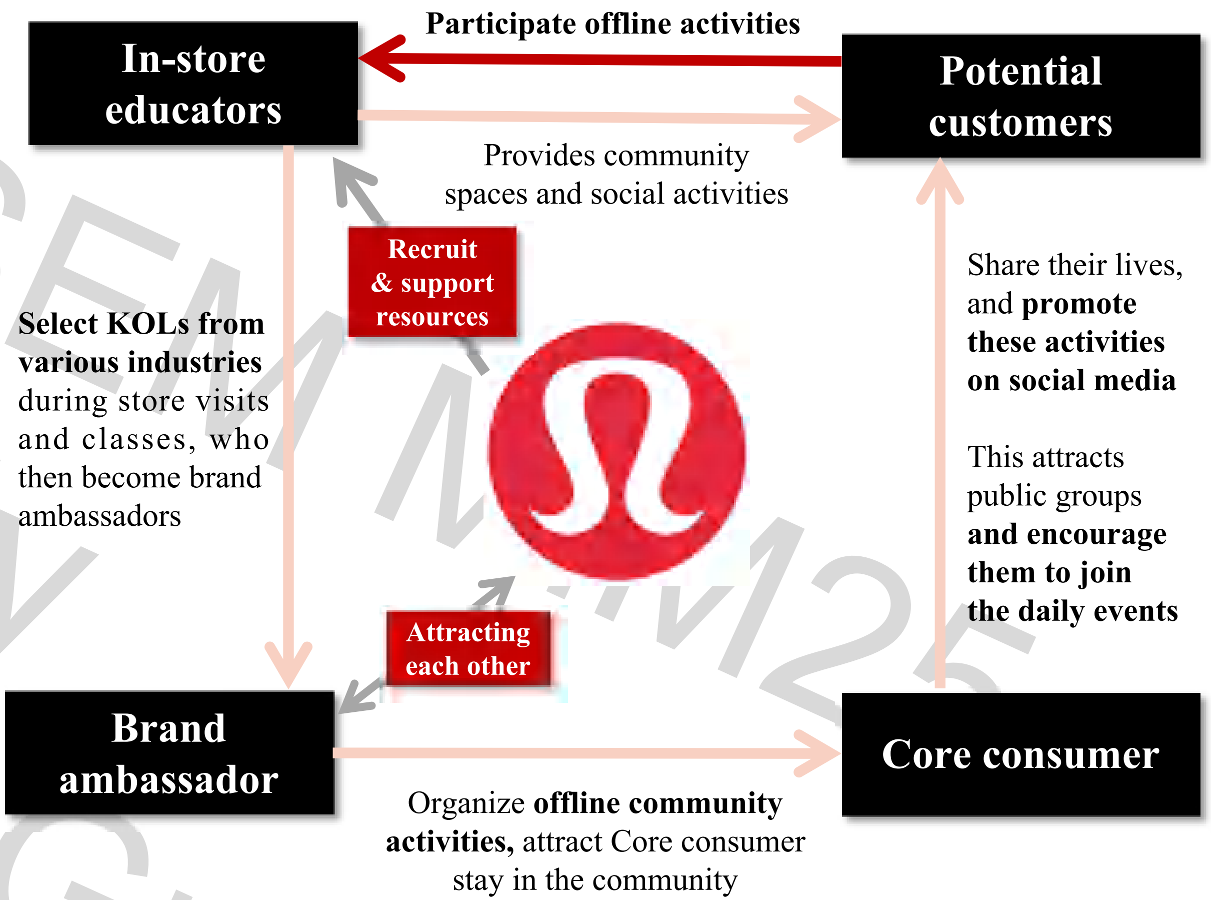
Ambassador

- Shares product insights & brand philosophy via its vertical influence for precise marketing to highly loyal fans
- Its brand ambassadors include global ones (KOLs) covering multiple sports, and in-store ones (KOCs)

Core consumer

- They recognize the brand's philosophy, make long-term repeat purchases, and enjoy participating in brand activities
- A key group that contributes to the brand's profitability

Community Marketing Cycle



Source: Palakshappa et al.(2024), Changjiang Security

Marketing – Ambassador System (2/3)

Brand ambassadors at different levels attract users from various dimensions

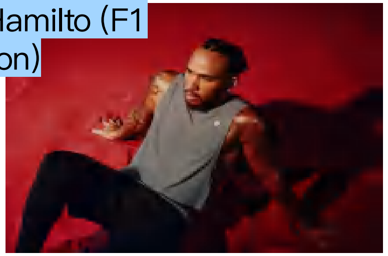
Ambassador system composed with cooperate **celebrity as symbol, global ambassador and local ambassador**

Cooperate Celebrity

Global cooperative stars: Top athletes/ actors from all over the world. They are not only spokespersons in the traditional sense but also an important part of brand ambassadors

Wang Shun (Swimming Champion)

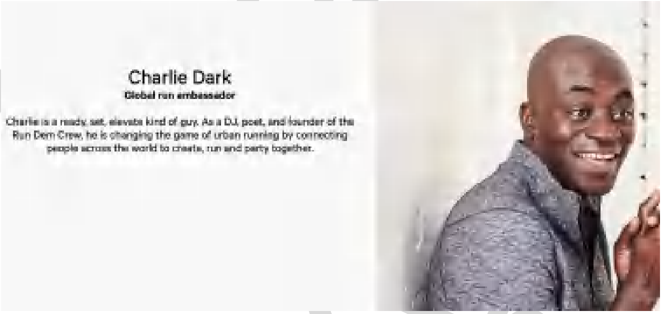
Lewis Hamilto (F1 champion)



Jia Ling, a Chinese actress,

Global Ambassador

Lululemon global ambassadors: Top athletes, yoga teachers, creatives & entrepreneurs who elevate communities via movement, and inspire the brand in all work



Local Ambassador

Local sports ambassadors: build genuine brand - community connections. With passion and leadership, they inspire communities to get active and create positive change

How to apply: Visit stores to start the ambassador conversation
Ambassador Benefits: Test new gear, get growth resources, connect with peers

Source: Kotler P, Keller K L, Chernev A. Marketing management(17th Edition)[M]. London: Pearson, 2024., Google Trend

Marketing – Global influence (3/3)

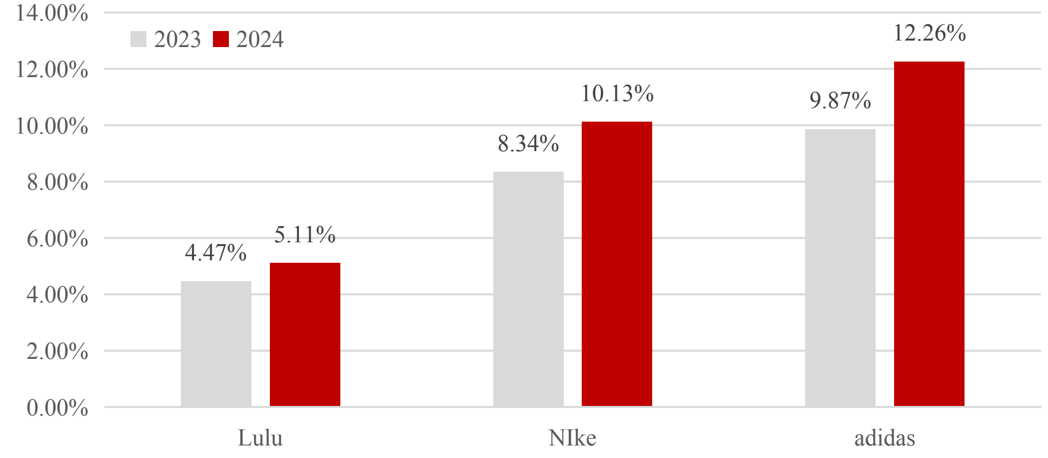
Community marketing success and drive global engagement keep rising

Expenditure on Marketing

Expand community engagement beyond operations

- Sponsor the Canada National Team's Jerseys, Securing Global ExposureHost
- **Offline events:** open yoga classes, sweat parties, city sports event
- **Launch online courses:** free trial sessions + paid programs; social events

However, **its marketing ratio remains relatively low compared to other major brands**, thanks to its community marketing model that relies on organic word-of-mouth



Advertisig & Marketing Expense/ Revenue

Global Engagement

As Lululemon opens stores worldwide, **its global brand awareness and community ecosystem begin to establish**

1 **Brand awareness: keep climbing**:
Google Trends' search data shows that this marketing model is very successful, continuously driving the overall brand voice volume upward

2 **KOC (Key Opinion Consumer) model**: keep Low marketing expenditure

3 **Organic promotion mode**: Enhance brand influence through social media, helping the brand's global voice volume to continuously increase

Source: Lululemon and Nike's annual reports in fiscal year 2024, Google Trend

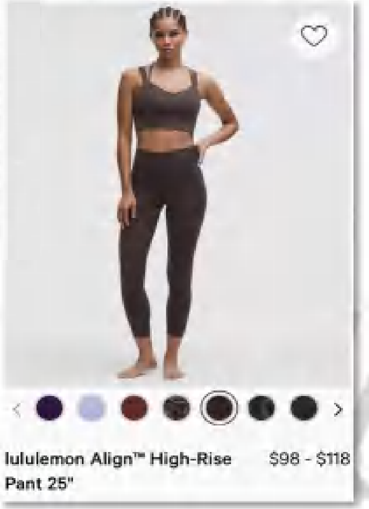
Pricing strategy

Lululemon through high prices, minimal discounts, and regional differentiation, reinforcing brand value and strong margins

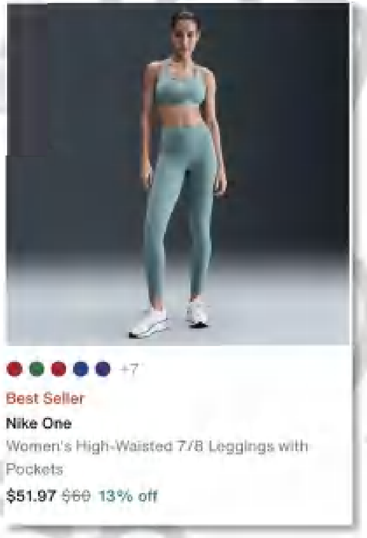
Premium Pricing – High Value, High Margin

- **Reinforces high-end, lifestyle brand image**
- Prices **above industry average** — *performance + aesthetics + emotion*
- Maintains **high gross margin (49–57%)**, outperforming Nike (~45%)

Lululemon

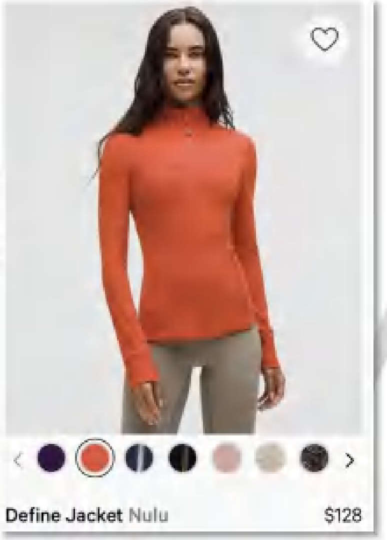


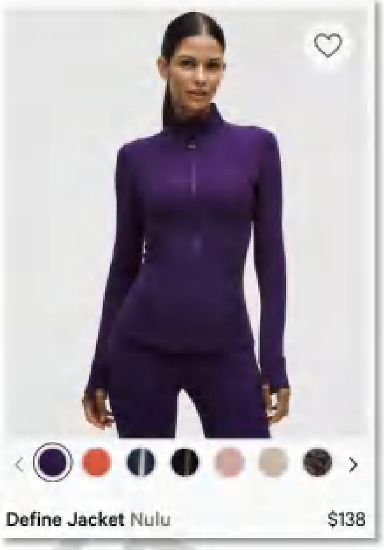
Nike



Differential Pricing by Region

- Reflects import taxes & market power differences
- Example: China prices ~20% higher than U.S.





CAD: $ 179	CAD: $212	CAD: $138
RMB: ¥912	RMB: ¥1080	RMB: ¥ 701
USD: $128	USD: $ 151	USD: $ 98

Sales Strategy

- **Core items rarely discounted,** sustaining long-term price integrity
- Only overstock items go on sale (≤50% off)

Source: Lululemon's official websites, Team Discussion

Value Chain Summary

Lululemon R&D and marketing activities are the core competencies and drive its competitive advantages

Core competency

Non - Core competency

Supportive activities

Firm Infrastructure: Global operations with robust leadership, management systems, and financial planning to scale business effectively

Human Resources: Integrate Employees into Corporate Culture

R&D: Cutting-edge innovation driven by human-centered design and co-creation with ambassadors

Supply Chain: Strong Production & Transport Capacities, But Affected by Policy Force Majeure

Primary activities

Distribution: Diversified DTC Model: E-commerce Platforms & Direct Stores as Pre-mium Sales Channels

Marketing Community-Based Strategy: Core of Corporate Competitiveness

Sales & Service: High-margin, regionally differentiated pricing with strong community engagement

Margin: Not included in the analysis

Source: Team Analysis

Core Competencies

Lululemon’s core competencies include brand image, customer loyalty, performance & aesthetics, and rapid prototyping

	Resources	Core competency	Capability
MKT	Ambassador System National/Regional Cooperative Relationships CRM System & Customer Community Application	**Brand image** Evolve into a totem, stand as a lifestyle representative, and build brand premium **Customer Loyalty** Users with ongoing belief in the lululemon lifestyle & strong brand loyalty	**Social Media:** Leverages KOCs、KOLs share their story with Lululemon **Experiential Marketing:** Organize fitness activities, let customers experience lululemon’s products & corporate culture **Social Campaigns:** Organize regional or online large-scale events to attract massive user attention
R&D	Whitespace Lab: In-house innovation lab Expert Team: With multi-disciplinary scientists Sustained Investment: Continuous dedication to R&D, driving sustained innovation	**Performance & Aesthetic** Merging functionality, comfort, and aesthetic appeal **Rapid Prototyping** Rapid prototyping and testing culture enabling agile product iteration	**“Science of Feel”:** Optimizing product experience **Advanced Testing:** Motion, thermal, and material resilience **Scalable Innovation:** From prototype to market-ready

Source: Barney(1991), Team Discussion

lululemon

Strategic Problem Identification

How can Lululemon sustain its growth during market saturation in North America and women sportswear market while intensifying competitiveness on the global market and other kind(s) of products?

