

Analyzing Lululemon's Marketing Strategy Using ESG

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Abstract. In response to escalating global environmental issues—such as climate change, rising carbon emissions, water pollution, and resource scarcity—sustainable development has become a central concern for businesses worldwide. This research employs an ESG (Environmental, Social, and Governance) framework to assess Lululemon's strategies in addressing sustainability challenges, focusing on internal practices and external stakeholder engagement. Specifically, it investigates how the company implements its “Be Well,” “Be Human,” and “Be Planet” strategies to foster a self-sustaining internal ecosystem that promotes employee well-being, ethical production, and environmental responsibility. The study also explores how government policies, industry standards, and societal expectations influence Lululemon's ESG decision-making. Findings reveal that Lululemon demonstrates resilience under scrutiny and shows a genuine commitment rooted in its core values and corporate culture. While external regulations help steer the company's sustainability efforts in the right direction, the brand's internal dedication to responsible practices ultimately drives long-term impact. Internal motivation and external accountability form a mutually reinforcing system essential to aligning corporate growth with global sustainability goals.

Keywords: ESG, Sustainable development, Financial impact, Lululemon

1. Introduction

With the growing concerns of sustainability, social justice, and corporate accountability, the circumstance appeared not only in 2018, with multiple Facebook scandals, but also the catastrophic oil spill in the Gulf of Mexico resulted in billions of dollars in fines and damaged BP's reputation. Accordingly, in resolving the issues of severe environmental problems, financial markets, and international cooperation, companies worldwide have joined hands in putting forward a gained international recognition like ESG (Environment, Social, and Governance) to foster a sustainable and comprehensive framework of future development. Lululemon, founded by Chip Wilson in Canada in 1998, is a yoga-inspired world-leading athletic company for both women and men, empowering people to create a community where people live a healthy and mindful lifestyle. Lululemon contributes to environmental commitments and multi-cooperations, implementing and adjusting its business supply chain and maintaining 100% renewable electricity to achieve positive changes toward its 2023 climate targets and 2025 net-zero target. As the company remains an important component of navigating environmental challenges, they work as stakeholders across all industries to achieve shared goals, especially showcasing in the FY23 report of Be Human, Be Well,

Be Planet. This research focuses on Lululemon as the central case study, examining how its internal corporate strategies align with Environmental, Social, and Governance (ESG) policies, as well as how external factors—such as global trends, regulatory pressures, and stakeholder expectations—drive its sustainable development. The significance of this research lies in exploring how Lululemon integrates ESG principles into its business operations to pursue a more environmentally responsible and socially inclusive model. Through this case study, the research aims to provide insights into the broader implications of ESG-driven transformation within the apparel industry.

2. ESG evaluation

In 1987, the World Commission on Environment and Development defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs [1]. The ESG principle, formally proposed in 2014, is built on three integral components: Environment, Social, and Governance three integral components [2], aiming to be a strategy and standard not only focusing on a company's financial index but also evaluating the corporate behavior through three aspects to assess its potential impact on the investment returns. One feature of a highly prominent enterprise's ESG report is that it has shown a balance and coverage of all three aspects.

The framework of ESG delineates the three key factors that contribute to the financial performance of entities, sovereigns, and individuals. Each dimension encompasses specific, consistent factors.

2.1. Environment

This dimension focuses on ecological impacts and resource management emphasizing how organizations interact with and affect the natural environment throughout their operations. It examines the extent to which businesses recognize and mitigate their environmental footprint, both directly and indirectly. Key factors encompass Greenhouse Gas (GHG) emissions, energy utilization and efficiency metrics, atmospheric pollutants, water consumption and reclamation protocols, water resource management (inclusive of hazardous material considerations), impacts on and reliance upon biodiversity and ecosystems, and the implementation of sustainable products and services.

2.2. Social

From the social perspectives, this dimension addresses how organizations engage with and impact individuals, communities, and broader societal structures. A company's social performance is increasingly seen as a reflection of its values, accountability, and long-term resilience, particularly in a global context where social inequality and labor exploitation remain pressing concerns. Factors encompass workforce-related issues (livelihoods, association, labor practices including child and forced labor, health and safety), diversity, equity, inclusion, community impacts, customer relations, and access to essential services and education.

2.3. Governance

Governance refers to the formal systems, structure, and procedures for monitoring and holding organisations accountable. It encompasses the rules and practices that guide decision-making at all levels of an organization, particularly at the executive and board levels. Identified factors include codes of conduct and business ethics, accountability mechanisms, transparency and disclosure

practices, executive remuneration (board pay), board diversity and structure, anti-bribery and corruption measures, stakeholder engagement strategies, and the protection of shareholder rights. A well-functioning governance system supports operational transparency, decision-making fairness, and a long-term strategic vision.

