

Using the 4Ps Theory and SWOT to Analyze the Lululemon Marketing Phenomenon

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Abstract: A successful marketing campaign is about building a large marketing network and using the brand culture and putting the product into the consumer's consciousness through marketing. Lululemon's success in the highly competitive sportswear market is due to its unique products and excellent marketing. By analyzing Lululemon's 20 years of experience in community marketing, this article attempts to provide a guideline for start-up brands trying to build a community. This essay is based on a literature analysis using SWOT and 4P analysis on whether Lululemon should enter the Chinese market and the brand marketing strategy of Lululemon in the Chinese market. The results show that entering the Chinese market can bring huge benefits to Lululemon, which has adopted brand marketing strategies such as DTC (direct to consumer) and KOL (key opinion leader) in China. Lululemon also has some significant issues, such as quality control. It is suggested that Lululemon could establish a good relationship with the manufacturer or vertical merger backwards to have greater control over the production chain.

Keywords: Lululemon high-end brand, 4P theory, SWOT, marketing analysis

1. Introduction

In a global economic environment in the doldrums, the retail industry has been hit even harder. Nike, Adidas and other well-known sportswear brands have seen their revenues decline. And while the sportswear market is oversaturated, Lululemon has managed to grow its net income and overtake Adidas in market capitalization in 2022 to become the second-largest sportswear brand in the world by market capitalization with 459 billion. Lululemon has been made from scratch in just 22 years. Valuation has increased approximately 100 times in the last ten years. In 2013 Lululemon announced its entry into the Asian market, with China as its first target. As people start to focus on a healthy and active lifestyle leading to an increase in the number of yoga consumers, a niche sport that now has a market value of \$10 billion in China. And with China's well-developed internet, the convenience of online shopping has promoted consumption even more. In addition to the excellence of its products, Lululemon's brand marketing is an integral part of its success in this highly competitive market. Lululemon has captured the nexus of status and identity through physical consumption and has managed to create a premium brand for which consumers are more willing to pay for a low-cost performance product, thanks to Lululemon's brand marketing. This research paper analyses Lululemon's marketing in China using the research method of documentary analysis. Lululemon's swot analysis, market segmentation and 4p analysis are used to explain Lululemon's

own strengths and those of the Chinese market: why it is entering the Chinese market and how it is being marketed.

2. Background Information

Lululemon was born in 1998 in Vancouver by Dennis J. Wilson, who was attending a yoga class when he discovered that the yoga clothes were not breathable and did not fit well, which greatly affected the comfort of the exercise [1]. Their design was not aesthetically pleasing and did not suit obese bodies. He found a gap in the market and observed that the local yoga classes had proliferated in a short period of time, which meant that there was a greater demand in the market and felt that this was a good opportunity to grow. This inadvertent observation led to the creation of Lululemon 20 years later, which launched the 'athleisure' trend, opening its first shop in Vancouver in 1999, reaching 655 shops by 2022 and continuing to grow.

When customers open Lululemon's website, they write on the page of promises: inclusivity, diversity, equity and action [2]. They want to express that women are not defined, that it is not just girls with great bodies who can wear leggings, they have plus size clothing too. There will be no discrimination. Because in the past many brands didn't care about plus size women's clothing as a market, most of their styles were outdated and there weren't many suppliers [2]. Lululemon is trying to dig deeper into the needs of its customers and is encouraging women to find the right exercise for them to pursue a healthy, fashionable lifestyle of their own [2]. Lululemon also offers anti-racism and anti-discrimination training for employees, mental health first aid and other training to deliver on their promise [2]. At the same time, Lululemon is trying to avoid the accusations of the pressure group: as a premium sports brand it has the ability and the need to perform social services [2]. To this end Lululemon has contributed nearly 49 million celebrity coins to the "Here to Be" project whose main objective is to combat inequality through campaigning and activism.