Determining Diversification Strategies

Lululemon should adopt growth strategy:
Which kind of diversification is more appropriate?

1 Global Expansion

- **Related link diversification**
- Lululemon has already reached the ceiling of UCAN market.
- It is too risky to rely on one single region.
- Many chances all over the world are proved true (like China).

2 Product Line Expansion

- **Related Constrained Diversification**
- Lululemon has already reached the ceiling of Athleisure market.
- It is too risky to rely on one single kind of customers.
- Cultivate new kind of customers.

Operational Relatedness

	Related Constrained Diversification Low Corporate Relatedness High Operational Relatedness **Product Expansion**	**Both Operational and Corporate Relatedness** High Corporate Relatedness High Operational Relatedness
Corporate Relatedness	**Unrelated Diversification** Low Corporate Relatedness Low Operational Relatedness	**Related Link Diversification** High Corporate Relatedness Low Operational Relatedness **Global Expansion**

= Not Chosen
= Chosen
= To Be Determined

Source: Hitt M. A., Ireland R. D., Hoskisson R. E., et al. Strategic Management: Competitiveness and Globalization Concepts and Cases (14th Edition)[M]. Boston: Cengage, 2024.

LULU's Strategic Options

Option 1
Global Expansion

5 Continent Sub-Options

- UCAN
- APAC
- Europe
- LATAM
- MEA

3+1 Regional Segmentations

- A — Europe + Australia
- B — China + Korea + Japan
- C — LATAM + MEA
- ★ — UCAN

Option 2
Product Line Expansion

5 Product Category Sub-Options

- Men
- Women
- Kids
- Shoes
- Accessories

Question 2

What global expansion strategies should Lululemon adopt to sustain its international growth, and how should these strategies differ across target countries?

Group Discussion - 3 min
Presentation - 2 min

Option 1: 5-READY Framework

5 key factors adopted to evaluate whether expanding into a regional market is worthy

Y ***Yield***

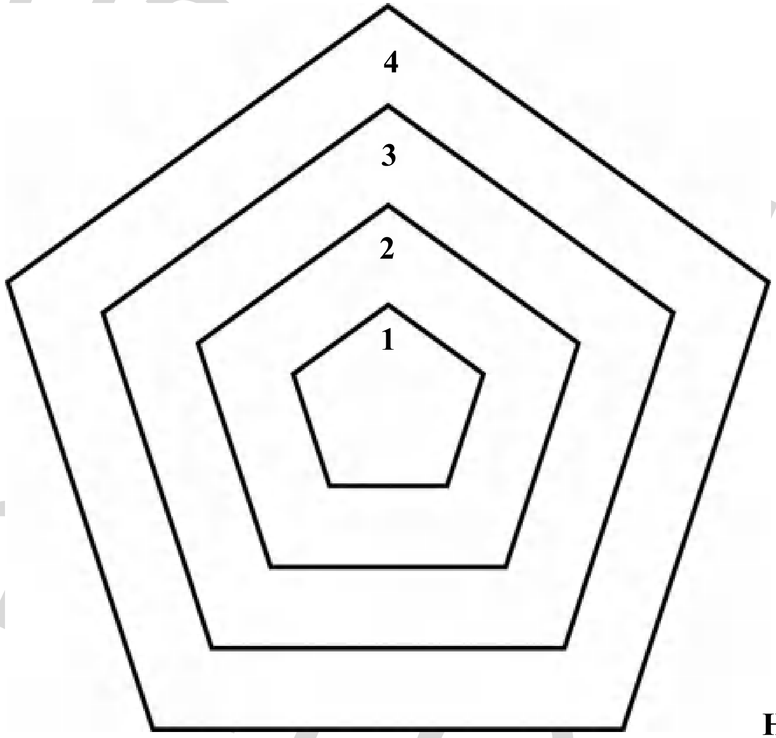
Low Competition Intensity

R ***Regional Fit***

High Athleisure Culture

D ***Deployment***

High Channel Readiness (Online/Offline)



E ***Entry Potential***

High Consumer Purchasing Power

A ***Attractiveness***

High LULU's Brand Acceptance

LULU's Strategic Options

Option 1
Global Expansion

5 Continent Sub-Options

- UCAN
- APAC
- Europe
- LATAM
- MEA

3 Regional Segmentations

- A — Europe + Australia
- B — China + Korea + Japan
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- ★ — UCAN

Option 2
Product Line Expansion

5 Product Category Sub-Options

- Men
- Women
- Kids
- Shoes
- Accessories

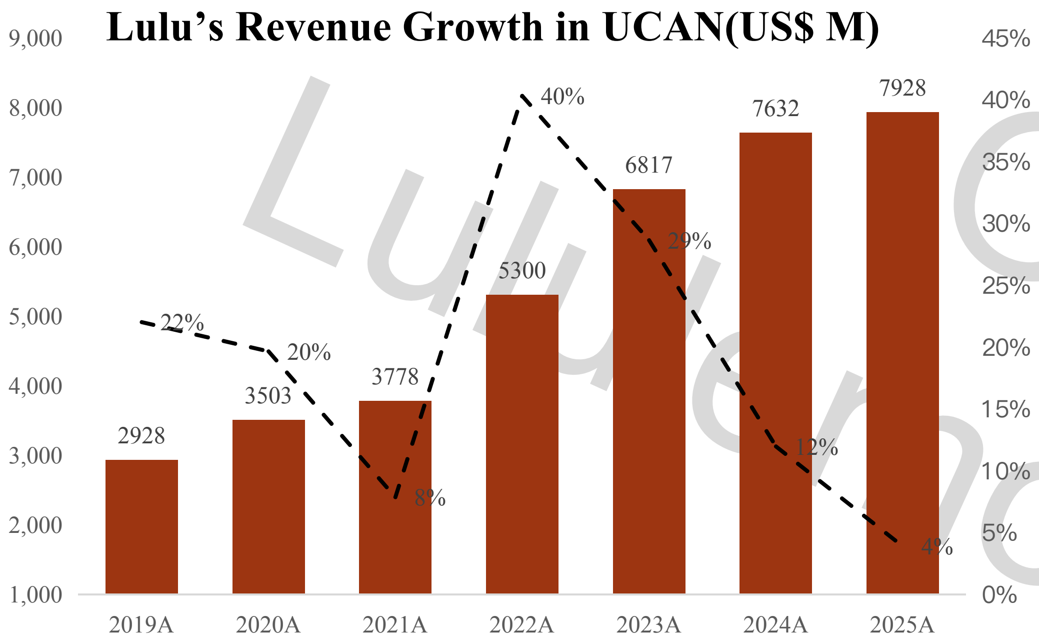
Sustaining Growth in UCAN Market

Leveraging innovation, experience, and brand community to sustain long-term momentum in mature regions.

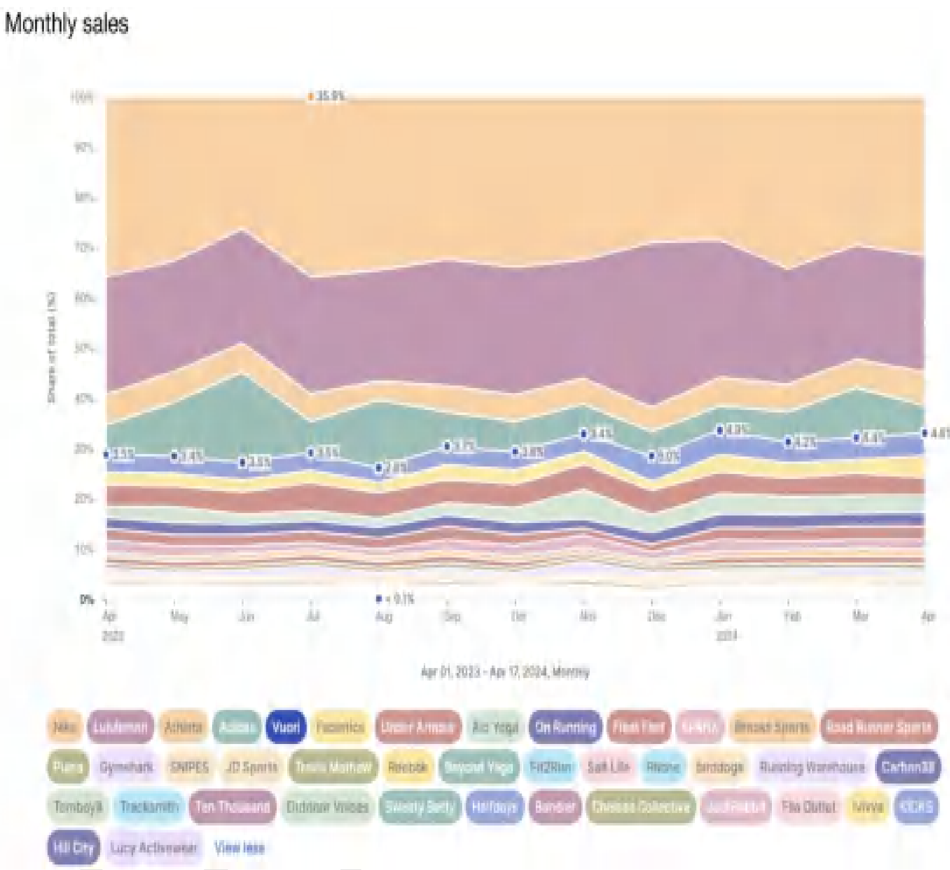
What's the UCAN Market Like?

Market maturity :

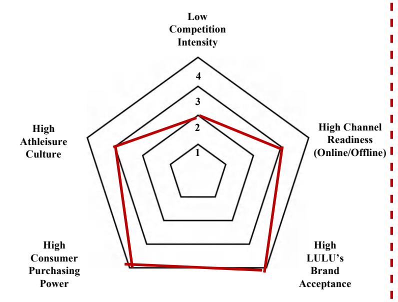
- UCAN contributes ~75% of Lululemon's total revenue, yet growth is slowing as the market nears full penetration
- Over 70% of consumers in key cities already owning Athleisure and brand awareness at peak levels



Highly Competitive landscape:



5-READY Scoring Card



Market Share:

Nike ≈ 36 %
Lululemon ≈ 21 %
Vuori ≈ 4.6 %
Alo Yoga ≈ 4 %
Athleta ≈ 3.5 %
Adidas ≈ 3 %
Fabletics ≈ 3 %
UnderArmour ≈ 2.8 %

Source: Earnest Analytics

Sustaining Growth in UCAN Market

Leveraging innovation, experience, and brand community to sustain long-term momentum in mature regions.

Lululemon's Action

GOAL

Sustain UCAN growth and profitability by strengthening loyalty and increasing customer lifetime value through innovation and community engagement.