3. Lululemon's ESG initiatives

According to Lululemon's 2023 Impact Report, the company's mission is centered around three core pillars: "Be Human," "Be Well," and "Be Planet." In alignment with ESG principles, "Be Human" corresponds to the Social dimension, "Be Well" aligns with Governance, and "Be Planet" reflects the Environmental aspect. As illustrated in the Impact Agenda, it clearly outlines the company's initiatives and policies, demonstrating its commitment to these core values and actively promoting ESG principles through concrete actions.

3.1. Be human

In alignment with its commitment to social responsibility, Lululemon has structured its "Be Human" disciplinary focus around four key pillars: Inclusion, Diversity, Equity, and Action (IDEA). Lululemon promotes inclusion through initiatives. In 2023, 11 IDEA Councils were established, including employees from various departments. These councils serve as advocacy platforms, enabling employees to contribute to inclusive workplace policies and drive organizational change [3].

A key initiative under this framework is the IDEA Global Internship Program, illustrating their employee empowerment, a 12-week, full-time, paid internship designed to provide opportunities for both existing employees and individuals from underrepresented groups, including racial minorities, women, people with disabilities, LGBTQIA+ individuals, and U.S. veterans. In 2023, 83% of interns participating in the program were from underrepresented backgrounds, with over 50 interns recruited globally.

Lululemon emphasizes gender diversity and equality in leadership, with women representing 50% of the Board of Directors, 70% of the Executive Leadership Team, 50% of Vice Presidents and above, and 75% of the workforce [3]. The company maintains 100% gender pay equity globally since 2018. Lululemon provides an internal coaching program, training over 200 coaches in 2023, delivering over 7,500 sessions to support employee career growth.

3.2. Be Well

Health concerns have become more urgent in today's workplace with increasing demands on individuals' mental, physical, and social well-being. According to the World Health Organization's Mental Health Report [4], one in eight people globally now lives with a mental disorder. In response, Lululemon has taken active steps internally to support the well-being of its employees, positioning itself as a company deeply committed to fostering a healthier and more supportive work environment. The social impact of Lululemon "Be well" has not only internally influenced employees' working habits, but also aligns with the Governance dimension of ESG by positively disrupting inequity in wellbeing through movement, mindfulness, and advocacy.

The enterprise framework focused on physical, mental, and social well-being to inform the Lululemon Centre for Social Impact and guide its employees and the collective. Established in 2021, the Centre was founded with a clear mission: to reach over 10 million people with accessible

wellbeing tools and resources by 2025, backed by Lululemon's pledge to invest USD 75 million in promoting equity in wellbeing [3].

Lululemon's wellbeing initiatives encompass Global, Community, and Maker Well Being. Global partnerships include collaborations with over 24 organizations, such as the Girls Opportunity Alliance and United for Global Mental Health, to promote education, wellbeing, and mental health support globally.

The company demonstrates that care and responsibility are not limited to a single aspect but instead form a bridge that interconnects the environmental, social, and governance dimensions, ultimately forming a global positive influence. In 2023, the funding stream supported environmental efforts by investing US \$250,000 in organizations like Action for the Climate Emergency (ACE), Force of Nature, and the MakeWay Foundation. These groups focus on youth-led climate action, helping to ease climate-related anxiety and depression through active engagement and community-driven solutions.

The lululemon Here to Be grant program supports global communities in advancing social, mental, and physical wellbeing. In one cohort, the program funded 71 organizations across 13 locations, focusing on culturally responsive trauma training and improving financial access to wellbeing services. The initiative aims to strengthen community-led efforts to address systemic inequities and build a more inclusive and resilient global wellbeing system.

In addition to its focus on global and community wellbeing, lululemon strongly emphasises the wellbeing of its supply chain workers, recognizing them as a core part of its industry. The company supports makers—particularly women—through targeted industry grants and programs that benefit individuals, their families, and surrounding communities. These efforts include multi-year partnerships totaling over US\$3.5 million, such as CARE's Made by Women initiative, the Resilience Fund for Women in Global Value Chains, and Women Win. These collaborations aim to advance gender equity, economic empowerment, and access to health and wellbeing services. Lululemon has also published its third Global Wellbeing Report, which outlines its evolving strategy and research priorities to inform future action.

3.3. Be Planet

The final—and perhaps most impactful—pillar of Lululemon's development strategy is Be Planet. As outlined in its 2023 report, the initiative focuses on five key areas: climate action, product and material innovation, circularity and new guest models, water and chemistry, and packaging and waste. This paper examines the strategy through three guiding questions: Why does it matter? What actions are being taken? And how are these efforts implemented?