Chip Wilson understands that fabrics, craftsmanship and design are important, but creating a high-end brand is not easy. In order to better position its brand, Chip Wilson's has undertaken a market segmentation exercise, targeting niche markets. Lululemon's consumer profile is called "Super Girl", they care more about quality than price, including the functionality of fabrics and fashionable design. They are successful ladies between 24-35 who have the time and money to love life and sport [3]. They have a great job, a home and pets of their own, love fashion and travel and are willing to pay for quality [3]. Today Lululemon has expanded its positioning from the 'Super Girls' to the 'new middle class'. This successful branding has led Lululemon to be known as the 'Hermes' of yoga, selling a lifestyle and identity through a good marketing strategy.

3. SWOT Analysis

Various key internal strengths, weaknesses and external opportunities and threats that are closely related to Lululemon can be listed through a survey and then analyzed, from which a series of corresponding conclusions can be drawn, which can then be used to make some decisions.

Lululemon was already a well-known yoga brand before entering the Chinese market and already has ample experience in production and design, which reduces Lululemon's cost of trial and error and increases efficiency. Being at the forefront of fashion, Lululemon incorporates trendy elements, colors and patterns into its designs to better suit the needs of Chinese consumers [4]. Lululemon increases its wide range of products to meet the diversification of its product range, such as the men's collection, sportswear limited to yoga and golf, tennis, footwear and more [5]. The diversity of products will attract Chinese consumers in other sports areas, not just yoga. Lululemon's marketing approach with Kol (key opinion leader) has created a stable relationship

with consumers through community activities, forming a marketing loop and reinforcing Lululemon's sporting spirit. These are the strengths that Lululemon has [6].

At the same time, Lululemon also has some weaknesses. Their over-reliance on suppliers for production has led to quality control failures and frequent quality problems, which affects the image of the high-end positioning of the brand [4]. The lack of Chinese elements also means that Chinese consumers may not like the design and will not buy it [4].

There are opportunities to enter the Chinese market as well. China's economy is growing rapidly, and per capita income is increasing, which means an increase in spending power [4]. As well as the fact that more and more Chinese people are aware of the importance of sports, they are more willing to participate in sports, so there are more potential consumers [4]. The rapid development of the internet and the maturity of e-commerce platforms like TikTok has made it easier to promote and market Lululemon on the internet. These opportunities will allow Lululemon to further expand its global market share [4].

But there are threat involved in entering the Chinese market. China has a large population base, which means that there are more competitors. There will be a lot of copycats when the domestic players see this opportunity. The sportswear market is already saturated and the Chinese have a strong sense of nationalism, with their own local sports brands such as Anta and Li Ning [4].

4. 4P Analysis

Lululemon uses direct to consumer [6]. So Lululemon has complete control of the marketing mix, such as prices, promotions, stock, etc. Lululemon has different types of shops: stores, showroom, lab, and flagship shop [6]. In the store, helped customers trim their trousers legs. The Experimental Store is like a design studio, where consumers' preferences and habits are observed and feedback is given to modify the products [6]. The showroom will organize several yoga activities. Through these yoga activities, consumers will gain a fuller understanding of Lululemon's brand philosophy and will form brand attachments in the atmosphere of their daily classes, increasing their consumer stickiness to the brand [3]. This shop segmentation builds consumer loyalty. By offering a unique service, Lululemon can ask for higher prices and different types of shops that attract consumers to visit. Lululemon is also developing e-commerce, with its own flagship shop on Taobao, China's famous e-commerce platform, where products from offline shops are updated simultaneously as well as exclusive colors for online sales. Lululemon also has its own mini-application, a multifaceted sales channel that makes it easier for sports fans to buy.

