

CASE 09

lululemon athletica, inc. in 2016: Can the Company Get Back on Track?

Arthur A. Thompson
The University of Alabama

In May 2016, shareholders of lululemon athletica—a designer and retailer of high-tech athletic apparel sold under the lululemon athletica and ivivva athletica brand names—were concerned whether customers were losing enthusiasm for the company’s stylish, premium-priced products. Revenue growth of 16.1 percent in fiscal 2013, 12.9 percent in 2014, and 14.6 percent in 2015 was well below the 36.9 percent increase in fiscal 2012. Average annual sales at lululemon’s retail stores open at least 12 months had dropped from a record high of \$5.83 million per store in 2012 to \$5.44 million in 2013 to \$4.95 million in 2014 to \$4.57 million in 2015—a disturbingly big 21.6 percent decline.

Were these two disappointing performance metrics a reflection of lingering damage to the company’s brand image stemming from design and product quality problems encountered in March 2013 when shipments of women’s black Luon bottoms proved to be sheer and revealing of the garments being worn underneath. Or were other troublesome factors also at work? Was the market signaling that the “fad for lululemon apparel” was over? Might the heretofore “must have” appeal of lululemon’s functional and stylish apparel among fitness-conscious women be a thing of the past, never to reappear? Would sales rejuvenation be impossible given that several important competitors (Under Armour, Nike, adidas, and The Gap’s new Athleta brand retail stores) were broadening their product lines to include a bigger selection of fashionable, high-performance athletic and fitness apparel for women? Could the problem be due to a significant fraction of the company’s customers switching to lower-priced brands and/or brands they considered to more cutting edge or more

trend-setting or more appealingly designed? Were all of these factors in play and, if so, what strategic actions could lululemon management initiate to pump up the company’s performance? And, given whatever actions top management might take to rejuvenate sales, how long would it be before stockholders could reasonably expect for the company’s \$64 stock price (as of May 9, 2016) to climb above \$80 per share (where it was trading in March 2013 when the problems with the black Luon bottoms first surfaced and sales began to slack off)?

COMPANY BACKGROUND

A year after selling his eight-store surf-, skate- and snowboard-apparel chain called Westbeach Sports, Chip Wilson took the first commercial yoga class offered in Vancouver, British Columbia, and found the result exhilarating. But he found the cotton clothing used for sweaty, stretchy power yoga completely inappropriate. Wilson’s passion was form-fitting performance fabrics and in 1998 he opened a design studio for yoga clothing that also served as a yoga studio at night to help pay the rent. He designed a number of yoga apparel items made of moisture-wicking fabrics that were light, form-fitting, and comfortable and asked local yoga instructors to wear the products and give him feedback. Gratified by the positive response, Wilson opened lululemon’s first real store in the beach area of Vancouver in November 2000.

While the store featured yoga clothing designed by Chip Wilson and his wife Shannon,

Chip Wilson's vision was for the store to be a community hub where people could learn and discuss the physical aspects of healthy living—from yoga and diet to running and cycling, plus the yoga-related mental aspects of living a powerful life of possibilities. But the store's clothing proved so popular that dealing with customers crowded out the community-based discussions and training about the merits of living healthy lifestyles. Nonetheless, Chip Wilson and store personnel were firmly committed to healthy, active lifestyles, and Wilson soon came to the conclusion that for the store to provide staff members with the salaries and opportunities to experience fulfilling lives, the one-store company needed to expand into a multi-store enterprise. Wilson believed that the increasing number of women participating in sports, and specifically yoga, provided ample room for expansion, and he saw lululemon athletica's yoga-inspired performance apparel as a way to address a void in the women's athletic apparel market. Wilson also saw the company's mission as one of providing people with the components to live a longer, healthier, and more fun life.

Several new stores were opened in the Vancouver area, with operations conducted through a Canadian operating company, initially named Lululemon Athletica, Inc. and later renamed lululemon canada, inc. In 2002, the company expanded into the United States and formed a sibling operating company, Lululemon Athletica USA Inc. (later renamed lululemon usa, inc.), to conduct its U.S. operations. Both operating companies were wholly owned by affiliates of Chip Wilson. In 2004, the company contracted with a franchisee to open a store in Australia as a means of more quickly disseminating the lululemon athletica brand name, conserving on capital expenditures for store expansion (since the franchisee was responsible for the costs of operating and operating the store), and boosting revenues and profits. The company wound up its fiscal year ending January 31, 2005, with 14 company-owned stores, 1 franchised store, and net revenues of \$40.7 million. A second franchised store was opened in Japan later in 2005. Franchisees paid lululemon a one-time franchise fee and an ongoing royalty based on a specified percentage of net revenues; lululemon supplied franchised stores with garments at a discount to the suggested retail price.

Five years after opening the first retail store, it was apparent that lululemon apparel was fast becoming something of a cult phenomenon and a status symbol among yoga fans in areas where lululemon stores had opened. Avid yoga exercisers were not hesitating to purchase \$120 color-coordinated lululemon yoga outfits that felt comfortable and made them look good. Mall developers and mall operators quickly learned about lululemon's success and began actively recruiting lululemon to lease space for stores in their malls.

In December 2005, with 27 company-owned stores, 2 franchised stores, and record sales approaching \$85 million annually, Chip Wilson sold 48 percent of his interest in the company's capital stock to two private equity investors: Advent International Corporation, which purchased 38.1 percent of the stock, and Highland Capital Partners, which purchased a 9.6 percent ownership interest. In connection with the transaction, the owners formed lululemon athletica inc. to serve as a holding company for all of the company's related entities, including the two operating subsidiaries, lululemon canada inc. and lululemon usa inc. Robert Meers, who had 15 years' experience at Reebok and was Reebok's CEO from 1996 to 1999, joined lululemon as CEO in December 2005. Chip Wilson headed the company's design team and played a central role in developing the company's strategy and nurturing the company's distinctive corporate culture; he was also chair of the company's board of directors, a position he had held since founding the company in 1998. Wilson and Meers assembled a management team with a mix of retail, design, operations, product sourcing, and marketing experience from such leading apparel and retail companies as Abercrombie & Fitch, Limited Brands, Nike, and Reebok.

Brisk expansion ensued. The company ended fiscal 2006 with 41 company-owned stores, 10 franchised stores, net revenues of \$149 million, and net income of \$7.7 million. In 2007, the company's owners elected to take the company public. The initial public offering took place on August 2, 2007, with the company selling 2,290,909 shares to the public and various stockholders selling 15,909,091 shares of their personal holdings. Shares began trading on the NASDAQ under the symbol LULU and on the Toronto Exchange under the symbol LLL.

