

Lululemon Fends Off Greater Competition Through Quality, Styling

Companies: FRA:ADS, GAIA, GPS, HBI, JWN, LTD, LULU, NKE, TGT, UA, VFC

August 23, 2012

Research Question:

Are Lululemon's sales declining because of increasing competition?

Summary of Findings

- [Lululemon Athletica Inc.](#) (LULU) posted an increase in sales and popularity during the last three months and is expected to grow further despite increasing competition. Superior product quality and trend-setting styles are pushing the brand beyond the yoga community and into other sports and everyday wear.
- Five of seven yoga/fitness/dance instructors said more clients have been wearing Lululemon compared with three months ago.
- All four customer sources are wearing more of and spending more on Lululemon clothing compared with three months ago. Sales were brisk at two newer stores and steady at an older location.
- Competitors, most notably The Gap Inc.'s (GPS) [Athleta](#) and Nordstrom Inc.'s (JWN) [Zella](#) brand, have successfully increased their brand presence during the past three months by offering styles that are similar to Lululemon's but at lower prices. Although some shoppers may be checking out competitors' wares, Lululemon has yet to lose a substantial number of customers.
- Concerns for Lululemon center around its high prices, market saturation, innovation and ability to further fend off stiffening competition. Overall, sources voiced slightly more concerns than in [Blueshift's May 10 report](#).
- Two Chinese suppliers to Lululemon have experienced a 10% to 15% increase in new orders compared with three months ago, consistent with trends within the sports apparel industry.
- Five new [Iviva](#) showrooms are expected to enhance Lululemon's brand presence among younger customers and their parents.

Silo Summaries

1) INDUSTRY SPECIALISTS

All six sources said Lululemon expanded its sales, popularity and product line beyond yoga wear during the past three months. Lululemon continues to set trends with its styles and designs, but sources stressed that the company must remain innovative to maintain its lead position. Since Blueshift's May report, more companies such as The North Face and REI Inc. have entered the yoga apparel clothing market. One source said Lululemon must clarify its position as a lifestyle brand. Another said Gap's Athleta brand appeals more than Lululemon to an outdoor-centric clientele. A third said Lululemon would benefit greatly from expansion into Asia.

2) YOGA/FITNESS/DANCE INSTRUCTORS

Five of seven sources have observed more clients wearing Lululemon compared with three months ago, for which they credit Lululemon's comfort, quality and diverse product offerings. Of the remaining two sources, one did not comment, and the other reported a decrease. Overall, Lululemon is successfully broadening its brand and increasing its popularity, but its high prices limit its expansion efforts.

3) LULULEMON CUSTOMERS

All four sources are wearing more Lululemon and have increased their spending at Lululemon stores compared with three months ago. Sources attributed the increase to Lululemon's superior quality and expanding product offerings as well as their own growing interest in yoga and healthy living and in fashionable workout clothing. Pricing could be the only obstacle to Lululemon's future growth.

4) LULULEMON STORES

Sales have been brisk and growing for two newer stores and steady for a third store during the last three months. All three sources said the men's line continues to slowly gain traction. A Chicago source said a new Iviva storefront is enhancing Lululemon's presence in the neighborhood. However, this source also said Gap's Athleta might be taking some share and attracting new customers through storewide sales, unlike Lululemon.

5) LULULEMON SUPPLIERS IN CHINA

These two sources said new orders from Lululemon have increased 10% to 15% compared with three months ago. However, production costs also have increased, 5% since early 2012 for one source and 20% year to year for the other. One source revealed that Lululemon is actively looking for manufacturers in Vietnam and Indonesia.

	Sales	Product Line Expansion	Competition
Industry Specialists	↑	↑	↑
Fitness Instructors	N/A	↑	↑
Customers	↑	↑	↑
Stores	↑	↑	↑

Lululemon Athletica Inc.

Background

Blueshift's [May 10 report](#) found that Lululemon's popularity had not peaked and was expected to increase because of an expanded presence beyond yoga wear. The brand also continued to gain traction among men and runners. Gap's Athleta and Nordstrom's Zella yoga brand recently have made concerted efforts to enhance their brand awareness.