Before pricing, Lululemon segmented the Chinese market in terms of geography, psychology and behavior, terms of geographic segmentation: Lululemon targeted first-tier cities such as Guangzhou, Beijing, Shenzhen, and Shanghai [4]. because people in first-tier cities are more affordable, have the ability and willingness to buy, they love sports and have a higher appreciation for fashion. It fits the profile of the consumer they have in mind. The reasons for buying are also segmented, perhaps because the function is suitable for sports occasions, perhaps because they are attracted by the design and feel it is a fashion statement, or perhaps because it is comfortable and suitable for leisure [4]. This is subdivided into psychological segmentation. Behavioral segmentation can be made according to the frequency of exercise, and regular exercise, such as fitness instructors, sports enthusiasts [4]. Occasional exercise, they want to exercise but do not have the time [4]. Seldom exercise, lack of interest in exercise, no time for exercise [4]. Because of its professionalism and high-end positioning, fitness professionals and casual fashionistas are willing to pay high prices. Because Lululemon has inelastic of demand, although in China Lululemon's pricing is higher than products in North America, and they are rarely discounted. Still many people are willing to pay for it. Lululemon has the courage to do this because there is a huge number of consumers in China and there is no shortage of potential customers. Secondly, discounting means

that gross margins are reduced and affects Lululemon's premium positioning, even during the big sales days in China such as the "Double 11" when Lululemon discounts less than other brands. This means that Lululemon can have higher profits with which to invest, for example, in developing new fabrics, etc. As shown in the figure 1 Lululemon's discount rate has remained at 10-15%, but other brands such as Adidas and Puma have been discounted at over 30% [7].

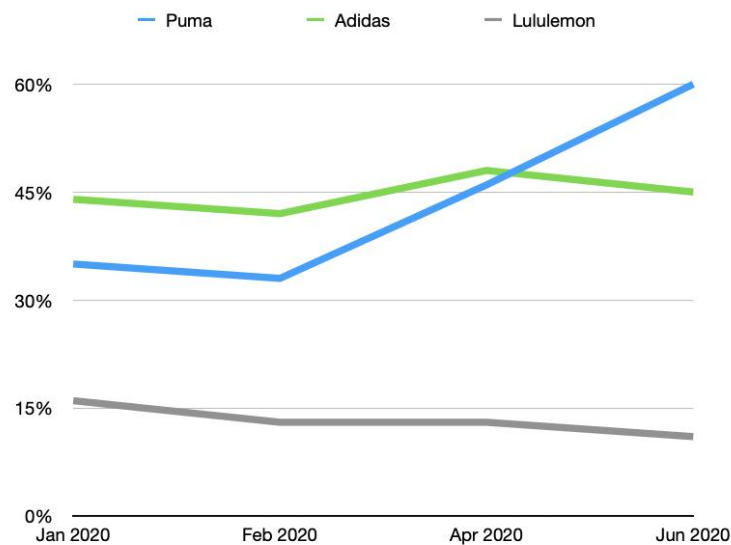


Figure 1: Comparison of Lululemon's discounts with other brands [7].

Lululemon offers the perfect blend of "sports expertise" and "fashion" [4]. In order to satisfy the Asian body shape, Lululemon has launched an Asian version of yoga wear, which is smaller and shorter compared to regular yoga trousers. Lululemon's high profitability has attracted numerous Chinese businesses to join the production, with well-known online sports apps like 'keep' also joining the production of yoga wear at 30% of Lululemon's pricing. In the face of this fierce competition, lululemon has applied for many relevant patents and has a good relationship with its suppliers, who only supply Lululemon with exclusive production techniques and fabrics. A technological barrier has been created so that other brands cannot imitate it. However, Lululemon does not have its own production chain and is overly dependent on manufacturers, the largest of which, "Ruhong", accounts for 27% [8]. This leads to a strong bargaining power for producers. Lululemon has had several major quality issues, with large batches of substandard products being recalled, which significantly increased costs and affected Lululemon's brand image. This is why Lululemon needs to maintain a good relationship with the manufacturers and keep strict quality control.