In 2007, the company's announced growth strategy had five key elements:

- 1. Grow the company's store base in North America.** The strategic objective was to add new stores to strengthen the company's presence in locations where it had existing stores and then selectively enter new geographic markets in the United States and Canada. Management believed that the company's strong sales in U.S. stores demonstrated the portability of the lululemon brand and retail concept.
- 2. Increase brand awareness.** This initiative entailed leveraging the publicity surrounding the opening of new stores with grassroots marketing programs that included organizing events and partnering with local fitness practitioners.
- 3. Introduce new product technologies.** Management intended to continue to focus on developing and offering products that incorporated technology-enhanced fabrics and performance features that differentiated lululemon apparel and helped broaden the company's customer base.
- 4. Broaden the appeal of lululemon products.** This initiative entailed (1) adding a number of apparel items for men; (2) expanding product offerings for women and young females in such categories as athletic bags, undergarments, outerwear, and sandals; and (3) adding products suitable for additional sports and athletic activities.
- 5. Expand beyond North America.** In the near term, the company planned to expand its presence in Australia and Japan and then, over time, pursue opportunities in other Asian and European markets that offered similar, attractive demographics.

The company grew rapidly. Fitness-conscious women began flocking to the company's stores not only because of the fashionable products but also because of the store ambience and attentive, knowledgeable store personnel. Dozens of new lululemon athletic retail stores were opened annually, and the company pursued a strategy of embellishing its product offerings to create a comprehensive line of apparel and accessories designed for athletic pursuits such as yoga, running, and general fitness; technical clothing for active female youths; and a selection of fitness and recreational items for men. Revenues topped \$1 billion in fiscal 2011 and reached almost \$1.6 billion in fiscal 2013.

Headed into fiscal year 2016, the company's products could be bought at its 320 retail stores in

the United States and Canada, 31 stores in Australia and New Zealand, and 17 stores in 5 other foreign countries, plus the company's website, www.lululemon.com, and assorted other locations. In the company's most recent fiscal year ending January 31, 2016, retail store sales accounted for 73.6 percent of company revenues, website sales accounted for 19.5 percent, and sales in all other channels (showroom sales, sales at outlet centers, sales from temporary locations, licensing revenues, and wholesale sales to premium yoga studios, health clubs, fitness centers, and a few other retailers) accounted for 6.9 percent.

Exhibit 1 presents highlights of the company's performance for fiscal years 2011–2015. Exhibit 2 shows lululemon's revenues by business segment and geographic region for the same period.

lululemon's Evolving Senior Leadership Team

In January 2008, Christine M. Day joined the company as executive vice president, retail operations. Previously, she had worked at Starbucks, functioning in a variety of capacities and positions including president, Asia Pacific Group (July 2004–February 2007), co-president, Starbucks Coffee International (July 2003–October 2003), and senior vice president, North American Finance & Administration, and vice president, sales and operations for business alliances. In April 2008, Day was appointed as lululemon's president and chief operating officer, and was named chief executive officer and member of the board of directors in July 2008. During her tenure as CEO, Day expanded and strengthened the company's management team to support its expanding operating activities and geographic scope, favoring the addition of people with relevant backgrounds and experiences at such companies as Nike, Abercrombie & Fitch, The Gap, and Speedo International. She also spent a number of hours each week in the company's stores observing how customers shopped, listening to their comments and complaints, and using the information to tweak product offerings, merchandising, and store operations.

Company founder Chip Wilson stepped down from his executive role as lululemon's chief innovation and branding officer effective January 29, 2012, and moved his family to Australia; however,

EXHIBIT 1 Financial and Operating Highlights, lululemon athletica, Fiscal Years 2011-2015 (in millions of \$)

Selected Income Statement Data	Fiscal Year 2015 (Ending Jan. 31, 2016)	Fiscal Year 2014 (Ending Feb. 1, 2015)	Fiscal Year 2013 (Ending Feb. 2, 2014)	Fiscal Year 2012 (Ending Feb. 3, 2013)	Fiscal Year 2011 (Ending Jan. 29, 2012)
Net revenues	\$2,060.5	\$1,797.2	\$1,591.2	\$1,370.4	\$1,000.8
Cost of goods sold	1,063.4	833.0	751.1	607.5	431.6
Gross profit	997.2	914.2	840.1	762.8	569.3
Selling, general, and administrative expenses	628.1	538.1	448.7	386.4	282.3
Operating profit	369.1	376.0	391.4	376.4	287.0
Net profit (loss)	266.0	239.0	279.5	271.4	185.0
Earnings per share—basic	\$ 1.90	\$ 1.66	\$ 1.93	\$ 1.88	\$ 1.29
Earnings per share—diluted	1.89	1.66	1.91	1.85	1.27
Balance Sheet Data					
Cash and cash equivalents	\$ 501.5	\$ 664.5	\$ 698.6	\$ 590.2	\$ 409.4
Inventories	284.0	208.1	188.8	155.2	104.1
Total assets	1,314.1	1,296.2	1,252.3	1,051.1	734.6
Stockholders' equity	1,027.5	1,089.6	1,096.7	887.3	606.2
Cash Flow and Other Data					
Net cash provided by operating activities	\$ 298.7	\$ 314.4	\$ 278.3	\$ 280.1	\$ 203.6
Capital expenditures	143.5	119.7	106.4	93.2	116.7
Store Data					
Number of corporate-owned stores open at end of period	363	302	254	211	174
Sales per gross square foot at corporate-owned stores open at least one full year	\$ 1,541	\$ 1,678	\$ 1,894	\$ 2,058	\$ 2,004
Average sales at corporate- owned stores open at least one year (in millions)	\$ 4.57	\$ 4.95	\$ 5.44	\$ 5.83	\$ 5.33

Sources: Company 10-K reports for fiscal years 2010, 2011, 2012, 2013, 2014, and 2015.

he continued on in his role as chair of the company's board of directors and focused on becoming a better board chair, even going so far as to take a four-day course on board governance at Northwestern University.¹ Christine Day promoted Sheree Waterson, who had joined the company in 2008 and had over 25 years of consumer and retail industry experience, as chief product officer to assume responsibility for product design, product development, and other executive tasks that Wilson

had been performing. Shortly after the quality problems with the black Luon bottoms occurred, Waterson resigned her position and left the company. In October 2013, lululemon announced that Tara Poseley had been appointed to its Senior Leadership Team as chief product officer and would have responsibility for overseeing lululemon's design team, product design activities, merchandising, inventory activities, and strategic planning. Previously, Poseley held the position of interim president