Advantages

- Brand loyalty reinforcement
- Recurring revenue growth
- Market share defense

Risks / Costs

- High engagement cost
- Lifestyle fatigue risk
- Margin pressure increase

Strategic Activities / Actions	Requirements
• **Strengthen community & loyalty** - Expand wellness and ambassador events - Deepen engagement via collaborations with gym or schools.	• Community & hybrid platforms
• **Enhance digital personalization** - Use data/AI for tailored experiences and exclusive member benefits	• CRM & AI personalization
• **Expand men's & footwear lines** - Target underpenetrated male segment	• Male-focused innovation campaigns

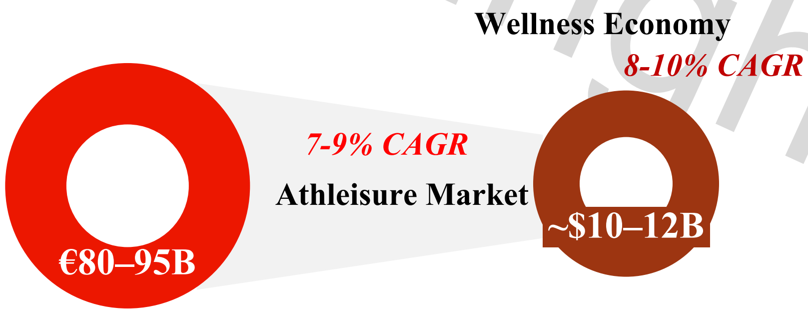
Source: Team Discussion

A

Expanding Positioning in Europe + UK

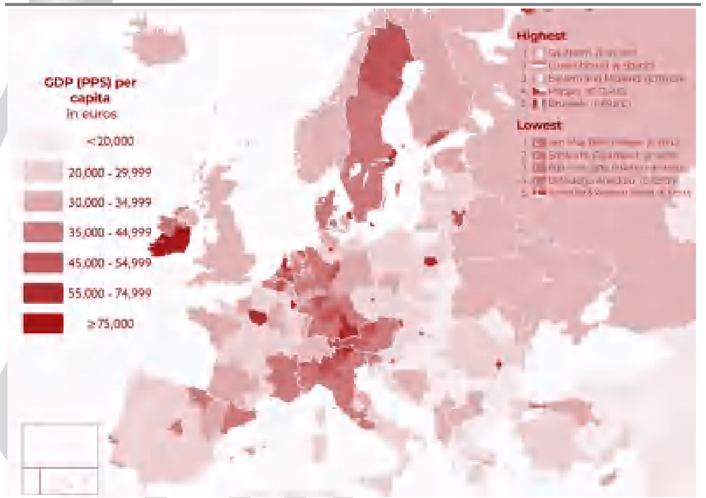
Large, premium-ready market with awareness and competition being the binding constraints

What's the European Market Like?



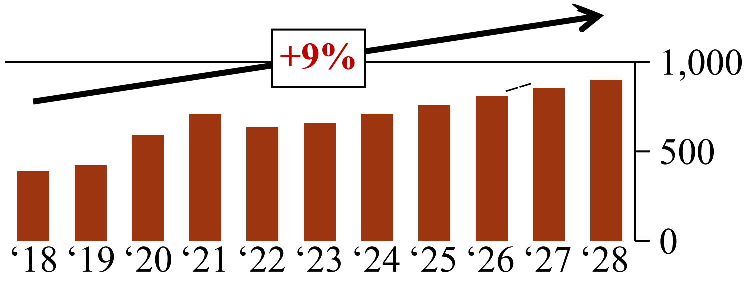
2024 EU Market Size: Athleisure & Wellness

Mid-High EU Consumers' PP



EU urban consumers have **strong willingness to pay** for quality/durability and are receptive to **sustainable** materials.

EU Online Channel growing

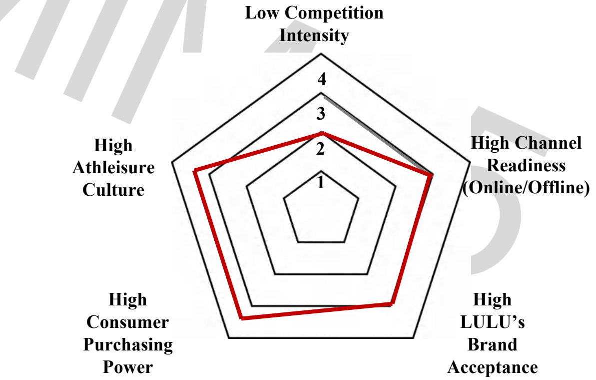


2018-28 EU E-commerce Market Revenues, $ billion

LULU Overcomes local competitors in # Stores

	# Eu Stores	# Countries
	13	
	2	
	1	

5-READY Scoring Card



Source: Landgeist, ECDB

A Expanding Positioning in Europe + UK

Large, premium-ready market with awareness and competition being the binding constraints

Lululemon's Action

GOAL:
Lift brand notoriety and consideration to unlock profitable store roll-out
Target: unaided awareness, e-comm CVR & store traffic

Advantages

- Premium wellness consumers in tier-1 cities
- Strong e-commerce and logistics
- Sustainability aligns with brand image

Risks / Costs

- Intense premium competition, high ad costs
- Margin pressure from VAT/returns, localization needs

Strategic Activities / Actions	Requirements
• Expand in key EU cities via pop-ups to permanent stores • Localize products and marketing (city themes, collaborations) • Strengthen omni-channel and loyalty programs across EU • Drive men's and footwear growth through tested city launches	• Partner with community managers, studios, and PR/creator agencies • Ensure supply readiness with EU distribution and core SKUs in stock • Integrate CRM/CDP for real-time inventory and performance tracking • Conduct market research to identify unmet consumer needs

Source: Team Discussion

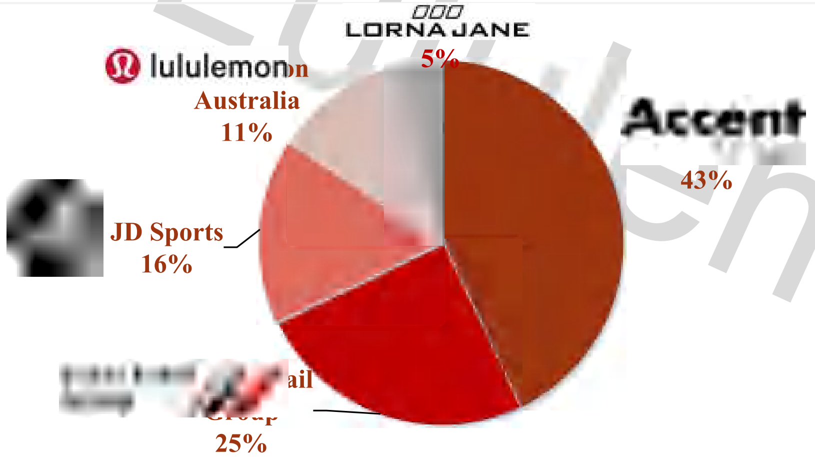
A

Expanding Positioning in Australia

Positioning Lululemon in Australia's rapidly expanding Athleisure landscape

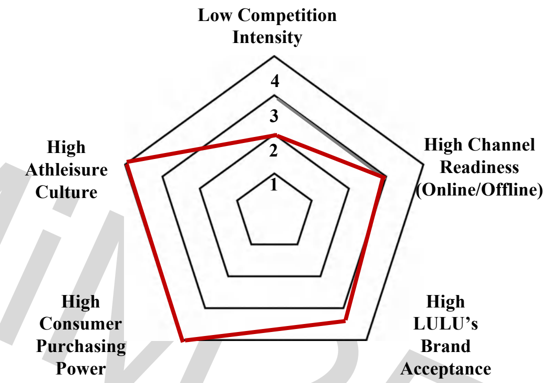
What's the Australian Market Like?

With a projected **6.05% CAGR (2025–2033)**, Australia's activewear demand remains robust as more consumers prioritize fitness, wellness, and active lifestyles.



Company	Store Count (Australia)	Key Brands / Notes
Accent Group	900+	Manages 30+ brands including Hoka, Platypus, Saucony
Super Retail Group	160+ (Rebel)	Owns Rebel, BCF, Macpac, Supercheap Auto
JD Sports	68	Global sports retailer expanding in Australia
Lululemon Australia	50	Premium Athleisure and yoga brand
Lorna Jane	100	Leading solo Athleisure brand focused on women

5-READY Scoring Card



Source: Statista

A Expanding Positioning in Australia

Positioning Lululemon in Australia's rapidly expanding Athleisure landscape

Lululemon's Action

GOAL:
Expand Lululemon's Australian market share through retail growth, digital engagement, and stronger local wellness integration.

Advantages

- Strong wellness brand alignment
- Steady Athleisure market growth
- Rising premium consumer demand

Risks / Costs

- Intensifying competitive brand landscape
- High operational and labor costs
- Saturated major urban markets

Strategic Activities / Actions	Requirements
• **Expand Retail Reach:** Open stores in secondary cities and test demand via pop-up studios. • **Localize Products & Pricing:** Create climate-suited collections and selective discounts. • **Boost Digital & Community:** Enhance online experience and partner with local wellness networks. • **Promote Sustainability:** Showcase resale programs and ethical sourcing stories.	• **Local Partnerships:** Malls, studios, influencer collaboration • **Operations:** Efficient, localized supply chain • **Investment:** New stores, digital marketing

Source: Team Discussion

B

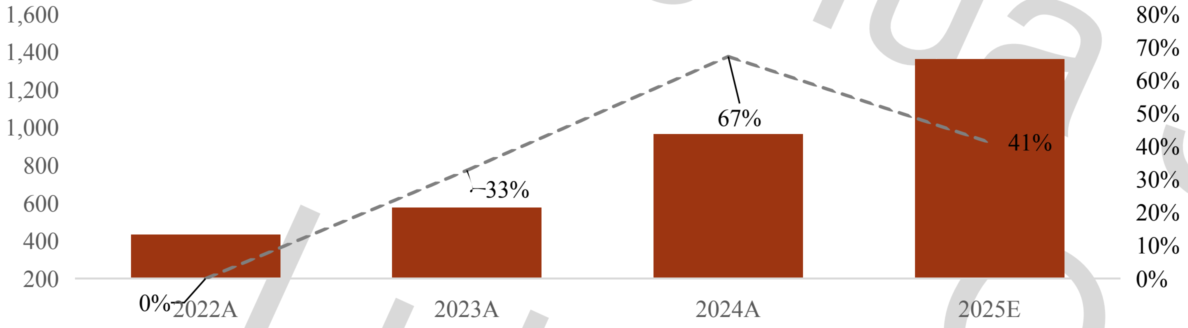
Accelerate Growth in China

Leverage China's rapid growth to offset North American slowdown and build long-term international resilience

What's the Chinese Market Like?

High Growth Market:

China = Fastest-growing market globally for Lululemon, 10% of global revenue; projected to become 2nd-largest market after North America

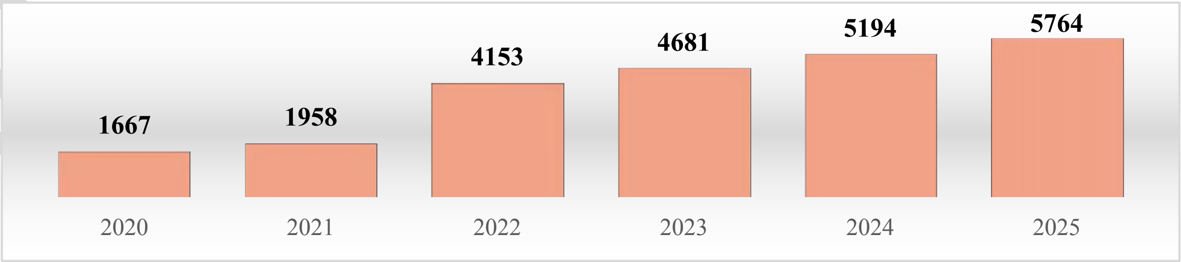


2022-25 LULU's Revenue Growth, China Mainland, $ million

Strong Health & Wellness Culture:

China's yoga apparel market shows a strong post-pandemic rebound with a ~13% CAGR, driven by wellness culture, Athleisure trends, and digital retail growth.

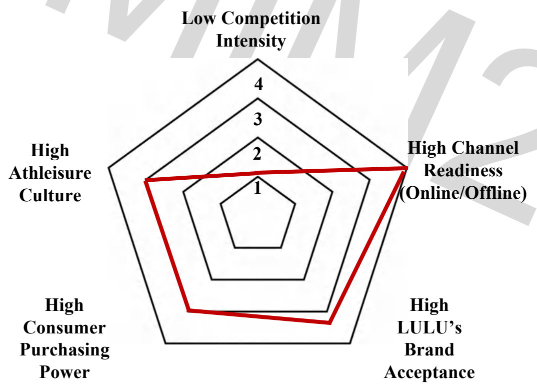
China's Yoga Appeal Market Size(USD$ M)



Digitally Mature Consumers:

	China	UK	US
Retail e-commerce share of total retail sales	46%	36%	15%
Consumers who purchased on social media platforms	27%	14%	8%
Consumers providing feedback online	26%	18%	12%
Consumers who interact with brands on social media	22%	13%	11%

5-READY Scoring Card



Source: Lululemon's annual reports, Grandview Search

B

Accelerate Growth in China

Leverage China's rapid growth to offset North American slowdown and build long-term international resilience

Lululemon's Action

GOAL:
Strengthen Lululemon's long-term global growth by making China its second-largest.