CURRENT RESEARCH

In this next study, Blueshift assessed Lululemon's sales, popularity and competition for the last three months and expectations for the rest of 2012. We employed our pattern mining approach to establish and interview sources in six independent silos, comprising 22 primary sources (two repeat) and four secondary sources focused on Lululemon's new Iivva Athletica showroom openings, its suit claiming patent violations by competitors, Athleta's attempts to emulate Lululemon's business model, and Tweets regarding shoppers' experiences at Lululemon and thoughts on competitors' products:

- 1) Industry specialists (6)
- 2) Yoga/fitness/dance instructors (7)
- 3) Lululemon customers (4)
- 4) Lululemon stores (3)
- 5) Lululemon suppliers in China (2)
- 6) Secondary sources (4)

Next Steps

Blueshift's next Lululemon report will focus on the company's sales, styling and success in attracting new customers with its crossover style. We also will assess Lululemon's ability to create and maintain a younger demographic through its [Iivva showrooms](#). Finally, we will monitor emerging competitors and price point changes within the athletic wear industry.

Silos

1) INDUSTRY SPECIALISTS

All six sources said Lululemon expanded its sales, popularity and product line beyond yoga wear during the past three months. Lululemon continues to set trends with its styles and designs, but sources stressed that the company must remain innovative to maintain its lead position. Since Blueshift's May report, more companies such as V.F. Corp.'s (VFC) [The North Face](#) and [REI Inc.](#) have entered the yoga apparel clothing market. One source said Lululemon must clarify its position as a lifestyle brand. Another said Gap's Athleta brand appeals more than Lululemon to an outdoor-centric clientele. A third said Lululemon would benefit greatly from expansion into [Asia](#).

➤ Publisher of healthy living magazines

Lululemon clearly is at the top of its game. Its management is smart and realizes opportunities for growth. Next up could be Asia. Sales are up, and Lululemon and its most formidable rivals—[Hard Tail Forever](#) and Athleta—are pummeling V.F. Corp.'s [Lucy](#). Overall, Lululemon has expanded far beyond yoga and is attracting men, “wannabe yogis” and brand seekers. Although Athleta is a tough competitor, Lululemon is a more sought-after brand.

- “I do not know what else they could be doing. They are very smart and very good, and they do all the right things. I could not suggest anything different. Where the opportunity is—and they know it as well—is international, Asia. The entire Asian area is pretty receptive to Lulu.”
- “Sales of Lululemon are up compared to three months ago. It does not stop.”
- “Lululemon is definitely gaining in popularity. Lucy is getting pummeled. Hard Tail, Lulu and Athleta are all growing, and they are squeezing Lucy pretty hard.”

Lululemon Athletica Inc.

- “Lululemon is expanding all over the place. They are getting more male customers. They sponsored some of the [men’s volleyball](#) in the Olympics this year. However, the majority of their expansion is based upon women who, whether they practice yoga or not, want to adopt the brand that Lulu has built.”
- “Lulu’s customer base is growing. Lulu has expanded way beyond yoga. They are attracting the wannabe yogis, who want the brand name.”
- “Lululemon has that feel to it that [Nike \[Inc./NKE\]](#) had back in the ‘80s: Even if you did not run, you wanted to wear it anyway. You had to have it.”
- “Lululemon’s biggest competitor is Athleta, but the Lulu brand is so sought after, much more than Athleta.”
- “Both Athleta and Lulu are pushing pretty darn hard. They seem to be able to coexist at their current growth rates. Athleta has possibly a little broader appeal because it is a lower price point and connected to other sports. Lulu is in more shopping-center type of stores—nice locations but freestanding.”
- “Yoga is definitely a growing industry. ...REI is selling yoga clothes. The North Face has a yoga line. [Patagonia](#) has a yoga line. If you do not have a yoga line these days, you are missing something.”

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Publisher, Healthy Living Magazines

- **Chair of a Midwest yoga association and a fitness expert specializing in sports medicine; repeat source**
Lululemon continues to grow its customer base. It is a master at community outreach through its [Ambassadors](#), and many people are willing to pay more for its high-quality clothes. The company still faces margin pressure and intense competition from [Prana](#), [Title Nine](#) and Athleta, and must continue to be innovative to win and retain customers.

- “Lululemon’s customer base is growing as the yoga community is growing every day.”
- “Retail pricing trends in general for fitness clothes are fairly stable, and many people are willing to pay more money for quality performance gear that lasts. This impacts Lululemon favorably because they are known to have high-quality fitness clothes that are durable.”
- “Lulu has done an excellent job of community outreach with local ambassadors that teach classes. This has been an incredibly popular opportunity in the local area—not only for teachers but for students as well.”
- “In our local area, Lululemon has had great success with their showrooms and is succeeding and expanding.”
- “I have never noticed any issues with Lulu’s current inventory levels. They always seem to be well stocked.”
- “Every company is facing margin pressure to some extent, and Lulu is not immune to that.”
- “No other company has replaced Lulu’s popularity, but there are several competitors out there such as Prana, Title Nine and Athleta.”
- “The biggest threat to Lulu’s continued growth is Athleta, Prana and Title Nine. Each of those companies has an excellent reputation.”
- “Athleta is a very popular fitness clothing store, but does not offer the community outreach/classes like Lulu.”