EXHIBIT 2 lululemon athletica's Revenues and Income from Operations, by Business Segment and by Geographic Region, Fiscal Years 2011–2015 (dollars in millions)

Revenues by Business Segment	Fiscal Year 2015 (Ending Jan. 1 2016)	Fiscal Year 2014 (Ending Feb. 1, 2015)	Fiscal Year 2013 (Ending Feb. 2, 2014)	Fiscal Year 2012 (Ending Feb. 3, 2013)	Fiscal Year 2011 (Ending Jan. 29, 2012)
Corporate-owned stores	\$1,516.3	\$1,348.2	\$1,229.0	\$1,090.2	\$ 816.9
Direct-to-consumer (e-commerce sales)	401.5	321.2	263.1	197.3	106.3
All other channels*	142.7	127.8	99.1	82.9	77.6
Total	\$2,060.5	\$1,797.2	\$1,591.2	\$1,370.4	\$1,000.8
Percentage Distribution of Revenues by Business Segment					
Corporate owned stores	73.6%	75.0%	77.3%	79.6%	81.6%
Direct-to-consumer (e-commerce sales)	19.5%	17.9%	16.5%	14.4%	10.6%
All other channels*	6.9%	7.1%	6.2%	6.0%	7.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Income from Operations (before general corporate expenses), by Business Segment					
Corporate owned stores	\$ 346.8	\$ 356.6	\$ 372.3	\$ 375.5	\$ 297.8
Direct-to-consumer (e-commerce sales)	166.4	132.9	110.0	84.7	44.2
All other channels*	5.8	9.5	14.0	19.9	21.1
Total Income from Operations (before general corporate expenses)	\$ 498.3	\$ 499.0	\$ 496.3	\$ 480.1	\$ 363.1
Revenues by Geographic Region					
United States	\$1,508.8	\$1,257.4	\$1,052.2	\$ 839.9	\$ 536.2
Canada	416.5	434.3	454.2	461.6	425.7
Outside of North America	135.2	105.5	84.8	68.9	38.9
Total	\$2,060.5	\$1,797.2	\$1,591.2	\$1,370.4	\$1,000.8
Percentage Distribution of Revenues by Geographic Region					
United States	73.2%	70.0%	66.1%	61.3%	53.6%
Canada	20.2%	24.2%	28.5%	33.7%	42.5%
Outside of North America	6.6%	5.9%	5.3%	5.0%	3.9%
Total	100.0%	100.0%	99.9%	100.0%	100.0%

*The "All other channels" category included showroom sales, sales at lululemon outlet stores, sales from temporary store locations, licensing revenues, and wholesale sales to premium yoga studios, health clubs, fitness centers, and other wholesale accounts.

Sources: Company 10-K reports, fiscal years 2011, 2012, 2013, 2014, and 2015.

at Bebe Stores, Inc., president of Disney Stores North America (The Children's Place), CEO of Design Within Reach (DWR), and a range of senior merchandising and design management positions during her 15-year tenure at Gap Inc.

In the aftermath of the pants recall in March 2013, the working relationship between Christine Day and Chip Wilson deteriorated. Wilson made it clear that he would have handled the product recall incident differently and that he did not think there were problems with the design of the product or the quality of the fabric. But the differences between Day and Wilson went beyond the events of March 2013, especially when some consumers began to complain about the quality of the replacement pants. Wilson returned from Australia in May 2013, and weeks later Christine Day announced she would step down as CEO when her successor was named. A lengthy search for Day's replacement ensued.

In the meantime, Chip Wilson triggered a firestorm when, in an interview with Bloomberg TV in November 2013, he defended the company's design of the black Luon bottoms, saying, "Quite frankly, some women's bodies just actually don't work" with the pants. Although a few days later he publicly apologized for his remarks suggesting that the company's product quality issues back in March 2013 were actually the fault of overweight women, his apology was not well received. In December 2013, Wilson resigned his position as board chair and took on the lesser role of nonexecutive chair. A few months later, Wilson announced that he intended to give up his position as nonexecutive chair prior to the company's annual stockholders meeting in June 2014 but continue on as a member of the company's board of directors (in 2013–2014, Wilson was the company's largest stockholder and controlled 29.2 percent of the company's common stock).

In early December 2013, lululemon announced that its board of directors had appointed Laurent Potdevin as the company's chief executive officer and a member of its board of directors; Potdevin stepped into his role in January 2014 and, to help ensure a smooth transition, Christine Day remained with lululemon through the end of the company's fiscal year (February 2, 2014). Potdevin came to lululemon having most recently served as president of TOMS Shoes, a company

founded on the mission that it would match every pair of shoes purchased with a pair of new shoes given to a child in need. Prior to TOMS, Potdevin held numerous positions at Burton Snowboards for more than 15 years, including president and CEO from 2005 to 2010; Burton Snowboards, headquartered in Burlington, Vermont, was considered to be the world's premier snowboard company, with a product line that included snowboards and accessories (bindings, boots, socks, gloves, mitts, and beanies); men's women's, and youth snowboarding apparel; and bags and luggage. Burton's grew significantly under Potdevin's leadership, expanding across product categories and opening additional retail stores.

Tension between Chip Wilson and lululemon's board of directors erupted at the company's annual shareholder's meeting in June 2014 when he voted his entire shares against reelection of the company's chair and another director. In February 2015, after continuing to disagree with lululemon executives and board members over the company's strategic direction and ongoing dissatisfaction with how certain lululemon activities were being managed, Wilson resigned his position on lululemon's board of directors. In August 2014, he sold half of his ownership stake to a private equity firm. In June 2015, lululemon filed documents with the Securities and Exchange Commission enabling Wilson to sell his remaining 20.1 million shares (equal to a 14.6 percent ownership stake worth about \$1.3 billion) in the event he wished to do so. Meanwhile, Wilson, together with his wife and son, in 2014 had formed a new company, Kit and Ace, that specialized in high-end clothing for men and women made from a machine-washable, high-performance cashmere fabric; the innovative clothing line was designed for all-day wear and included a range of items suitable for running errands or attending an evening event. In 2016, there were some 60 Kit and Ace stores in the United States, Canada, Australia, Britain, and Japan.