Advantages
- Rapid wellness growth
- Loyal digital consumers
- Aspirational lifestyle fit

Risks / Costs
- Intensifying local competition
- Limited mass affordability
- High localization cost

Strategic Activities / Actions

- Expand store footprint into Tier-2 & Tier-3 cities (e.g., Chengdu, Hangzhou, Shijiazhuang)
- Localize product design and cultural campaigns (Lunar New Year, local collabs)
- Strengthen digital & community ecosystem via WeChat, Xiaohongshu, and Mini Programs
- Build men's wear and training apparel lines to diversify beyond yoga/women's core

Requirements

- Local supply strength
- Community & data investment
- Phased, cost-controlled expansion

Source: Team Discussion

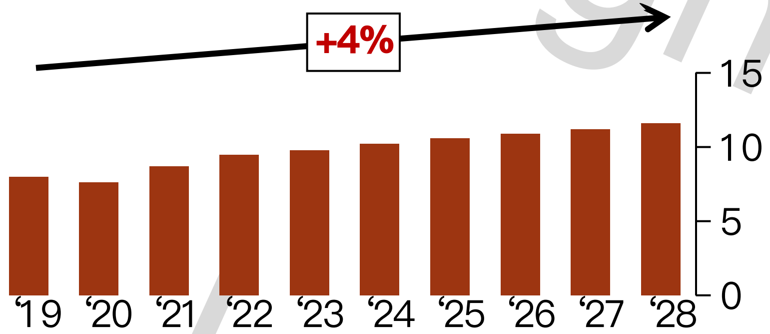
B

Accelerate Growth in Japan

Exploit the strong market potential and overcome the low fitness participation

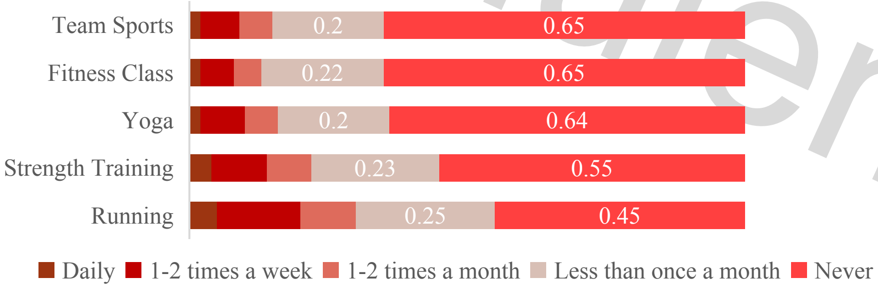
What's the Japanese Market Like?

Demand & Culture



2019-28 Japan Athleisure Market Revenues, $ billion

Core problem stands in the **lack of Identification** with Athleisure culture and sports



2024 Japan Consumer

Stores >>> than competitors

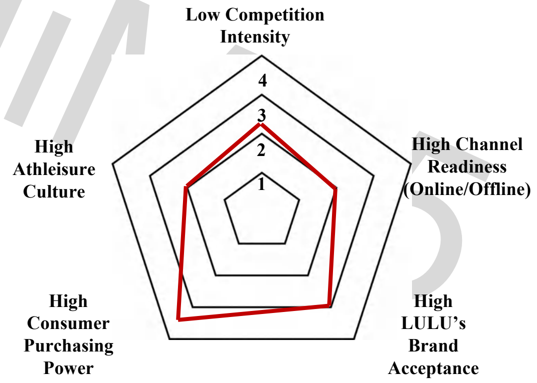
	# Eu Stores	# Cities
	6	Tokyo, Yokohama, Osaka, Nagoya, Fukuoka, Kobe
	2	Tokyo, Osaka
	1	Tokyo

"Offline matters" more than EU

Offline "see/try" is JP's top purchase option

Apparel **online share ~22–28%**, far lower than other countries

5-READY Scoring Card



Source: Euromonitor, FortuneBusinessInsights

B

Accelerate Growth in Japan

Exploit the strong market potential and overcome the low fitness participation

Lululemon's Action

GOAL:
Consolidate brand recognition and profitable growth in Japan by leaning into technical credibility and try-on–led omni.

Advantages

- Wealthy consumers value quality and fit
- Strong logistics and offline retail support premium sales

Risks / Costs

- Low Athleisure awareness
- Intense competition from major premium brands

Strategic Activities / Actions	Requirements
• **Try-on–led brand lift (stores first):** Create standout fitting experiences in Shibuya, Ginza, and Umeda; take mobile "fit labs" to campuses and offices.	• **Operations & Supply:** regional DC slotting, JP size curves, returns playbook; VM & "fit lab" toolkits
• **Local social proof:** Run city-level Instagram/TikTok/YouTube with AR try-ons (Japanese captions); recruit creator-coaches; build run/commuter clubs.	• bilingual store staff; creator/coach partnerships; community managers.

Source: Team Discussion

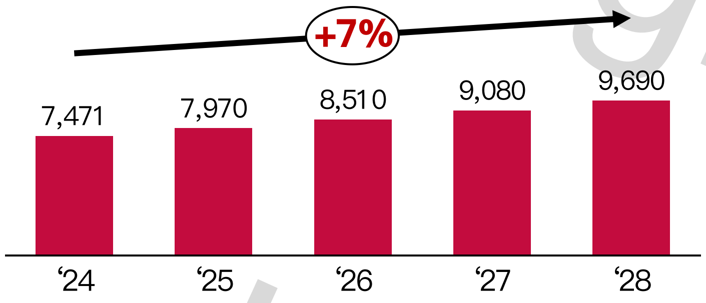
B

Accelerate Growth in South Korea

Leverage fashion-driven fitness culture and capitalize on K-lifestyle premiumization

What's the South Korean Market Like?

Demand & Culture



2024-28 South Korean Athleisure Market Size, $ million

High Athleisure market size & growth accompanied by 70% of population with a **medium-high purchasing power**

2023-24 South Korean Income Tier Distribution by Household Income

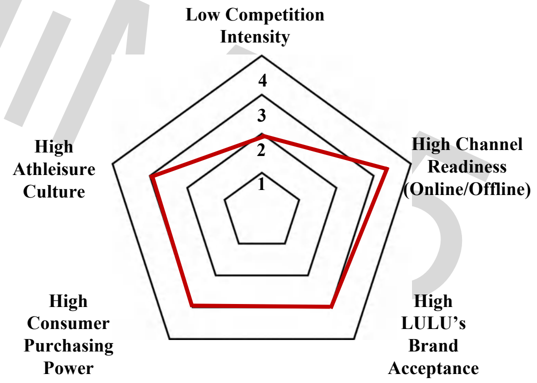
Stores compared to competitors

	# SK Stores	# Cities
	10	Seoul, Busan
	10+	Seoul, Busan, Gangneung, Sejong
	6	Seoul

Potential on Online Channels

- Korean's **E-commerce** ranks **5th worldwide** for transaction value - approximately KRW 2,607 trillion
- **KOL and Live streaming** remains fastest-growing sales channel – about 30% YoY growth

5-READY Scoring Card



Source: FortuneBusinessInsights, Statistics Korea, KIET

B

Accelerate Growth in South Korea

Leverage fashion-driven fitness culture and capitalize on K-lifestyle premiumization

Lululemon’s Action

GOAL:
Build brand desirability and digital-led growth in South Korea by using KOL-driven social commerce, premium collaborations, and fashion–fitness fusion storytelling.

Advantages

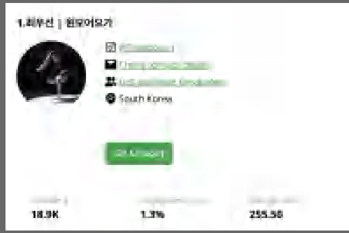
- Mobile-first consumers with 94% social media use
- Strong creator economy and e-commerce integration
- Premium pricing linked to credibility and quality

Risks / Costs

- Fast trend turnover and brand fatigue risk
- High marketing costs amid creator saturation and strong local rivals

Strategic Activities / Actions

- KOL campaigns with fitness and lifestyle creators
- Live e-commerce try-ons with bilingual instructors
- Seoul Capsule collab highlighting street-performance style



Requirements

- Build KOL management and analytics team in Seoul
- Provide creator toolkits with templates and reward codes
- Co-fund marketing with platform partners
- Localize design for colorways and sizing

Source: Team Discussion

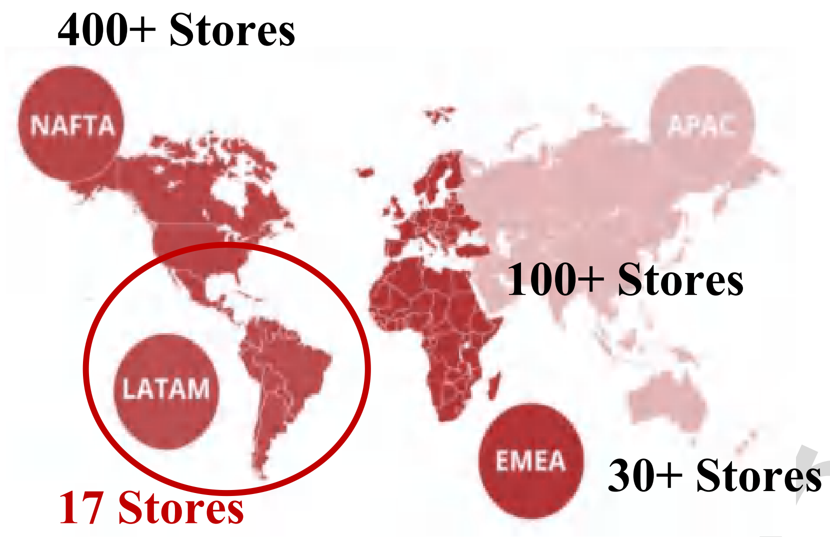
C

Unlock Untapped Potential in LATAM

Capture the High growth market potential overcoming the brand penetration and affordability barriers

What's the LATAM Market Like?

Untapped Market:
LATAM's Athleisure market is growing fast (~9% CAGR), but Lululemon holds only a small share, reflecting high untapped potential and low brand maturity in the region.

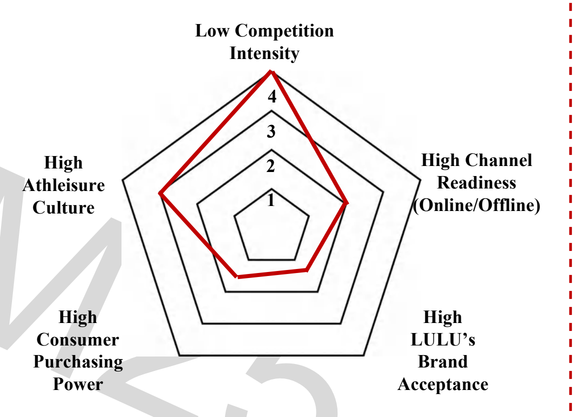


Only 15 stores operated in Mexico; no retail footprint yet in Brazil, Chile, or Colombia.

Premium Pricing Limits Accessibility :
With the average GDP per capita in Latin America around US $11,000, and typical monthly incomes in leading markets like Mexico close to USD 1,000, **Lululemon's premium price points make its products inaccessible** for a large portion of the population in the region.

	Value / Estimate
GDP per capita, Latin America & Caribbean	~ US $11,044.7 (2024, current US$)
GDP per capita (2023, LATAM average)	~ US $11,125.98
GDP per capita, selected LATAM countries	Mexico: ~ US $13,972; Brazil: ~ US $10,296; Peru: ~ US $8,316
Average monthly salary, Mexico (2025 estimate)	~ MXN 17,300 ≈ USD 1,020 / month
Average wages across Latin American countries	Varies, e.g. Costa Rica ~ USD 1,044.94/mo (after tax)

5-READY Scoring Card



Source: Mexico Business, Trading Economics

C

Unlock Untapped Potential in LATAM

Capture the High growth market potential overcoming the brand penetration and affordability barriers

Lululemon's Action

GOAL:
Expand LATAM presence and accessibility through retail growth and an affordable sub-brand.

Advantages

- Global brand relevance
- Fast-market expansion
- Revenue diversification

Risks / Costs

- Brand dilution risk
- Lower margin pressure
- Branding cost burden

Strategic Activities / Actions	Requirements
• **Expand store footprint** Open flagship stores in São Paulo, Santiago & Bogotá following Mexico's model	• Market entry setup
• **Launch affordable sub-brand** Introduce simplified, lighter designs (~30–40% lower price) for youth and lifestyle markets	• Localized product strategy
• **Localize marketing & community** Collaborate with local influencers, studios, and wellness creators to build awareness	• Cultural marketing investment

Source: Team Discussion

C Unlock Untapped Potential in the Middle East

Win over high-spending consumers and conquer strong offline channels make ME a strong option

What's the Middle East Market Like?

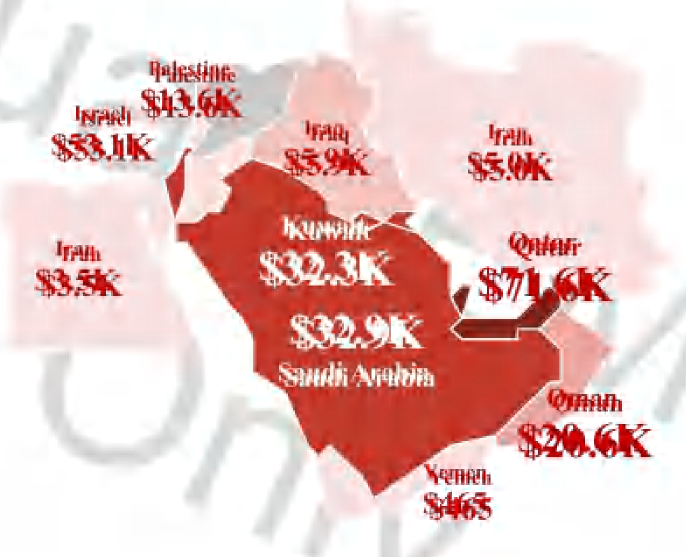
Go-to Sales via Super Malls

ME channel primarily led by **Offline-led shopping** by local consumers in Regional Super Malls

Traffic Peaks during **weekends**, **late hours** & **holidays**

Dubai Mall: 1,200+ retail stores and 200+ F&B outlets; floor area ≈ 350,000 m² (~3.8M sq ft); 14,000+ parking spaces.