Lululemon adopts the KOL (key opinion leader) approach to marketing [4]. Before entering the Chinese market, Lululemon will provide free clothing to the coaches for one year and the coaches will become Lululemon "Ambassadors" [4]. Use KOLs to create topics and influence consumers with word-of-mouth from professionals. These coaches will give lessons to consumers in the shop, and after the course the consumer can buy directly from the shop, thus creating a closed marketing loop [4]. It is also available to collect consumers' feedback to make modifications to the product. The atmosphere in the shops is immersive in the brand culture: an active, sunny lifestyle, called "sweat life", gives consumers a strong desire to buy [2]. To date, Lululemon has 2,500 brand ambassadors [4]. This method is less expensive and more effective than hiring celebrities as brand spokespersons. Through word-of-mouth, Lululemon's popularity is growing in China and recommendations from friends or coaches are more persuasive to consumers.

Starvation marketing and viral marketing, Lululemon's products are updated very quickly, on average every two weeks, and stocks are low [4]. Every time a customer walks past Lululemon, they feel the desire to go in and shop, and there is an invisible sense of pressure because they feel that if they do not buy this time, they might not get it next time [4]. But excessive hunger marketing may make consumers lose patience, so Lululemon needs suitable inventory management. On the Chinese social media platform "Xiaohongshu", there are many topics of discussion, such as the Lululemon outfit, where KOC (key opinion consumer) would share his outfit and play with it in new styles. Many people wanted to follow the trend and it gave Lululemon a lot of exposure. These marketing methods have enabled Lululemon to achieve a store efficiency of \$15 million for a newly opened shop [5].

The offline experience is more likely to excite customers than a boring text message. Each year Lululemon sets different themes, such as the "Heart China" yoga event in Beijing, China, and the Sweat life Festival beach party in Shenzhen, cementing itself as part of the city's culture [9]. Bundling the brand's exclusive sales community as well as lifestyle.

Creating low-cost public relations for the Internet, Lululemon entered the Chinese market at a key moment in the country's rapid Internet development [10]. Lululemon recognized this change in the market and created "Lululemon wear topics" on Chinese social media platforms, etc [2]. Also works with KOL to assess and share the functionality of Lululemon products and to recommend lululemon items from a professional and fashionable aesthetic perspective [2]. Create a scene of exquisite living, deeply appealing to young people's desire for beauty and attracting users to place orders. A 'Hot Sweat Community' will also be created on the sports platform, offering free yoga classes online, better branding Lululemon [2]. But at the same time there is a lot of talk about "wearing the same Lululemon at a lower price", giving people the opportunity to find a lower priced brand with similar products to Lululemon to replace it. This may have lost Lululemon customers.

5. Suggestions

About suggestions for Lululemon: 1. Lululemon should increase the activity of the community, during the covid-19 many activities cannot be carried out and consumers lack the opportunity to exercise and may not be healthy [11]. Lululemon can use this opportunity to promote activities and hold yoga events as a way to increase community bonding and communicate to consumers the importance of exercise and healthy lifestyles through programs. 2. Lululemon should strengthening the application of patents for products, It is difficult to guarantee that Lululemon will not be developed by others, especially in a highly competitive market where high profits attract numerous businesses. 3. Lululemon should strengthen the management control of the production line. The ultimate reason for Lululemon's repeated quality problems is that Lululemon does not have direct control over production. Lululemon can carry out a vertical merger backwards or create a factory of its own.

6. Conclusion

Lululemon achieves financial gains and customer loyalty through keen insight, fashionable and professional designs, word-of-mouth influence through KOLs and careful community nurturing. So the success of Lululemon is no accident. Lululemon has taken DTC (direct to consumer), KOL (key opinion leader) to the extreme. Research has shown that Lululemon needs to pay attention to the management of its producers to ensure quality. This is because Lululemon's producers are heavily dependent and do not have their own production lines. This study complements and refines the academic research on Lululemon's marketing in China, and also provides some reference for the Lululemon brand's marketing strategy. It also gives start-up brands some inspiration to dare to break

the mold and use novel marketing approaches. Every brand needs to know: putting the customer's needs first is the first step to success. Because it is very important to build a loyal customer base. This essay lacks an in-depth discussion of Lululemon's market segmentation and simply lists how Lululemon is categorized. Hoping that further analysis in this area will be possible in the future. But objective limitations do not negate the research methods of the thesis and the author personally.

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