THE YOGA MARKETPLACE

According to a "Yoga in America" study funded by the *Yoga Journal*, in 2015 there were 36.7 million people in the United States who had practiced yoga in the last six months in a group or private

class setting, up from 20.4 million in 2012 and 15.8 million in 2008.² About 72 percent of the people who engaged in group or class yoga exercises were women, and close to 62 percent of all yoga practitioners were in the age range of 18–49.³ About 74 percent of the people who practiced yoga in 2015 had done so for five years or less. The level of yoga expertise varied considerably: 56 percent of yoga practitioners considered themselves as beginners, 42 percent considered themselves as “intermediate,” and 2 percent considered themselves to be in the expert/advanced category. Spending on yoga classes, yoga apparel, and related items was an estimated \$16.8 billion, up from \$10.3 billion in 2012 and \$5.7 billion in 2008.⁴

The market for sports and fitness apparel was considerably larger, of course, than just the market for yoga apparel. The global market for all types of sportswear, activewear, and athletic apparel, estimated to be about \$148 billion in 2015, was forecast to grow about 4.3 percent annually and reach about \$185 billion by 2020.⁵ In the United States, sales of activewear and all types of gym and fitness apparel, which included both items made with high-tech performance fabrics that wicked away moisture and items made mostly of cotton, polyester, stretch fabrics, and selected other synthetic fibers that lacked moisture-wicking and other high-performance features), was the fastest-growing segment of the apparel industry.⁶

IULULEMON'S STRATEGY AND BUSINESS IN 2016

lululemon athletica viewed its core mission as “creating components for people to live longer, healthier, fun lives.”⁷ The company's primary target customer was

a sophisticated and educated woman who understands the importance of an active, healthy lifestyle. She is increasingly tasked with the dual responsibilities of career and family and is constantly challenged to balance her work, life and health. We believe she pursues exercise to achieve physical fitness and inner peace.⁸

In the company's early years, lululemon's strategy was predicated on management's belief that other athletic apparel companies were not effectively

addressing the unique style, fit, and performance needs of women who were embracing yoga and a variety of other fitness and athletic activities. lululemon sought to address this void in the marketplace by incorporating style, feel-good comfort, and functionality into its yoga-inspired apparel products and by building a network of lululemon retail stores, along with an online store at the company's website, to market its apparel directly to these women. However, while the company was founded to address the unique needs and preferences of women, it did not take long for management to recognize the merits of broadening the company's market target to include fitness apparel for activities other than yoga and apparel for population segments other than adult women.

In 2009, lululemon opened its first ivviva-branded store in Vancouver, British Columbia, to sell high-quality, premium-priced dance-inspired apparel to female youth (*ivviva* was a word that lululemon made up). The Vancouver store was soon profitable, and 11 additional company-owned ivviva stores were opened in Canada and the United States during 2010–2013. In 2014–2015, the opening of new ivviva stores accelerated. As of January 31, 2016, there were 31 ivviva stores in the United States and 12 ivviva stores in Canada, plus an additional 28 ivviva showrooms (26 in the United States and 2 in Canada); showrooms displayed key styles and were open only part of the week so that ivviva personnel could be out in the community building relationships with local dance instructors and creating awareness of the ivviva brand of apparel, all in preparation for opening an ivviva retail store in upcoming months.

In 2013–2014, the company began designing and marketing products for men who appreciated the technical rigor and premium quality of athletic and fitness apparel. Management also believed that participation in athletic and fitness activities was destined to climb as people over 60 years of age became increasingly focused on living longer, healthier, active lives in their retirement years and engaged in regular exercise and recreational activities. Another demand-enhancing factor was that consumer decisions to purchase athletic, fitness, and recreational apparel were being driven not only by an actual need for functional products but also by a desire to create a particular lifestyle perception

through the apparel they wore. Consequently, senior executives had transitioned lululemon's strategy from one of focusing exclusively on yoga apparel for women to one aimed at designing and marketing a wider range of healthy lifestyle–inspired apparel and accessories for women and men and dance-inspired apparel for girls.

As lululemon began fiscal year 2016, the company's business strategy had six core components:

- Broaden the lululemon product line to include both more items and items suitable for purposes other than just fitness-related activities.
- Grow the store base, both in North America and outside North America.
- Broaden awareness of the lululemon and ivivva brands and the nature and quality of the company's apparel offerings.
- Incorporate next-generation fabrics and technologies in the company's products to strengthen consumer association of the lululemon and ivivva brands with technically advanced fabrics and innovative features, thereby enabling lululemon to command higher prices for its products compared to the prices of traditional fitness and recreational apparel products made of cotton, rayon, polyester, and/or other synthetic fibers lacking the performance features of high-tech fabrics.
- Provide a distinctive in-store shopping experience, complemented with strong ties to fitness instructors and fitness establishments, local athletes and fitness-conscious people, and various community-based athletic and fitness events.
- Grow traffic and sales at the company's websites (www.lululemon.com and www.ivivva.com) to provide a distinctive and satisfying online shopping experience and to extend the company's reach into geographic markets where it did not have retail stores.

Product Line Strategy

In 2016, lululemon offered a diverse and growing selection of premium-priced performance apparel and accessories for women and men that were designed for healthy lifestyle activities such as yoga, swimming, running, cycling, and general

fitness. Currently, the company's range of offerings included:

Women		Men
• Sports bras	• Swimwear	• Tops
• Tanks	• Socks and underwear	• Jackets and hoodies
• Sweaters and wraps	• Scarves	• Pants and shorts
• Jackets and hoodies	• Gear bags	• Gear bags and backpacks
• Long-sleeve and short-sleeve tops and tees	• Caps and headbands	• Caps and gloves
• Pants and crops	• Sweat cuffs and gloves	• Swimwear
• Shorts	• Water bottles	• Socks and underwear
• Skirts and dresses	• Yoga mats and props	• Run accessories
• Outerwear	• Instructional yoga DVDs	• Yoga mats, props, and instructional DVDs

Exhibit 3 shows a sampling of lululemon's products for men and women.