Relatively High ME PP



QATAR is the Leading State in terms of GDP per capita, followed by **UAE, Saudi Arabia,** and **Kuwait**

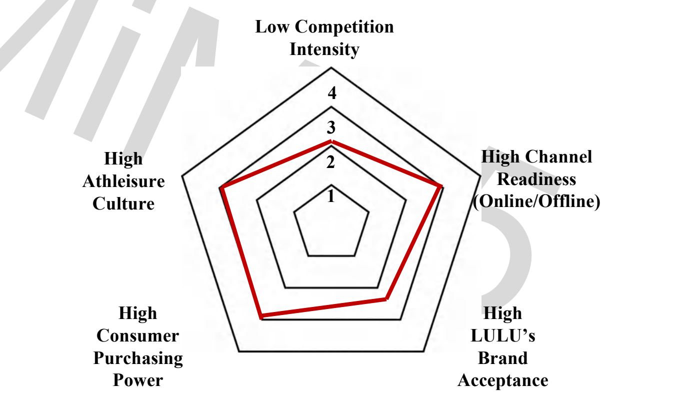
Overall, ME consumers in 1-tier countries have relatively **strong purchasing power**

Market Opportunity

Athleisure size: **$30–35B**, growing **~8–10% CAGR** to 2030

Yoga/wellness economy: **$1.5–2.5B** across studios, apparel, accessories - fastest growth in Dubai, Abu Dhabi, Riyadh.

5-READY Scoring Card



Source: Statista, World Bank 2024, IMF 2024, GCC 2025

C

Unlock Untapped Potential in the Middle East

Win over high-spending consumers and conquer strong offline channels make ME a strong option

Lululemon's Action

GOAL:
Winning over consumers by targeting offline stores and localizing products
Target tier-1 subregions (UAW, KSA, QA)

Advantages:
- Wealthy consumers, premium product demand
- Mall retail, growing e-commerce adoption
- Rising female wellness participation

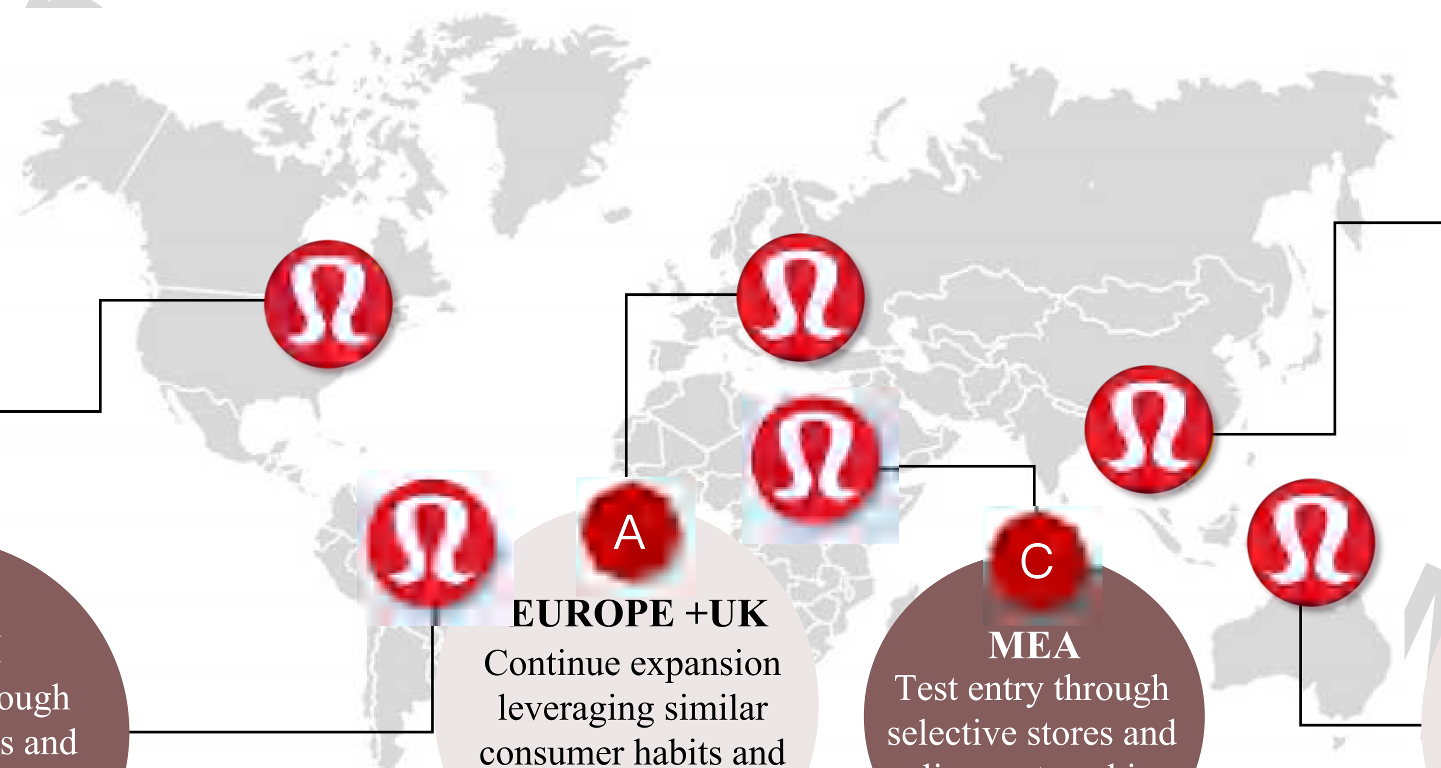
Risks / Costs:
- Margin pressure, duties, FX, fees
- Cultural, language localization needed
- Low awareness, partner execution reliance

Strategic Activities / Actions	Requirements
• **Mall-first entry:** Launch pop-ups in Tier-1 malls, co-market with MAF/Alshaya via mall media and wellness events • **Omni speed (UAE→KSA):** Enable OMS, BOPIS, and ship-from-store; adapt to KSA COD norms with deposit/ID; • **Local social & female community:** Build IG/TikTok/YT presence with AR try-ons, women-only classes, and creator-led gear-check content to drive trust	• Partners: Franchise, marketing, data sharing • Supply chain: Regional hub, inventory reliability • Digital: Bilingual, integrated omnichannel systems • People: Local training, cultural alignment

Source: Team Discussion

Global Expansion Summary

LULU should adopt a differentiated strategic approach in A,B,C, Star markets



UCAN
Sustain growth and explore new segments

C
LATAM
Test entry through selective stores and online partnerships.

A
EUROPE +UK
Continue expansion leveraging similar consumer habits and premium fitness culture.

C
MEA
Test entry through selective stores and online partnerships.

B
ASIA
Accelerate expansion through localization and digital innovation.

A
AUSTRALIA
Deepen market presence through partnerships and experiential retail.

LULU's Strategic Options

Option 1
Global Expansion

5 Continent Sub-Options

- UCAN
- APAC
- Europe
- LATAM
- MEA

3 Regional Segmentations

- A Europe + Australia
- B China + Korea + Japan
- C LATAM + MEA
- ☆ UCAN

Option 2
Product Line Expansion

5 Product Category Sub-options

- Men
- Women
- Kids
- Shoes
- Accessories

MiM25

Question 3

How should Lululemon Expand its Product Line?

Tsinghua EMBA WIM25
Lululemon Group Only

Why can Lululemon expand its Product Line?

Starting from Lululemon's core competencies and resource accumulation

Core: Lululemon is no longer just an **athletic apparel company**, but a ***premium brand centered around a "mind-body wellness lifestyle."*** All its expansions should revolve around this core and leverage its existing core assets.

Competence & Accumulation

1 Product & Technology

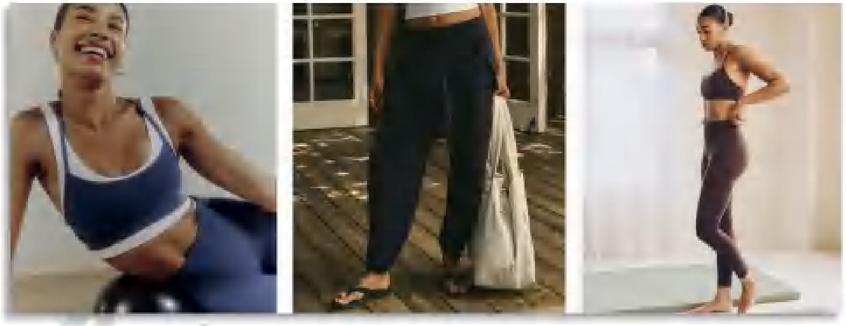
- Possesses a portfolio of proprietary fabrics (e.g., Nulu™)
- Deep expertise in aligning material technology
- Expertise in Ergonomics & Cutting

2 Brand & Customer Base

- Strong community trust (e.g., Sweat Collective)
- Premium brand image

3 Operations & Channel

- Vertical retail expertise
- Strong digital DTC capabilities



Source: Case Study; Lululemon's official websites

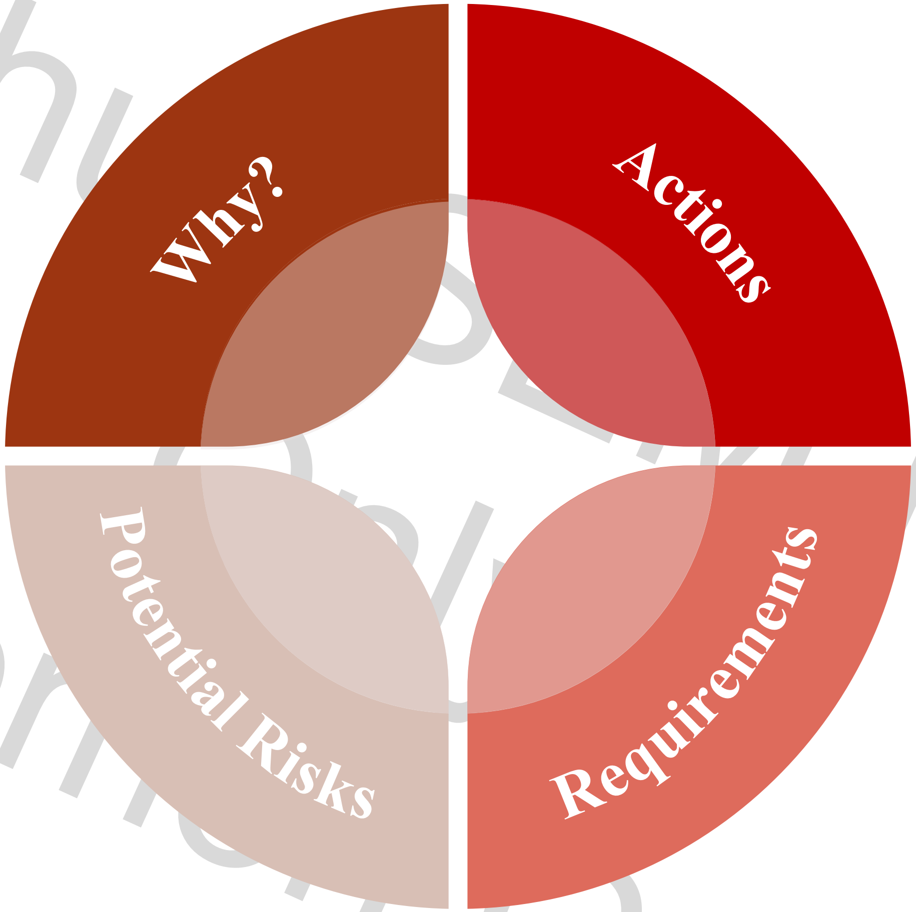
Option 1: Expand Men’s Apparel Category

Emphasize technological attributes and delve into niche markets

From 2016-2026, **global male sportswear market** is projected to grow from **$134.63 billion (2016) to $201.95 billion (2026) (CAGR 5.87%)**

What is the Goal?

- Tap into untapped market potential
- Diversify for dual growth engines
- Fill gap in performance wear



What LULU Can Do?

- Develop male-focused performance product lines
- Promote through athlete-led community marketing

What to Mitigate?

- Brand dilution risks alienating core
- Fierce competition from major players
- Broader SKUs raise operational risks

What is Needed?