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Chair of Midwest Yoga Association & Fitness Expert

- **Fitness and healthy living coach and blogger**

Lululemon’s only real obstacle is its pricing, which could hinder growth if customers decide they want to pay less for other brands. However, customers are growing accustomed to higher prices for stylish workout clothes, and Lululemon is setting the trends. People want to wear the Lulu logo. Athleta offers similar clothes, but Lululemon is much more interactive with customers, particularly via [Facebook](#).

- “Retail prices are becoming more expensive overall. More people are starting to become aware of the importance of working out, and with that comes a demand for stylish workout apparel. People want to be comfortable and fashionable at the same time, and they are willing to pay more for that. Lululemon does a great job of staying with the trends and even setting them. They are expensive pieces but definitely high-quality.”

Lululemon Athletica Inc.

- “Lulu is still in the top group due to its trendy styles and quality clothing. If they get replaced, it will be due to their expensive price tags.”
- “Lululemon definitely has a strong group of dedicated customers. The more people that see the products, the more likely they are to check them out. What may hold them back from growing is the hefty price tag.”
- “Lulu should continue to lead in trends to maintain its popularity. People pay to have the Lulu logo on their clothing because they set the trends, stay fashionable and are quality. Lulu makes working out a fashion statement; it is not normal anymore to see people working out in their old T-shirts, baggy shorts, etc.”
- “Every time I check out the website or visit a store, their clothes seem to be flying off the shelves.”
- “Lulu could expand even more. Their selection is limited at times. I do like how they add new products about once a month, but I would like to see more added each month.”
- “I would like to see more products in the Lulu stores and less crowded displays. They may have all the products out, but not all of the sizes available.”
- “Lulu has not been that threatened by the competition in the past few months. Their products seem to be moving quickly.”
- “Athleta is very similar to Lulu, but what sets Lulu apart is its personable feel. They are very interactive with their Facebook, which people like. They sponsor runs and update their styles about once a month. These are all key to their success along with setting the trends.”

► Finance professor and owner of an asset management company, New Jersey; repeat source

Lululemon stands to take market share from [Under Armour Inc.](#) (UA) and continue its overall market growth. The company is successfully breaking into the broader athletic apparel industry by offering quality product lines for swimmers, runners and general athletes. Customers in these demographics appear more than willing to pay for Lululemon’s higher-priced products because the clothing is durable and timeless.

- “There is still continued growth for Lululemon. They have not exhausted themselves in terms of the market.”
- “Lululemon is unique. When I look at their lines, they have this elegant simplicity to them. The use of colors is great. There is some appeal to that, and they have product lines that do not go out of style. When I look at other clothing companies, sometimes their offerings are hit-or-miss. Lululemon seems not to fall into that, so people are willing to pay.”
- “Lululemon is taking share away from Under Armour and possibly a little from Nike. Nike has been hurting as of late. They did not have a great quarter.”
- “They are getting into running, swimming and youth and, by doing so, are probably taking some aim at Under Armour. To me, that is probably the market they want to take if they want to broaden their athletic appeal. They are beginning to successfully get away from their traditional, pure-yoga type of products, and that is good for business.”
- “Gap is one of those companies that has just never been able to break out. Gap and Athleta will always be the low end of the teen/tween apparel business. The company constantly struggles. I do not see anything new and exciting from them. The company has been trying very hard to reinvent themselves, and they have done so to some extent but nothing extraordinary to nab significant market share.”

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*Finance Professor &
Owner, Asset Management Company*

► Clothing firm owner, designer and consultant, New York City

More consumers are buying Lululemon than last year. The company’s success is largely centered on form-fitting styles, not on price or quality. Lululemon also is appealing more to men and reportedly has overtaken New York City’s running market. Design-wise, however, Lulu is “playing catch-up” to Athleta, which appeals to an outdoor rather than a studio athlete.

- “I do see Lululemon’s sales continuing to grow. They have outperformed the market recently, and my expectations is that they will continue to do so.”

Lululemon Athletica Inc.