Most of the company's products for female youths were sold at ivivva stores and at the ivivva website, www.ivivva.com. The ivivva product line, while featuring dancing apparel, also included apparel for yoga and running; specific apparel items available under the ivivva label included leotards, shorts, dance pants, crop pants, tights, sports bras, tank tops, tees, jackets, hoodies, pullovers, caps, headbands, socks, bags, and other accessories.

lululemon's Strategy of Offering Only a Limited Range of Apparel Sizes In the months following the product recall of the too-sheer bottom pants in March 2013, lululemon officially revealed in a posting on its Facebook page that it did not offer clothing in plus sizes because focusing on sizes 12 and below was an integral part of its business strategy; according to the company's posting and to the postings of lululemon personnel who responded to comments

EXHIBIT 3 Examples of lululemon Apparel Items



(top left) © Dina Rudick/The Boston Globe via Getty Images; (top right) © Xaume Olleros/Bloomberg via Getty Images; (middle left) © Joe Raedle/Getty Images; (middle right and bottom) © Stuart C. Wilson/Getty Images for Lululemon Athletica

made by Facebook members who read the lululemon posting:⁹

Our product and design strategy is built around creating products for our target guest in our size range of 2–12. While we know that doesn't work for everyone and recognize fitness and health come in all shapes and sizes, we've built our business, brand and relationship with our guests on this formula.

We agree that a beautiful healthy life is not measured by the size you wear. We want to be excellent at

what we do, so this means that we can't be everything to everybody and need to focus on specific areas. Our current focuses are in innovating our women's design, men's brand, and building our international market.

At this time, we don't have plans to change our current sizing structure which is 2–12 for women.

Three years later, the largest size appearing in the size guide for women on lululemon's website was 12/XL, which was said to be suitable for a 40" bust, 32.5" waist, and 43" hips.

Retail Distribution and Store Expansion Strategy

After several years of experience in establishing and working with franchised stores in the United States, Australia, Japan, and Canada, top management in 2010 determined that having franchised stores was not in lululemon's best long-term strategic interests. A strategic initiative was begun to either acquire the current stores of franchisees and operate them as company stores or convert the franchised stores to a joint venture arrangement where lululemon owned the controlling interest in the store and the former franchisee owned a minority interest. By year-end 2011, all lululemon stores were company owned and operated.

As of May 2016, lululemon's retail footprint included:

- 48 stores in Canada scattered across seven provinces, but mainly located in British Columbia, Alberta, and Ontario.
- 229 stores in the United States (44 states and the District of Columbia), plus 33 showrooms.
- 26 stores and 1 showroom in Australia.
- 5 stores in New Zealand.
- 6 stores and 3 showrooms in the United Kingdom.
- 2 stores in Singapore, 2 stores in Hong Kong, 1 store and 4 showrooms in Germany, 1 store in Puerto Rico, 1 store in the United Arab Emirates, 2 showrooms each in France and China, and 1 showroom each in Sweden, Switzerland, the Netherlands, Japan, and Malaysia.
- 31 ivviva stores in the United States, plus 26 showrooms.
- 12 ivviva stores in Canada, plus 2 showrooms.

Management had announced that new store openings would be concentrated in the United States, Asia, and Europe, primarily in those locations where showrooms were already open or would be opening soon. In spite of lululemon's recent declines in sales-per-square-foot performance (see the bottom portion of Exhibit 1), management believed its sales revenues per square foot of retail space were close to the best in the retail apparel sector—for example, the stores of specialty fashion retailers like Old Navy, Banana Republic, The Gap, and Abercrombie & Fitch typically had 2015 annual sales averaging less than \$500 per square foot of store space.

lululemon's Retail Stores: Locations, Layout, and Merchandising

The company's retail stores were located primarily on street locations, in upscale strip shopping centers, in lifestyle centers, and in malls. Typically, stores were leased and were 2,500 to 3,000 square feet in size. Most all stores included space for product display and merchandising, checkout, fitting rooms, a restroom, and an office/storage area. While the leased nature of the store spaces meant that each store had its own customized layout and arrangement of fixtures and displays, each store was carefully decorated and laid out in a manner that projected the ambience and feel of a homespun local apparel boutique rather than the more impersonal, cookie-cutter atmosphere of many apparel chain stores.

The company's merchandising strategy was to sell all of the items in its retail stores at full price.¹⁰ Special colors and seasonal items were in stores for only a limited time—such products were on 3-, 6-, or 12-week life cycles so that frequent shoppers could always find something new. Store inventories of short-cycle products were deliberately limited to help foster a sense of scarcity, condition customers to buy when they saw an item rather than wait, and avoid any need to discount unsold items. In one instance, a hot-pink color that launched in December was supposed to have a two-month shelf life, but supplies sold out in the first week. However, supplies of core products that did not change much from season to season were more ample to minimize the risk of lost sales due to items being out-of-stock. Approximately 95 percent of the merchandise in lululemon stores was sold at full price.¹¹

One unique feature of lululemon's retail stores was that the floor space allocated to merchandising displays and customer shopping could be sufficiently cleared to enable the store to hold an in-store yoga class before or after regular shopping hours. Every store hosted a complimentary yoga class each week that was conducted by a professional yoga instructor from the local community who had been recruited to be a "store ambassador"; when the class concluded, the attendees were given a 15 percent off coupon to use in shopping for products in the store. From time to time, each store's yoga ambassadors demonstrated their moves in the store windows and on the sales floor. Exhibit 4 shows the exteriors of representative lululemon athletica stores.

EXHIBIT 4 Representative Exterior Scenes at lululemon Stores



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lululemon's Showroom Strategy Over the years, lululemon had opened “showrooms” in numerous locations both inside and outside North America as a means of introducing the lululemon brand and culture to a community, developing relationships with local fitness instructors and fitness enthusiasts, and hosting community-related fitness events, all in preparation for the grand opening of a new lululemon athletica retail store in weeks ahead. Showroom personnel:

- Hosted get-acquainted parties for fitness instructors and fitness enthusiasts.
- Recruited a few well-regarded fitness instructors in the local area to be “store ambassadors” for lululemon products and periodically conduct in-store yoga classes when the local lululemon retail store opened.
- Advised people visiting the showroom on where to find great yoga or Pilates classes, fitness centers, and health and wellness information and events.
- Solicited a select number of local yoga studios, health clubs, and fitness centers to stock and retail a small assortment of lululemon’s products.

Showrooms were open only part of the week so that showroom personnel could be out in the community meeting people, building relationships with yoga and fitness instructors, participating in local yoga and fitness classes and talking with attendees before and after class, promoting attendance at local fitness and wellness events, and stimulating

interest in the soon-to-open retail store. lululemon used showrooms as a means of “pre-seeding” the opening of a lululemon retail store primarily in those locations where no other lululemon retail stores were nearby. Because the showroom strategy had worked so well in getting lululemon stores off to a good start, management had quickly adopted the use of showrooms to pre-seed the opening of ivivva stores.