- Invest in male biomechanics research
- Educate market to reshape perception

Source: Statista, Case Study, Team Discussion

Option 1: Expand Male Apparel Category

Emphasize technological attributes and delve into niche markets

Criteria	Evaluation	Rationale
Strategic Consistency	●●●●●	Consistent with lululemon's **philosophy** of **emphasizing technology**
Profit ~ Future Potential	●●●●●	The market has a **massive base**, but its **potential** remains largely **untapped**
Urgency	●●●○○	The market is **highly competitive**, yet consumer potential remains enormous
Risk (r)	●○○○○	Very high risk because Lululemon used to be seen as a brand just for female
Technical Feasibility	●●●●●	Lululemon possesses **mature patents and strong R&D capabilities**
Economic Feasibility	●●●●●	Adjust the proportion of **cost allocation** and appropriately increase **marketing expenditures**

Source: Case Study, Team Discussion

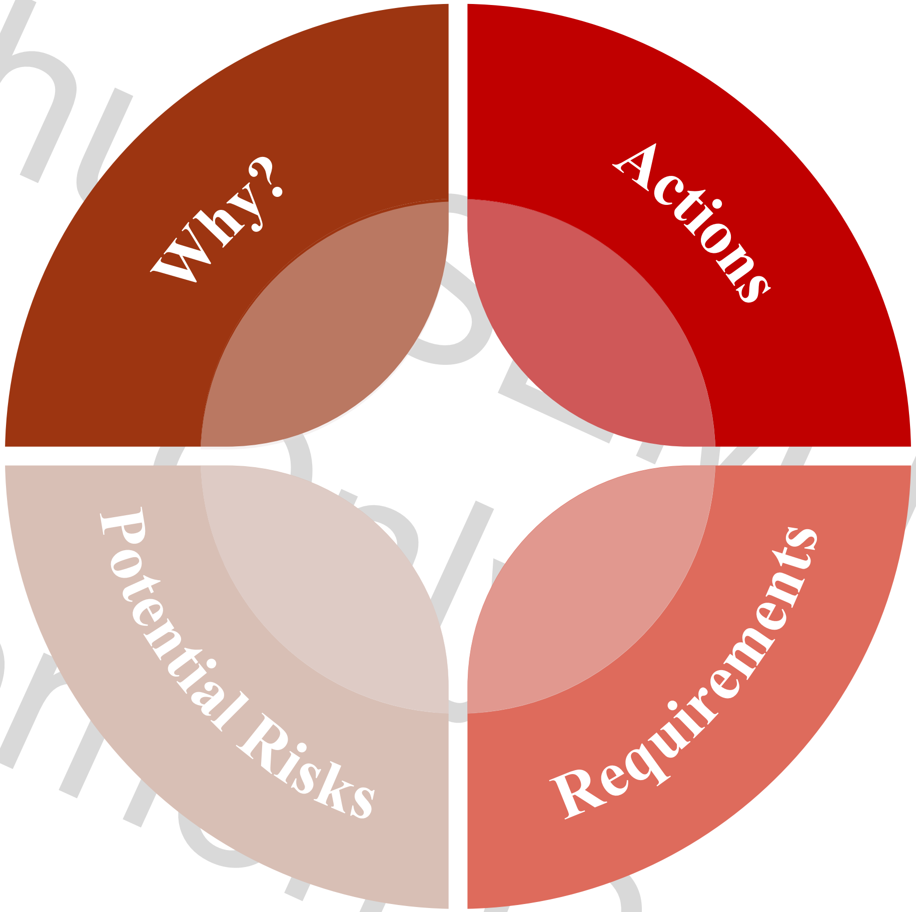
Option 2: Re-launch Lululemon Kids Line

Create a new growth driver by re-entering the premium childrenswear market

From 2016-2026, **global children sportswear market** grew from **$11.26B to 18.66B (CAGR 6.68%)**, indicating strong growth potential

What is the Goal?

- Re-enter premium kids' Athleisure
- Leverage core demand to boost CLV
- Adapt adult tech for kids' line



What LULU Can Do?

- Launch "Lululemon Kids 2.0" line
- Pilot through flagship and online
- Build family-based community network

What to mitigate?

- Limited feedback and data loop
- High costs from size, compliance
- Brand dilution risk without consistency
- Short lifecycle reduces repeat purchases

What is needed?

- Ensure CPSIA / GB31701 compliance
- Train staff for family engagement
- Use parent–child panels for feedback

Source: Statista, Case Study, Team Discussion

Option 2: Re-launch Lululemon Kids Line

Create a new growth driver by re-entering the premium childrenswear market

Criteria	Evaluation	Rationale
Strategic Consistency	4/5	Still fits holistic wellbeing vision and long-term diversification goal.
Profit ~ Future Potential	3/5	Market growth is solid, but smaller volumes and shorter usage cycles limit margin leverage.
Urgency	2/5	Non-urgent; adult and accessories categories have stronger near-term ROI.
Risk (r)	2/5	High risk due to limited feedback channels, costly compliance, and potential brand dilution
Technical Feasibility	3/5	**Fabric tech transferable**, but user-insight and fit-model systems are underdeveloped
Economic Feasibility	3/5	Requires **upfront CAPEX** for size-grading and certification; moderate payback horizon (3–5 years)

Source: Case Study, Team Discussion

Option 3: Expand Accessories & “Other” Categories

Reinforce high-margin lifestyle segments to diversify revenue beyond apparel

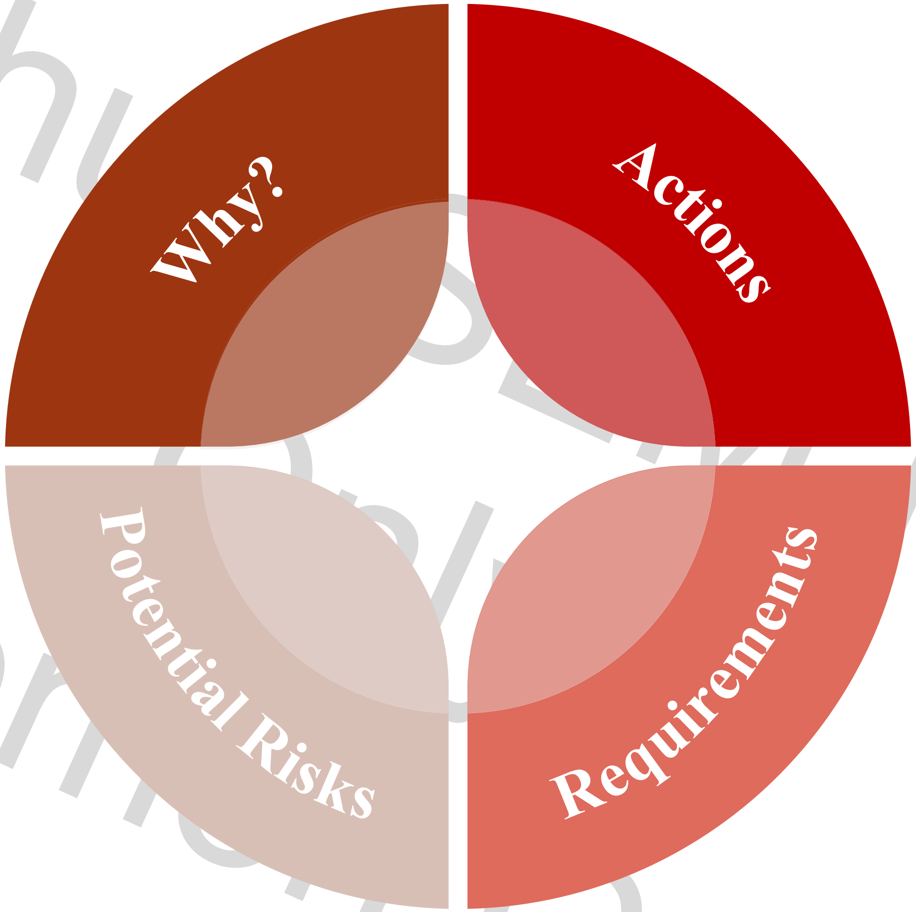
From 2016-2026, **global sports accessories market** grew from **$3.8 billion to $7.97 billion**, CAGR 8.43% (Highest growth rate).

What is the Goal?

- Fastest-growing high-margin category
- Drives scenario-based outfit coordination
- Accessories act as mobile branding

What to mitigate?

- Avoid over-expansion, preserve minimalism
- Adapt supply chain for new SKUs
- Enhance storytelling for emotional appeal



What LULU Can Do?

- Expand successful accessory sub-lines
- Bundle accessories with Studio app
- Invest in sustainable material innovation
- Create lifestyle-focused accessory zones

What is needed?

- Strengthen sustainable supplier network
- Train staff for cross-selling bundles
- Enhance inventory analytics efficiency

Source: Statista, Case Study, Team Discussion

Option 3: Expand Accessories & “Other” Categories

Reinforce high-margin lifestyle segments to diversify revenue beyond apparel

Criteria	Evaluation	Rationale
Strategic Consistency	●●●○○	Aligned with **“head-to-toe lifestyle**” and **Power of Three × 2** product innovation goals
Profit ~ Future Potential	●●●●○	**Fastest category growth** (8.4 %CAGR) and higher gross margin vs. apparel
Urgency	●●○○○	**Strong Market momentum** post-COVID; competitors (Nike, Alo, On) investing heavily
Risk (r)	●●●○○	Medium Risk – leverages **existing base** and **supply chain**
Technical Feasibility	●●●○○	**Different but non-complicated** design and technology are needed
Economic Feasibility	●●●●●	**Low CAPEX**; **rapid payback** through DTC and online channels.

Source: Case Study, Team Discussion

Option 4: Expand Female Product Category

Reinforce and leverage the inherent advantages of traditional female markets

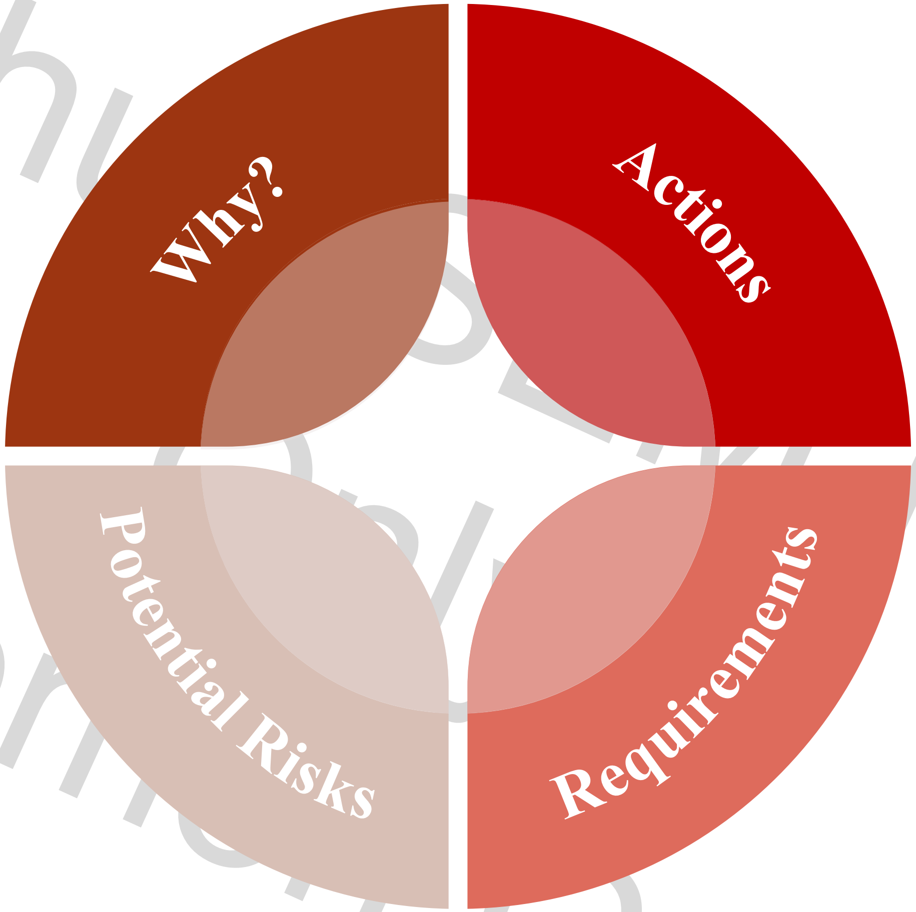
From 2016-2026, **global female sportswear market** grew from $**92.56 billion to $160.05 billion**, CAGR 7.4%

What is the Goal?

- Sustain women's apparel leadership
- Drive women's apparel revenue growth
- Reinforce female consumer loyalty

What to mitigate?

- High market share limits growth
- Excess SKUs increase inventory risk



What LULU Can Do?

- Develop post-pregnancy activewear segment
- Enhance community to boost retention
- Offer discounts to offset slowdown

What is needed?