Climate change threatens ecosystems, human health, and wellbeing, posing an urgent global challenge [5]. In response, Lululemon works to reduce carbon emissions across its controllable supply chain while setting ambitious climate goals. The company has committed, via the Science Based Targets initiative (SBTi), to a 60% absolute reduction in GHG emissions in all owned and operated facilities. Having already achieved its 2030 Scope 1 and Scope 2 targets in 2021—through measures such as a wind Virtual Power Purchase Agreement (VPPA) in North America, renewable energy in distribution centres, and energy attribute certificates—it has since maintained these gains.

To address Scope 3 emissions—indirect upstream and downstream emissions across the value chain—Lululemon targets manufacturing, materials, packaging, transportation, and facilities. The company partners with suppliers to improve energy efficiency, transition to renewable electricity, phase out coal boilers, and adopt innovative technologies. It is also shifting toward recycled, renewable, and regenerative materials, optimizing logistics through low-emission transport like

ocean shipping, and expanding alternative fuels. While focusing on near-term reduction goals, Lululemon plans to explore carbon removal projects to meet SBTi-aligned long-term net-zero targets.

Its water and chemistry work exemplifies its determination. The textile industry consumes vast amounts of freshwater—especially in farming, dyeing, and washing—often straining scarce resources. Lululemon addresses this through chemical management, freshwater treatment, and renewable fabric innovation. A 2023 review of 21 key suppliers showed notable progress toward its 2025 goal of keeping water use intensity below 20%, supported by recent data and implemented strategies that demonstrate improved water management.

3.4. External influences

Beyond Lululemon's independent ESG initiatives, various external policies and regulatory reforms have also significantly shaped the company's actions. As corporate governance frameworks evolve, businesses are increasingly expected to align with annual government-mandated ESG targets. In response, some companies have demonstrated problematic behaviors such as 'greenwashing, superficial compliance, and incomplete data disclosure'. These practices undermine the credibility of ESG reporting and compromise the integrity of evaluation frameworks used to assess future governance performance.

In an increasingly regulated market environment, consumer expectations and environmental policies have become unavoidable factors in corporate operational strategies. Companies must comply with evolving ESG requirements to meet stakeholder expectations and avoid substantial financial penalties [6]. According to Source Global Research [7], a consulting sector specialist, the escalating demand for Environmental, Social, and Governance (ESG) due diligence and disclosure compliance is a primary factor driving the anticipated 6% rise in expenditures on sustainability consultancy services within the UK market for the year 2024. This trend reflects how regulatory and reputational risks push companies to seek external expertise to ensure compliance and maintain competitive credibility in an ESG-focused market landscape.

The annual obligation to meet Environmental, Social, and Governance (ESG) rating standards and file year-end reports can incentivize companies toward superficial compliance. These ratings, based on extensive evaluations by various agencies, may not accurately represent a company's genuine ESG performance. To improve their ESG scores, companies may resort to selective disclosure, misrepresentation of data, or strategic adaptation to the assessment metrics. While these actions may enhance their reported ESG performance, they provide little benefit to ESG goals or society. Piscicella, A [8].

While increased regulatory requirements have triggered resistance among some businesses and political groups due to the added compliance costs, they have also brought about constructive change. As noted by Dangelico, R. M., & Pujari, D [9]., consultants argue that such regulations prompt companies to better understand their material risks and environmental impacts, enabling them to adapt and refine their sustainability strategies more effectively. This reflects a broader trend where external pressure—despite being perceived as burdensome—drives more data-driven and risk-aware ESG practices within corporate operations.

4. Impact of Lululemon's ESG action

According to Qian and Zou [10], through its brand community strategy, Lululemon significantly influences society, the environment, and its customers. Socially, the company fosters a strong sense

of belonging and engagement by encouraging active participation in wellness and fitness activities within its community, promoting healthier lifestyles and enhancing social cohesion. Environmentally, while the primary focus is community building, Lululemon leverages its brand influence to advance sustainability efforts, including using eco-friendly materials and supply chain improvements, and raising environmental awareness among its community members. Lululemon creates an enriched brand experience beyond product offerings for customers. The supportive and interactive community nurtures customer loyalty and satisfaction by addressing deeper psychological and social needs, positioning customers as active participants in the brand culture rather than passive consumers.

5. Conclusion

Overall, Lululemon demonstrates resilience. Both internal and external variables influence its performance. Nevertheless, the firm's fundamental ethos—as demonstrated by its employee relations, supply chain optimization, production management, and consumer engagement—is more significant. Internal commitment consistently fosters advancements in employee well-being and customer contentment. Internal dedication and external monitoring are critical; without external oversight, the company's progress may be impeded, and societal needs may not be met. This study's external evaluation of Lululemon is limited by its scope. Future research should incorporate competitor, partner, and customer feedback via interviews and assessments. The methodology would benefit from quantitative data visualization. Lululemon's future development will likely focus on sustainability, employee welfare, and customer engagement. Data analytics and transparency may strengthen ESG performance.

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