Wholesale Sales Strategy

lululemon marketed its products to select premium yoga studios, health clubs, and fitness centers as a way to gain the implicit endorsement of local fitness personnel for lululemon branded apparel, familiarize their customers with the lululemon brand, and give them an opportunity to conveniently purchase lululemon apparel. Also, when certain styles, colors, and sizes of apparel items at lululemon retail stores were selling too slowly to clear out the inventories of items ordered from contract manufacturers, lululemon typically shipped the excess inventories to one or more of the 11 lululemon Factory Outlet stores in North America to be sold at discounted prices.

lululemon management did not want to grow wholesale sales to these types of establishments into a significant revenue contributor. Rather, the strategic objective of selling lululemon apparel to yoga studios, health clubs, and fitness centers was to build brand awareness, especially in new geographic markets both in North America and other international locations where the company intended to open new

stores. Wholesale sales to outlet stores were made only to dispose of excess inventories and thereby avoid in-store markdowns on slow-selling items.

In January 2015, lululemon entered into a license and supply arrangement with a partner in the Middle East to operate lululemon athletica branded retail locations in the United Arab Emirates, Kuwait, Qatar, Oman, and Bahrain for an initial term of five years. lululemon retained the rights to sell lululemon products through its e-commerce websites in these countries. Under the arrangement, lululemon supplied the partner with lululemon products, training, and other support. As of January 31, 2016, there were two licensed stores in the United Arab Emirates, neither of which were included in the company-operated stores numbers in Exhibit 1.

The company's wholesale sales to all these channels accounted for net revenues of \$142.7 million (6.9 percent of total net revenues) in fiscal 2015, versus net revenues of \$77.6 million ((7.8 percent of the total) in fiscal 2011.

Direct-to-Consumer Sales Strategy

In 2009, lululemon launched its e-commerce website, www.lululemon.com, to enable customers to make online purchases, supplement its already-functioning phone sales activities, and greatly extend the company's geographic market reach. Management saw online sales as having three strategic benefits: (1) providing added convenience for core customers, (2) securing sales in geographic markets where there were no lululemon stores, and (3) helping build brand awareness, especially in new markets, including those outside North America. As of early 2016, the company operated country- and region-specific websites in Australia, Europe, the Middle East, and Asia, and brand-specific websites for both lululemon and ivivva (www.ivivva.com) products in North America. lululemon provided free shipping on all lululemon and ivivva orders to customers in North America; a shipping fee was charged to buyers in a number of international destinations.

The merchandise selection that lululemon offered to online buyers differed somewhat from what was available in the company's retail stores. A number of the items available in stores were not sold online; a few online selections were not available in the stores. Styles and colors available for sale online were updated weekly. On occasion, the

company marked down the prices of some styles and colors sold online to help clear out the inventories of items soon to be out-of-season and make way for newly arriving merchandise—online customers could view the discounted merchandise by clicking on a “we made too much” link.

Direct-to-consumer sales at the company's websites had become an increasingly important part of the company's business, with e-commerce sales climbing from \$106.3 million in fiscal 2011 (10.6 percent of total net revenues) to \$401.5 million in fiscal 2015 (19.5 percent of total revenues)—equal to a compound annual growth rate of 39.4 percent.

In addition to making purchases, website visitors could browse information about what yoga was, what the various types of yoga were, and their benefits; learn about fabrics and technologies used in lululemon's products; read recent posts on lululemon's yoga blog; and stay abreast of lululemon activities in their communities. The company planned to continue to develop and enhance its e-commerce websites in ways that would provide a distinctive online shopping experience and strengthen its brand reputation.

Product Design and Development Strategy

lululemon's product design efforts were led by a team of designers based in Vancouver, British Columbia, partnering with various international designers. The design team included athletes and users of the company's products who embraced lululemon's design philosophy and dedication to premium quality. Design team members regularly visited retail stores in a proactive effort to solicit feedback on existing products from store customers and fitness ambassadors and to gather their ideas for product improvements and new products. In addition, the design team used various market intelligence sources to identify and track market trends. On occasion, the team hosted meetings in several geographic markets to discuss the company's products with local athletes, trainers, yogis, and members of the fitness industry. The design team incorporated all of this input to make fabric selections, develop new products, and make adjustments in the fit, style, and function of existing products.

The design team worked closely with its apparel manufacturers to incorporate innovative fabrics that gave lululemon garments such characteristics as

stretch ability, moisture-wicking capability, color fastness, feel-good comfort, and durability. Fabric quality was evaluated via actual wear tests and by a leading testing facility. Before bringing out new products with new fabrics, lululemon used the services of leading independent inspection, verification, testing, and certification companies to conduct a battery of tests on fabrics for such performance characteristics as pilling, shrinkage, abrasion resistance, and colorfastness. Last, lululemon design personnel worked with leading fabric suppliers to identify opportunities to develop fabrics that lululemon could trademark and thereby gain added brand recognition and brand differentiation.

Where appropriate, product designs incorporated convenience features, such as pockets to hold credit cards, keys, digital audio players, and clips for heart rate monitors and long sleeves that covered the hands for cold-weather exercising. Product specifications called for the use of advanced sewing techniques, such as flat seaming, that increased comfort and functionality, reduced chafing and skin irritation, and strengthened important seams. All of these design elements and fabric technologies were factors that management believed enabled lululemon to price its high-quality technical athletic apparel at prices above those of traditional athletic apparel.

Typically, it took 8 to 10 months for lululemon products to move from the design stage to availability in its retail stores; however, the company had the capability to bring select new products to market in as little as two months. Management believed its lead times were shorter than those of most apparel brands due to the company's streamlined design and development process, the real-time input received from customers and ambassadors at its store locations, and the short times it took to receive and approve samples from manufacturing suppliers. Short lead times facilitated quick responses to emerging trends or shifting market conditions.

lululemon management believed that its design process enhanced the company's capabilities to develop top-quality products and was a competitive strength.