- Strengthen sustainable supplier partnerships
- Innovate disruptive women's apparel design
- Localize marketing for cultural fit

Source: Statista, Case Study, Team Discussion

Option 4: Expand Female Product Category

Reinforce and leverage the inherent advantages of traditional female markets

Criteria	Evaluation	Rationale
Strategic Consistency	●●●●●	Since its establishment, the company has aimed to focus on the women's market
Profit ~ Future Potential	●●●●●	The future **revenue curve** is expected to be **strong**, yet the number of competitors rising quickly
Urgency	●○○○○	There is no rush. The current market share is large enough, and gradual growth is sufficient
Risk (r)	●●●●○	Consonant with Lululemon's former image, but new products need new eye-catching features
Technical Feasibility	●●●●○	The company has accumulated a certain level of technology; however, breaking through past product limitations requires higher standards for new technologies
Economic Feasibility	●●●●●	Requires **upfront CAPEX** for size-grading and certification; moderate payback horizon (3–5 years)

Source: Case Study, Team Discussion

Option 5: Tap into Footwear Segment

Shifting the focus of the product line to footwear while increasing the market share of foot-related products

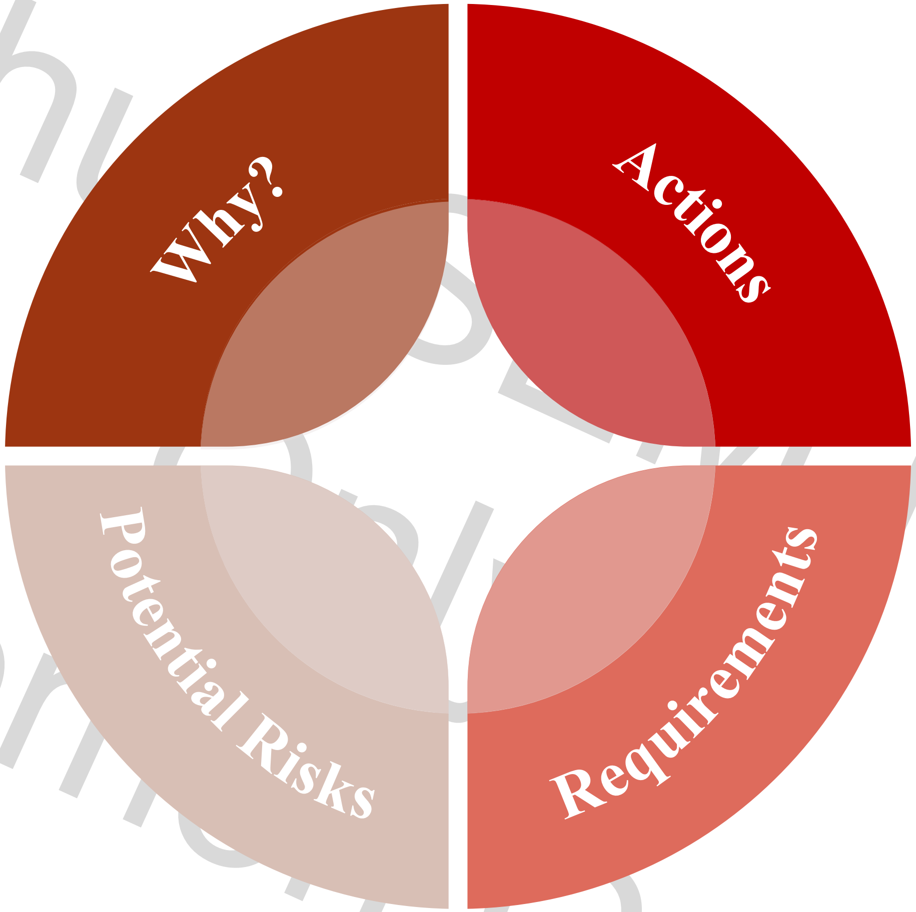
From 2016-2026, **global sports footwear market** grew from **$97.25 billion to $168.76 billion, CAGR 7.44%**

What is the Goal?

- Head-to-toe seamless performance ecosystem
- Tactile mastery drives footwear innovation
- Community insights refine sport design

What to mitigate?

- Different tech for shoe materials
- Footwear manufacturing highly complex



What LULU Can Do?

- Global sourcing for footwear materials
- Educate consumers on Athleisure distinction
- Community testing ensures product performance

What is needed?

- Protect and monitor product patents
- Allocate time for R&D innovation
- Pilot footwear launch, cut losses fast

Source: Statista, Case Study, Team Discussion

Option 5: Tap into the Footwear Segment

Shifting the focus of the product line to footwear while increasing the market share of foot-related products

Criteria	Evaluation	Rationale
Strategic Consistency	●●●○○	It has a certain relevance to the enterprise's **"Sweet life" philosophy**
Profit ~ Future Potential	●●●●○	The **profit prospects** are promising
Urgency	●●●○○	Urgency is required, as there are currently **many competitors**
Risk (r)	●●○○○	The risk is relatively high; currently, **many patents** have been used by companies such as **Nike, Adidas, and Anta**, leading to potential **infringement risks**
Technical Feasibility	●●○○○	There is a lack of relevant product design technology
Economic Feasibility	●●●●●	Requires **upfront CAPEX** for size-grading and certification; moderate payback horizon (3–5 years)

Source: Case Study, Team Discussion

Option Summary

Option	Strategic Consistency	Profit	Urgency	Risk	Technology Feasibility	Economy Feasibility	Total
Option 1 Men	5	5	3	1	5	5	24
Option 2 Kids	4	3	2	2	3	3	17
Option 3 Accessories & Others	3	4	2	3	3	5	20
Option 4 Women	5	5	1	4	4	5	24
Option 5 Footwear	3	4	3	2	2	5	19

Source: Team Discussion; Robbins S P, Coulter M. Management(16th Edition). London: Pearson, 2024.

Tsinghua SEM MiM25 Only Lululemon Group

Group 3: lululemon 's Consulting Team

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Thank You!

Appendix 1: PESTEL Analysis (for North America)

Category	Key Factors
Political	• USMCA trade agreement • US-China tariffs impacting sourcing costs •The United States has eliminated the de minimis exemption.
Economic	• Mature market (86% of global sales) • Inflation/recession sensitivity • Rising labor costs
Sociocultural	• Dominant Athleisure culture • Wellness/longevity trend acceleration • Demand for inclusivity (sizing, gender)
Technological	• 52% DTC e-commerce penetration • Omnichannel integration (BOPIS, curbside) • Product innovation lag
Environmental	• Sustainable materials R&D (e.g., ECONYL) • Carbon footprint reduction pressure • Microplastic waste regulations
Legal	• IP protection (fabric patents) • Increased compliance costs

Source: Case Study

Appendix 1: PESTEL Analysis (for China)

Category	Key Factors
Political	• Evolving data security/e-commerce regulations • Nationalism ("Guochao" movement) • US-China-Canada geopolitical risks
Economic	• Hyper-growth market (100%+ YoY sales surge) • 400M Millennial/Gen Z consumers • Economic volatility exposure
Sociocultural	• 3x faster yoga market growth vs. US • Localized fit/design preferences
Technological	• Super app ecosystem (Tmall, WeChat) • Mobile payment dominance (Alipay/WeChat Pay) • Logistics infrastructure demands
Environmental	• Emerging sustainability awareness • Stricter environmental regulations • Local green supply chain adaptation
Legal	• Data localization mandates • Weak IP enforcement • Cross-border compliance complexity

Source: Case Study

Appendix 2: Specific Factors of 5 Forces

Factors of Threats of New Entrants	Asset Requirement	Economies of Scale	Network Effect	Retaliation
Relationship	Negative —	Negative —	Negative —	Positive +
Level in the Market	High	High	Medium-High	Medium
Reason and Mechanism	• Significant upfront capital for plants, equipment, and technology, deterring entrants who cannot risk large amounts of capital. • To defeat incumbents, new entrants need much more investment as incumbents are constantly accumulating from the market. • Crucial for the construction of economies of scale (see in the right row)	• Don't forget that apparel industry is about manufacturing clothes! • Although manufacturing process share the least values created by the supply chain, incumbents cannot receive so much profit without economies of scale. • Give incumbents the unique power to pursue cost leadership.	• The more customers, the more data produced automatically. • Data and information are useful for both companies and customers. • Former customers will play as a propagandists. • Data are the key to evidence-based decision -making.	• Retaliation is nearly impossible because incumbents have dif-ficulty find new en-trants and reprisal may hurt them-selves.
Final Result of Factors	Threats of new entrants are generally high, but new entrants' resources, capabilities and strengths matter.			

Source: Porter(2008), Team Discussion

Appendix 2: Specific Factors of 5 Forces

Factors of Bargaining Power of Suppliers	Concentration in Element Markets	Dependence on Clients	Forward Integration
Relationship	**Positive +**	**Negative —**	**Positive +**
Level in the Market	**Low**	**High**	**Very Low**
Reason and Mechanism	• There are many homogeneous supp-liers in the market. • Price is the only one standard for element purchasers to consider. • Low transition cost.	• It is destructive even if the sup-pliers lose few of their clients as cash flow will definitely plump. • Assets are locked because they are served specially for just few big clients. • If suppliers succeed in gaining another client, customized assets will perhaps not function well.	• As suppliers are homogeneous and distributed, element purchasers can simply find another element providers. • Difficult for suppliers to collect more information about element market.
Final Result of Factors	**Bargaining power of suppliers were low before but high now.**		

Source: Porter(2008), Team Discussion

Appendix 2: Specific Factors of 5 Forces

Factors of Bargaining Power of Purchasers	Differentiation and Transitional Cost	Price Sensitivity	Concentration in Clients and Backward Integration
Relationship	**Positive +**	**Positive +**	**Positive +**
Level in the Market	**High**	**High Generally**	**Do Not Exist**
Reason and Mechanism	• Most customers can simply change the brands of their clothes. • The market create abundant and various products, providing rich choices for customers. • Difficult for few company to reign the whole market.	• A large number of customers are not loyal customers of Lululemon or other brands. • Besides the quality of apparels, price weighs very high when customers make purchasing decisions.	• Customers are distributed around the environment, so economies of scale for purchaser have not and will not • Customers are not combined into groups or organizations, Therefore, they are not organized and cannot act consistently. • Considering the fierce competition, the formal two factors are so strong that this factor's contribution are covered to a great extent.
Final Result of Factors	**Bargaining power of purchasers are always high although customers are distributed, because customers are always "the core of the core" in the apparel market.**		

Source: Porter(2008), Team Discussion

Appendix 2: Specific Factors of 5 Forces

Factors of Threats of Substitute Products	Functions of Substitute Products	Price of Substitute Products	Quality of Substitute Product
Relationship	**Positive +**	**Negative —**	**Positive +**
Level in the Market	**Medium-Low**	**Low Generally**	**Low Generally**
Reason and Mechanism	• Depend on whether the functions of products in Athleisure market covered by substitutes matter. • Substitutes can fulfill customers' basic demands like dressing and doing sports, but fulfilling these demands cannot bring satisfaction. • Customers' demands of comfortability, fitness, aesthetics and flaunt are not satisfied.	• For most of Lululemon's substitutes, their price is generally very competitive. • Lululemon and Athleisure's disadvantages of pricing is buffered by its or their difficult-to-be-placed functions.	• Material texture of existent brands like Lululemon cannot be easily imitated by generally-low-quality substitutes. • Some "silent" details are difficult to recognize. • Risk of incumbents' product is much lower.
Final Result of Factors	**Threats of substitute products are medium-low since everyone needs to wear clothes and needs sports apparels when doing sports**		

Source: Porter(2008), Team Discussion

Appendix 2: Specific Factors of 5 Forces

Factors of Intensity of Rivalry	Number of Competitors	Prospect or Industrial Growth	Strategic Interests	Exit Barrier
Relationship	**Positive +**	**Positive +**	**Positive +**	**Positive +**
Intensity in the Market	**High**	**High**	**High generally**	**Medium-High**
Reason and Mechanism	• The influx of small new entrants and many influential big incumbents cause a fierce and intensive competitive structure, especially for the segmented market – Athleisure. • Although products are fea-tured, too many products fight with each other and build information cocoon.	• An increasing and profitable industry will constantly attract small or big entrants, just like Athleisure market. • In an industry with a clear futural outlook, the speed of development and innovation is deeply related to players' success and failure.	• Incumbents are all experts on various apparels. • Few incumbents try to implement non-related diversification strategy. Every put a heavy weight on this single market.	• Considering the fixed and inventory cost, if one gives up, all these customized and specialized assets will be wasted. • Some founders have a strong attachment to their own brands.
Final Result of Factors	**Intensity of rivalry among existing competitors are very high.**			

Source: Porter(2008), Team Discussion

Appendix 3: Positioning Description

Brands	Sports	Female-Oriented	Strategic Group
Lululemon	8	8	Athleisure
Nike	9	3	Technical Sports
Adidas	8	4	Technical Sports
Alo	7	9	Athleisure
Under Armour	10	2	Technical Sports
ANNA SUI	3	6	Fashion and Sports
Maia Active	7	7	Athleisure
Particle Fever	6	7	Athleisure
Lorna Jane	7	6	Athleisure
VS Sports	4	6	Fashion and Sports
Fabletics	8	7	Athleisure

Source: Official Websites of the Brands; Teammate Discussion

Appendix 3: Positioning Description

Brands	Price	Globalization	Strategic Group
Lululemon	8	4	Regional Boutique
Nike	7	10	International Big Name
Adidas	6	10	International Big Name
Alo	9	3	Regional Boutique
Under Armour	6	9	International Big Name
ANNA SUI	8	2	Regional Boutique
Maia Active	3	2	Concentrated Middle Brand
Particle Fever	4	2	Concentrated Middle Brand
Lorna Jane	7	3	Regional Boutique
VSX	5	7	International Big Name
Fabletics	6	4	Regional Boutique

Source: Official Websites of the Brands; Teammate Discussion

Appendix 4: Stock Price

LULU's stock price has been affected by both external and internal events from 2013-2023

2013, Yoga pants recalled for being see-through	• Product quality scandal — Lululemon had to recall ~17% of its yoga pants for transparency issues. • The stock dropped sharply (about -15%) as investors questioned supply-chain oversight and brand quality,
2014, Laurent Potdevin became CEO	• Appointed to restore confidence and modernize the brand after Christine Day's exit. • Mild recovery as markets expected leadership stability; sentiment improved, though only shortly
2015, Chip Wilson stepped down as board chair	• Founder exited board after controversies, ending internal tension and public criticism. • **Slight positive effect** on Stock price, continued steady upward movement.
2018, Calvin McDonald appointed as CEO	• Former Sephora exec hired; renewed focus on brand expansion and digital g • **Strong positive reaction,** start of clear growth trend in 2018 growth.
2019, "Power of Three" strategy unveiled	• Announced plan to double men's business, double digital, and quadruple international revenue by 2023. • **Visible acceleration:** stock rose sharply afterward.
2020, COVID-19 pandemic declared by WHO	• Brief store closures followed by e-commerce surge and Athleisure boom. • Initial short dip in March 2020
2021,Lululemon acquired Mirror	• Entry into at-home fitness via $500 M acquisition. Initially applaud • Short-term boosted for innovation
2023,Manage-ment trimmed Q4 gross-margin guidance	• Warned that higher markdowns and freight costs would weigh on margins. • Immediate sell-off (-9%), signaling rising cost pressures after years of expansion.