- “It fits well on most customers. It is a really good product, and they are the 800-pound gorilla. They are now the brand people know by name. They are the Kleenex; everyone else is the tissue.”
- “I have seen a lot of the product on people within this last year, including men. Men are wearing it because their female partners either wore it or bought it for them. Then men are going out and buying it for themselves.”
- “Lulu is more geared toward an extension into running than other athletic lines. I see it now on a lot of people. I live on the West Side of Manhattan where people run up and do the bike path along the Hudson River, and that little Lululemon logo goes by every 10 seconds. Everybody has it. Price is not making a difference.”
- “The overall market for athletic apparel is good. There is an increased awareness of health and wellness, and many people have the feeling that by wearing the clothes they are associated with that.”
- “There is room for growth in athletic apparel market, but it will need to come through diversification rather than a continuation of saturating the market with the sameness of designs. Companies like Lululemon have started making the athletic apparel look more like everyday clothing.”
- “There is a slightly different demographic between Lululemon and Gap Athleta. In that sense, Lululemon is the one playing catch-up. The demographic Lululemon appeals to, primarily, is a studio-based athlete, whether its yoga, Pilates, spin, whereas Athleta’s primary demographic is an outdoor person.”
- “Fabric quality is already a prevalent design component in the Athleta products. It is excellent quality.”

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Clothing Firm Owner, Designer & Consultant

➤ Retail specialist for a state-university’s economics department

Lululemon could continue to take market share by clarifying its marketing position. If Lululemon truly is trying to convey a healthy lifestyle image, it may be missing out on sales from coordinating products such as juicers.

- “Lulu has carved out a strong niche market within the yoga industry.”
- “I sense there is a fork in the road here in their strategy. I would get a little nervous if I were a stock holder or board member to see them moving into Iivva without preceding that strategy with a decision of whether the company is offering a lifestyle or only a clothing line.”
- “As Lululemon grows, they are at risk of losing a little of that identity that helped make them famous.”
- “If Lulu is competing in the sports clothing arena, they may need more offerings to their customers than the Webpage describing the families of materials used in their products. As a customer, I would need to be convinced that the price I am paying is for a quality product that could not be bought elsewhere at a lower price.”
- “As America continues its trend to become more healthy as a nation, customers will continue to make efforts to improve their life. I believe companies like Lulu are providing health and community options to their customers.”
- “Their website seems to portray a demographic of 30-somethings; this marketing direction is obvious but causes the question, can Lulu relate to their client in 10 to 20 years?”
- “Iivva is an ancillary type of sales strategy, but that should not be Lululemon’s focus. It is really the parent they need to attract.”
- “When I review the company, it is unclear whether Lulu was an athletic garment retailer, health service provider or community service organization. I realize the answer may be all three, but the market to younger girls should fit into what Lulu is selling or it may not provide the customer with the reward the customer is seeking when becoming part of the Lulu community.”
- “I am not familiar with the current inventory levels in the garment industry, but retail as a whole has been working diligently to improve supply chains to allow stores to reduce their level of inventory and yet provide the right product at the right price. The [‘enviable problem’](#) is not anything unique for fast growing stores in the United States.”

2) YOGA/FITNESS/DANCE INSTRUCTORS

Five of seven sources have observed more clients wearing Lululemon compared with three months ago, for which they credit Lululemon's comfort, quality and diverse product offerings. Of the remaining two sources, one did not comment, and the other reported a decrease. Overall, Lululemon is successfully broadening its brand and increasing its popularity, but its high prices limit its expansion efforts. Gap's Athleta and Nordstrom's Zella are generating some interest among consumers through lower price points.

➤ Owner of a fitness boot camp in Southern California

This source said 75% her clients wear and love Lululemon. She has not seen people wearing Athleta, and is not impressed with Nordstrom's Zella brand. Lululemon's high prices could be the only obstacle to future growth.

- "Lululemon is not losing its popularity, at least not from what I have seen with my clients. My clients all love it."
- "About 75% of my clients wear Lululemon. The number is on the rise within my clients because I wear it all the time and occasionally I will hold contests through which one lucky client will win a \$100 gift card to a Lululemon store. The clients that wear Lululemon are women, ages 30 to 45, and they love the way Lululemon shapes their bodies."
- "Lulu's sales will continue to lead the overall yoga clothing market."
- "If Lululemon raises its prices anymore, it could hamper its growth. Their pants are just under \$100, and in this economy people have a hard time spending that amount on one piece of clothing."
- "Lululemon is expanding to a broader clientele. I am on Lululemon's email blast list, and I noticed they are catering not only to the yoga population but also to runners and tennis players now. This is very smart because not everyone loves yoga but they do like the clothes."
- "Most of my clients wear Lululemon pants, and within the last three months many of them have switched to Lululemon capris and shorts."
- "I have not noticed people wearing Gap Athleta."
- "I have heard some scuttlebutt among the girls that the Nordstrom brand Zella is very similar to Lululemon but is a bit cheaper. I investigated and went to Nordstrom to see and try on the Zella brand, but I was not that impressed. The material is a bit different, and it did not fit my body and hold me snug like Lululemon. Plus, it was not that much cheaper—only \$10 to \$15 cheaper."