Sourcing and Manufacturing

Production was the only value chain activity that lululemon did not perform internally. lululemon did not own or operate any manufacturing facilities to produce fabrics or make garments. In 2015, fabrics

were sourced from a group of approximately 60 fabrics manufacturers. Luon, which constituted about 30 percent of the fabric in lululemon's garments, was supplied by four fabric manufacturers. Garments were sourced from approximately 35 contract manufacturers, five of which produced approximately 65 percent of the company's products in fiscal 2015. However, the company deliberately refrained from entering into long-term contracts with any of its fabric suppliers or manufacturing sources, preferring instead to transact business on an order-by-order basis and rely on the close working relationships it had developed with its various suppliers over the years. During fiscal 2015, approximately 44 percent of the company's products were produced in Southeast Asia, approximately 28 percent in South Asia, approximately 20 percent in China, approximately 2 percent in North America, and the remainder in other regions. The company's North American manufacturers helped provide lululemon with the capability to speed select products to market and respond quickly to changing trends and unexpectedly high buyer demand for certain products.

lululemon took great care to ensure that its manufacturing suppliers shared lululemon's commitment to quality and ethical business conduct. All manufacturers were required to adhere to a vendor code of ethics regarding quality of manufacturing, working conditions, environmental responsibility, fair wage practices, and compliance with child labor laws, among others. lululemon utilized the services of a leading inspection and verification firm to closely monitor each supplier's compliance with applicable law, lululemon's vendor code of ethics, and other business practices that could reflect badly on lululemon's choice of suppliers.

Distribution Facilities

lululemon shipped products to its stores from owned or leased distribution facilities in the United States, Canada, and Australia. The company owned a 307,000-square-foot distribution center in Columbus, Ohio; and operated a leased 156,000-square-foot facility in Vancouver, British Columbia, and an 82,000-square-foot facility in Sumner, Washington. Both leased facilities were modern and cost-efficient. In 2011, the company began operations at a leased 54,000-square-foot distribution center in Melbourne, Australia, to supply its stores in Australia and New

Zealand. Management believed these four facilities would be sufficient to accommodate its expected store growth and expanded product offerings over the next several years. Merchandise was typically shipped to retail stores through third-party delivery services multiple times per week, thus providing stores with a steady flow of new inventory.

lululemon's Community-Based Marketing Approach and Brand-Building Strategy

One of lululemon's differentiating characteristics was its community-based approach to building brand awareness and customer loyalty. Local fitness practitioners chosen to be ambassadors introduced their fitness class attendees to the lululemon brand, thereby leading to interest in the brand, store visits, and word-of-mouth marketing. Each yoga-instructor ambassador was also called on to conduct a complimentary yoga class every four to six weeks at the local lululemon store they were affiliated with. In return for helping drive business to lululemon stores and conducting classes, ambassadors were periodically given bags of free products, and large portraits of each ambassador wearing lululemon products and engaging in physical activity at a local landmark were prominently displayed on the walls their local lululemon store as a means of helping ambassadors expand their clientele.

Every lululemon store had a dedicated community coordinator who developed a customized plan for organizing, sponsoring, and participating in local athletic, fitness, and philanthropic events. In addition, each store had a community events bulletin board for posting announcements of upcoming activities, providing fitness education information and brochures, and promoting the local yoga studios and fitness centers of ambassadors. There was also a chalkboard in each store's fitting room area where customers could scribble comments about lululemon products or their yoga class experiences or their appreciation of the assistance/service provided by certain store personnel; these comments were relayed to lululemon headquarters every two weeks. Customers could use a lululemon micro website to track their progress regarding fitness or progress toward life goals.

lululemon made little use of traditional advertising print or television advertisements, preferring instead to rely on its various grassroots,

community-based marketing efforts and the use of social media (like Facebook and Twitter) to increase brand awareness, reinforce its premium brand image, and broaden the appeal of its products.

Store Personnel

As part of the company's commitment to providing customers with an inviting and educational store environment, lululemon's store sales associates, whom the company referred to as "educators," were coached to personally engage and connect with each guest who entered the store. Educators, many of whom had prior experience as a fitness practitioner or were avid runners or yoga enthusiasts, received approximately 30 hours of in-house training within the first three months of their employment. Training was focused on (1) teaching educators about leading a healthy and balanced life, exercising self-responsibility, and setting lifestyle goals, (2) preparing them to explain the technical and innovative design aspects of all lululemon products, and (3) providing the information needed for educators to serve as knowledgeable references for customers seeking information on fitness classes, instructors, and events in the community. New hires that lacked knowledge about the intricacies of yoga were given subsidies to attend yoga classes so they could understand the activity and better explain the benefits of lululemon's yoga apparel.

People who shopped at lululemon stores were called "guests," and store personnel were expected to "educate" guests about lululemon apparel, not sell to them. To provide a personalized, welcoming, and relaxed experience, store educators referred to their guests on a first name basis in the fitting and changing area, allowed them to use store restrooms, and offered them complimentary fresh-filtered water. Management believed that such a soft-sell, customer-centric environment encouraged product trial, purchases, and repeat visits.

Core Values and Culture

Consistent with the company's mission of "providing people with the components to live a longer, healthier and more fun life," lululemon executives sought to promote and ingrain a set of core values centered on developing the highest-quality products, operating with integrity, leading a healthy balanced life, and instilling in its employees a sense of self

responsibility and the value of goal setting. The company sought to provide employees with a supportive and goal-oriented work environment; all employees were encouraged to set goals aimed at reaching their full professional, health, and personal potential. The company offered personal development workshops and goal-coaching to assist employees in achieving their goals. Many lululemon employees had a written set of professional, health and personal goals. All employees had access to a “learning library” of personal development books that included Steven Covey’s *The Seven Habits of Highly Effective People*, Rhonda Byrne’s *The Secret*, and Brian Tracy’s *The Psychology of Achievement*.

Chip Wilson had been the principal architect of the company’s culture and core values, and the company’s work climate through 2013 reflected his business and lifestyle philosophy. Wilson had digested much of his philosophy about life in general and personal development into a set of statements and prescriptions that he called “the lululemon manifesto”—see info.lululemon.com/about/our-story/manifesto. The manifesto was considered to be a core element of lululemon’s culture. Senior executives believed the company’s work climate and core values helped it attract passionate and motivated employees who were driven to succeed and who would support the company’s vision of “elevating the world from mediocrity to greatness”—a phrase coined by Chip Wilson in the company’s early years.

Top management believed that its relationship with company employees was exceptional and a key contributor to the company’s success.