Source: Case Study; Yahoo Finance

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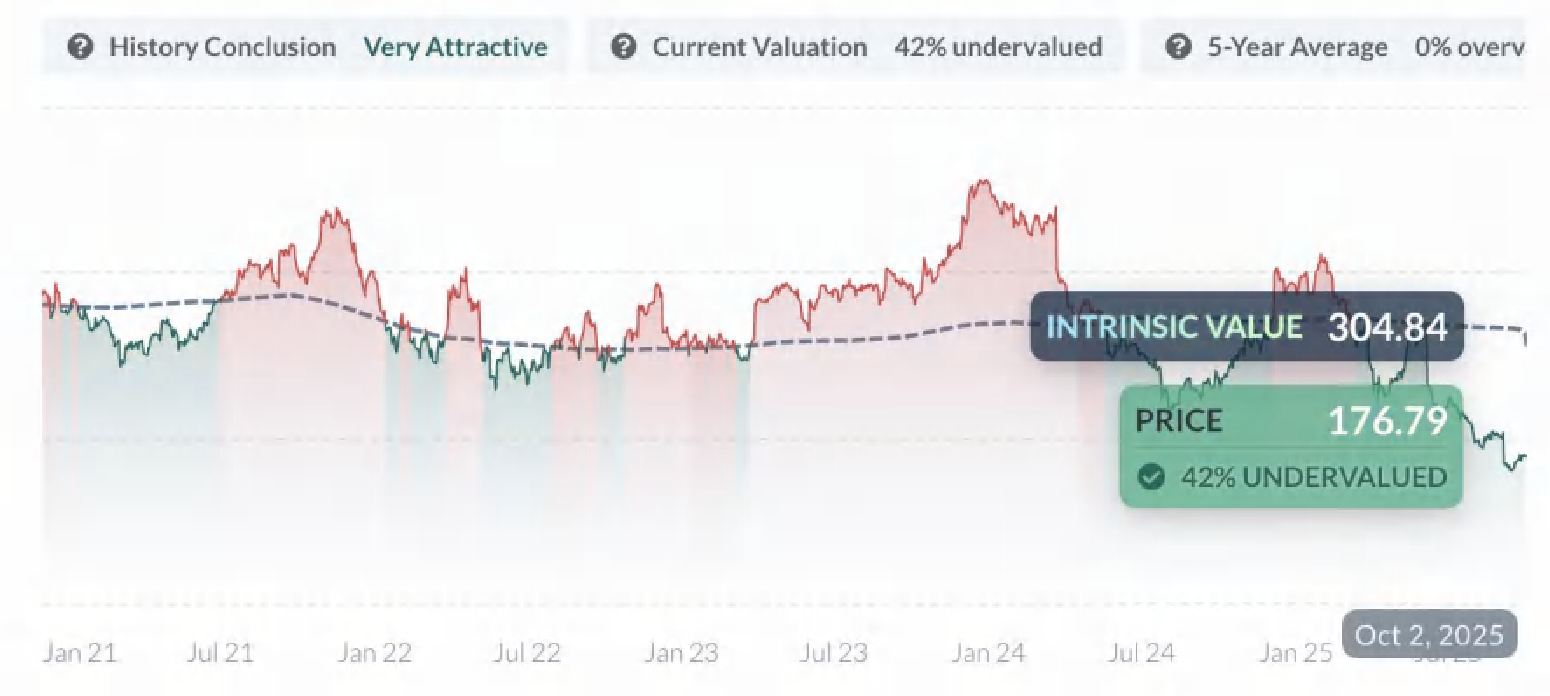
Appendix 4: Stock Price

LULU's cheaper now compared to how it values 5 years ago, and cheaper than its intrinsic value

Over the past 5 years, LULU has usually been overvalued. On average, its intrinsic value was 0% lower than its stock price. Today, the stock is undervalued by 42%, which makes it look cheaper than its average valuation over the past 5 years.



Why?

Growth scare in the core market: management cut 2025 EPS guidance and flagged softer U.S. demand; comps/traffic in the Americas weakened, undermining the "compounding" narrative investors paid up for.

Policy shock to margins: new/raised U.S. import tariffs are directly impacting gross profit (the company quantified a ~$240m annual GP impact) and investor confidence in near-term earnings quality.

Core U.S. demand keeps softening as premium Athleisure faces trade-down/competition

Source: Case Study; Yahoo Finance

Appendix 5: VRIO Analysis

Whitespace Lab

V	Yes, Whitespace Lab drives Lululemon's disruptive innovation by using human-centered science to redefine sportswear performance beyond traditional engineering. Focusing on sensory experience, it creates new market value and delivers breakthrough products like the Enlite Bra and Align Pant. These successes show the Lab's ability to turn research into commercial hits, strengthening brand equity and fueling sustained growth.
R	Yes, a rare cross-disciplinary lab integrating science, psychology, and anthropology enables Lululemon to pursue category-leading innovations over incremental changes, setting it apart from mass-market rivals.
I	Yes, Whitespace Lab's innovation process—built on tacit knowledge, experimentation, and cumulative learning—is socially complex and hard to replicate. Even with high R&D spending, rivals find its cross-disciplinary culture and disruptive mindset costly and time-intensive to imitate.
O	Yes, Whitespace is fully embedded in Lululemon's product development and strategy, driving hero product innovation and ensuring seamless transfer of disruptive ideas from research to market.

Source: Team Discussion

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Appendix 5: VRIO Analysis

Science of Feel

V	Yes, Science of Feel transforms scientific research into a coherent design philosophy that connects emotional comfort, body awareness, and performance. This framework underpins Lululemon's ability to consistently produce products that align with consumers' lifestyle and psychological well-being.
R	Yes, while competitors emphasize data-driven or aesthetic design, few have codified a holistic sensory philosophy that bridges mind body awareness and apparel engineering. This conceptual resource gives Lululemon a distinct identity in the premium Athleisure market.
I	Yes, as a philosophy deeply embedded in company culture, Science of Feel is difficult to copy. It evolved from years of Whitespace research, organizational learning, and customer feedback loops, making it a socially complex, knowledge-intensive asset that cannot be reproduced through imitation alone.
O	Yes, the philosophy is institutionalized across departments from R&D to marketing and retail training. It shapes product narratives, design criteria, and customer experience guidelines, ensuring consistent translation of the brand's emotional promise into tangible outcomes.

Source: Team Discussion

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Appendix 5: VRIO Analysis

Brand Equity & "Sweatlife" Culture

V	Yes, "Sweatlife" vision—promoting mindfulness, connection, and wellness—differentiates Lululemon from purely functional sportswear. It enables emotional bonding and premium pricing, with gross margins consistently above 50%.
R	Yes generally, Lululemon pioneered the global Athleisure-as-lifestyle movement and defined an identity that competitors only later imitated. Its cultural narrative was not borrowed from athletes or celebrities but emerged from yoga studio communities.
I	Yes, Brand equity stems from a 20-year accumulation of symbolic meaning, rituals (community events, yoga classes), and social capital. These cannot be bought or quickly reproduced by late entrants.
O	Yes, brand culture is institutionalized internally—employees are called "educators," stores act as local community hubs, and training programs ensure cultural coherence across markets.

Source: Team Discussion

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Appendix 5: VRIO Analysis

Ambassador Program & Community-based Marketing

V	Yes, the ambassador program turns local fitness instructors and yogis into organic brand evangelists, generating authentic word-of-mouth and trust at minimal cost. It bridges product promotion with lifestyle advocacy. It helps in establishing trust, rand identity and customer loyalty.
R	Yes, few global brands have sustained such a decentralized, hyper-local marketing network. Most rely on celebrity endorsements, while Lululemon leverages micro-influencers embedded in real communities.
I	Yes, its success depends on intangible elements such as social capital, mutual trust, and cultural alignment—factors that cannot be replicated through financial investment alone. The network's strength stems from years of relationship-building and consistent brand purpose, making it socially complex and time-consuming to reproduce.
O	Yes, Lululemon has transformed a decentralized social network into an organized relational system. Ambassador insights are systematically integrated into product design, event planning, and local marketing through formal feedback loops. This organizational architecture effectively converts informal community capital into structured, scalable capability.

Source: Team Discussion

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Appendix 5: VRIO Analysis

Omnichannel & DTC System

V	Yes, the DTC system directly enables Lululemon to command premium prices, build a loyal community, and achieve considerable profitability. By cutting ou sales partners, Lululemon captures the full margin on every sale, as there exists no intermediary business between Lululemon and its customers. Also, Lululemon can collect primary data from customers.
R	Yes partly, a few companies in the same industry have already adopted DTC, but specific combination of premium retail, community-building, and authentic ambassador culture makes Lululemon’s version of DTC a rare capability. The synergy between in-store and online engagement creates a cohesive ecosystem that most competitors lack.
I	Yes, its omnichannel and DTC system are protected by Lululemon’s history, complex integration, and efficient culture, making it a sustainably inimitable advantage. Since Lululemon’s being established by Wilson, omnichannel and DTC system have been rooted in Lululemon’s DNA.
O	Yes, Lululemon’s entire organization is structured to support and leverage its omnichannel and DTC system as they have been operated and developed for approximately 30 years.

Source: Team Discussion

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Appendix 5: VRIO Analysis

Flexibility of Global Supply Chain

V	Yes, the flexibility directly translates into higher profitability, less risk, and better responsiveness to consumer trends. Lululemon's transition cost is very low on account of its diversified supplier and manufacturer, so that Lululemon owns a high bargaining power with collaborators in the upstream of supply chain.
R	Yes, while many apparel companies have global supply chains, few have built one with Lululemon's specific blend of control, speed, and integration. The specific configuration of Lululemon's supply chain for flexibility has a high-quality, technical product segment, which is rare although outsourcing to low-cost countries is the norm of the whole apparel industry.
I	Yes, the global SCM system is protected by its deeply embedded relationships, intellectual property, and complex, integrated nature. To copy such a kind of system, the competitor needs to do both tangible benchmarking (like related infrastructure like SCMS and CRMS) and intangible benchmarking (like organizational culture, relationship maintenance).
O	Yes, Lululemon's internal organization is perfectly aligned to capitalize on its agile supply chain. Their product teams are structured to work closely with sourcing to execute rapid replenishment and new product introductions.

Source: Team Discussion

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Appendix 5: VRIO Analysis

Learning Organization & Contingent Leadership

V	Yes, they are invaluable for navigating market shifts, driving innovation, and preventing stagnation as organizing and leading function are which put plans into practice and controlling function is which keeps plans from deviation. Lululemon and its executives learn from feedback of both success and failure. Emphases on personal development and MBO create an organic structure and culture that directly translates into a more adaptable and committed workforce.
R	Yes, the depth and cultural integration of these capabilities are exceptionally rare, as a treasured legacy from the founder Wilson. Actually, many established competitors have struggled with strategic inertia.
I	Yes, because they are protected by the highest barriers: organizational history and culture. A company can hire away a Lululemon executive, but it cannot hire away the deeply embedded, socially complex culture of learning and adaptive leadership that has been built over two decades.
O	Yes, the entire organization is somehow a manifestation of those capabilities. Lululemon is not a company that has a learning culture; it is a learning culture. Its organization is perfectly designed to capture the value this creates.

Source: Team Discussion

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Appendix 6: SWOT Analysis

ST strategy should be taken into consideration

S

- Strong brand and premium positioning
- Product innovation
- Healthy profitability
- Omnichannel capability
- Community marketing and ambassador network
- Progress in international expansion

W

- High price / limited accessibility
- Historical reliance on North America
- Supply-chain concentration and outsourcing exposure
- Product lifecycle and inventory management challenges
- Legacy reputation issues

O

- Further international growth
- Expansion of men's apparel, footwear, and accessories
- Sustainability and circular initiatives
- Localized digital/social strategies
- Membership and experiential retail

T

- Intensifying competition
- Trade, tariff, and geopolitical risks
- Macro and North American demand weakness
- Shifting consumer preferences
- Supply-chain disruption and rising logistics costs

Source: Team Discussion

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