COMPETITION

Competition in the market for athletic and fitness apparel was principally centered on product quality, performance features, innovation, fit and style, distribution capabilities, brand image and recognition, and price. Rivalry among competing brands was vigorous, involving both established companies who were expanding their production and marketing of performance products and recent entrants attracted by the growth opportunities.

lululemon competed with wholesalers and direct sellers of premium performance athletic apparel made of high-tech fabrics, most especially Nike, The adidas Group AG (which marketed

athletic and sports apparel under its adidas, Reebok, and Ashworth brands), and Under Armour. Nike had a powerful and well-known global brand name, an extensive and diverse line of athletic and sports apparel, 2015 apparel sales of \$8.6 billion (\$4.4 billion in North America), and 2015 total revenues (footwear, apparel, and equipment) of \$30.6 billion. Nike was the world’s largest seller of athletic footwear and athletic apparel, with over 44,000 retail accounts worldwide, 931 company-owned stores, 52 distribution centers, and selling arrangements with independent distributors and licensees in over 190 countries; its retail account base for sports apparel in the U.S. included a mix of sporting goods stores, athletic specialty stores, department stores, and skate, tennis, and golf shops.

adidas and Reebok were both global brands that generated worldwide sports apparel revenues of approximately \$7.7 billion in 2015; their product lines consisted of high-tech performance garments for a wide variety of sports and fitness activities, as well as recreational sportswear. The adidas Group sold products in virtually every country of the world. In 2015, its extensive product offerings were marketed through third-party retailers (sporting goods chains, department stores, independent sporting goods retailer buying groups, lifestyle retailing chains, and Internet retailers), 1,850 company-owned and franchised adidas and Reebok “concept” stores, 872 company-owned adidas and Reebok factory outlet stores, 152 other adidas and Reebok stores with varying formats, and various company websites (including www.adidas.com and www.reebok.com).

Under Armour, an up-and-coming designer and marketer of performance sports apparel, had total sales of \$3.97 billion in 2015, of which \$2.8 billion was in apparel. Like lululemon, Under Armour’s apparel products were made entirely of technically advanced, high-performance fabrics and were designed to be aesthetically appealing, as well as highly functional and comfortable. Under Armour regularly upgraded its products as next-generation fabrics with better performance characteristics became available. Under Armour’s product line included apparel for men, women, and children. Management was actively pursuing efforts to grow its sales to \$7.5 billion by year-end 2018 and \$10 billion by year-end 2010. Under Armour’s business was currently concentrated

in North America (87 percent of 2015 sales revenues), but it was accelerating efforts to expand globally. Under Armour products were available in over 17,000 retail stores worldwide in 2016, 11,000 of which were in North America. Under Armour also sold its products directly to consumers through 10 company-owned Brand House stores, 143 Under Armour factory outlet stores, and company websites. Plans called for having some 200 Factory House and Brand House locations in North America and 800 such stores in 40+ countries by year-end 2018.

Nike, The adidas Group, and Under Armour all aggressively marketed and promoted their high-performance apparel products and spent heavily to grow consumer awareness of their brands and build brand loyalty. All three sponsored numerous athletic events, provided uniforms and equipment with their logos to collegiate and professional sports teams, and paid millions of dollars annually to numerous high-profile male and female athletes to endorse their products. Like lululemon, they designed their own products but outsourced the production of their garments to contract manufacturers.

The Emergence of a New Formidable Competitor Specializing in Sports and Fitness Apparel for Women In 2011, fashion retailer Gap, with such brands as Gap, Banana Republic, and Old Navy, launched a new retailing chain named Athleta to compete head-on against lululemon in the market for comfortable, fashionable, high-performance women's apparel for workouts, sports, physically active recreational activities, and leisure wear. Athleta had grown from 1 retail store in 2011 to over 120 retail stores coast-to-coast as of early 2016; more Athleta stores were expected to open throughout 2016 and beyond. Athleta's expanding product line included swimwear, tops, bras, jackets, sweaters, pants, tights, shorts, tee shirt dresses, performance footwear, sneakers, sandals, bags, headwear, and gear. Items were colorful, stylish, and functional. In April 2016, the array of apparel items and color selections at Athleta's website exceeded those at lululemon's website; Athleta apparel items were typically available in sizes XXS, XS, S, M, L, XL, and plus sizes 1X and 2X. Athleta utilized well-known women athletes and local fitness instructors to serve as brand ambassadors

by blogging for Athleta's website, teaching classes at local stores, and testing Athleta garments. In 2012, Athleta initiated its first national advertising campaign, "Power to the She," to promote the Athleta brand. In 2016, the tag line "The Power of She" was a prominent part of the home page on the Athleta website (www.athleta.gap.com). In addition, Athleta had a special social media website, www.athleta.net/chi, that connected women with interests in sports and fitness, nutrition and health, tutorials and training plans, and travel and adventure. In 2015, Gap, Inc. had 3,275 company-operated retail stores and 446 franchised stores worldwide that operated under such brand names as Gap, Old Navy, Banana Republic, Athleta, Piperlime, and Intermix. The product offerings at the 1,415 Gap-branded stores included a GapFit collection of fitness and lifestyle products for women.

A number of other national and regional retailers of women's apparel, seeking to capitalize on growing sales of activewear made of high-tech fabrics, were marketing one or more brands of fitness apparel suitable for yoga, running, gym exercise, and leisure activities. A few were selling these items under their own labels. For example, Nordstrom, a nationally respected department store retailer, was merchandising its own Zella line of attire for yoga, cross-training, workouts, swimming, and "beyond the workout"; many of the initial products in the Zella collection were designed by a former member of lululemon's design team. Zella-branded products were offered in regular sizes (XXS, XS, S, M, L, XL, and XXL) and plus sizes (1X, 2X, and 3X). Nordstrom was also marketing several other brands of activewear for women, men, and juniors, including Nike, Under Armour, Patagonia, Reebok, and adidas. In 2016, Nordstrom's activewear offerings could be purchased at 121 Nordstrom full-line department stores (typically 140,000 to 250,000 square feet in size) and 200 Nordstrom Rack stores (typically 30,000 to 50,000 square feet in size) in 39 states, at Nordstrom's website (www.nordstrom.com), and at the Nordstrom Rack website (www.nordstromrack.com).

Typically, the items in the GapFit, Athleta, and Zella collections were priced 10 percent to 25 percent below similar kinds of lululemon products. Likewise, Nike, Under Armour, adidas, and Reebok apparel items were usually less expensive than comparable lululemon-branded items.

ENDNOTES



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