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*Owner, Fitness Boot Camp
Southern California*

➤ Yoga teacher and communications specialist in Pennsylvania

New yoga students start out wearing less-expensive Champion clothes and then transition to higher-quality clothing as their practice improves. Lulu is still coveted by the yoga set, and one-third of this source's clients now wear the brand. The company faces stiff competition from a host of rivals, including [Gaiam Inc.](#) (GAIA), Rock Fit LLC's [Marika](#) and America Sporting Goods Inc.'s [Avia](#), though Athleta does not seem to be prevalent in her region.

- "One-third of my clients now wear Lululemon. This has increased over the past few months."
- "Lulu's name recognition is growing. I know Lulu's clothes are coveted by instructors and students alike."
- "More men are now wearing Lululemon."
- "New clients start out with Champion-branded yoga clothes. As their practice improves, they seem to upgrade, needing clothes that move better."
- "Other brands are diluting Lululemon. Gaiam, Marika and Avia brands are worn by my students."
- "I have not noticed people wearing Athleta."

➤ Yoga teacher in Atlanta

Thirty percent of this source's clients wear Lululemon, increasing during the last three months. However, she has noticed some of her students also wearing Athleta and [Be Present](#).

- "The number of people wearing Lululemon has increased in the past three months."
- "I wear [A Big Attitude](#) clothing because of the size and fabric. I have also noticed some clients wearing Gap Athleta."

Lululemon Athletica Inc.

➤ Yoga student and instructor, and a college sustainability consultant

Lululemon should be able to sustain its popularity as the top-shelf brand. However, its clothes are expensive, and it could lose some ground to other less-expensive competitors, such as Athleta. Lululemon comprises roughly 40% of yoga clothing worn by this source and his students. He spends \$150 to \$200 every few months at Lululemon.

- “Lululemon is not a passing fad. They have been the top shelf of yoga clothing in both quality and image for a long time.”
- “I buy more Lululemon than [clothing from] its competitors. I am a guy, and most of the competitors do not offer male options that hold up to the quality of Lululemon.”
- “I am wearing the same amount of Lululemon as three months ago. About 40% of my yoga clothing is from Lululemon. My pants and shorts are closer to 70%.”
- “I buy a few pieces of Lululemon every few months. This has not changed over the three-month period.”
- “I spend, on average, \$150 to \$200. It has not changed over the past three months.”
- “About 40% to 50% of my students wear some Lululemon. This percentage has stayed the same, but there has been an increase in the Gap brand among the students.”
- “Unless there is a change in price points, Lululemon will lose some ground in the clothing market.”
- “I have seen more people wearing Athleta.”
- “More of my friends are starting to do yoga.”

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*Yoga Student & Instructor
College Sustainability Consultant*

➤ Dance instructor in Chicago

Lululemon continues to be a “buzz brand” and is retaining its popularity. Sixty percent to 70% of this source’s clients wear Lululemon, as well as Nike and [Adidas AG](#) (FRA:ADS), and he has noticed more men in the gym and in affluent neighborhoods sporting the brand in the last three months. He wears Lululemon because of the fit and the fabric.

- “Lululemon is still growing. People see other people wearing it, and they want it too. It is kind of a buzz brand. More and more people know what it is now.”
- “Lululemon has definitely developed a broader appeal. ... At first more women wore it; now they are marketing to both sexes, and it is working.”
- “As far as I can tell, Lululemon is not losing popularity. It is staying strong in its current position as the best company making yoga apparel.”
- “Over the last three to six months, I have seen more men wearing Lululemon. I see lots of men wearing Lulu’s shorts. I see men wearing it at the gym and out and about in the Gold Coast area.”
- “Sixty percent to 70% of my clients wear Lululemon regularly. That has not changed in the last three months.”
- “Most clients wear Lululemon, along with a lot of Adidas and Nike and some Under Armour.”
- “I have not noticed clients wearing Athleta. I have only their seen stores here and there.”
- “The threat to further growth is their cost and price points. It is pretty expensive. You get what you pay for, but in the end it is pretty expensive for workout clothes.”
- “Lululemon will continue to be a leader in the yoga clothing market unless someone comes out with a brand that is just as good of quality but less expensive. I do not know of any brand like that now.”
- “The practice of yoga has been becoming more popular over the last few years.”

➤ General manager of a health and fitness center in Florida

The number of gym members wearing Lululemon has increased in the last six months. The source has liked what he has seen on the Lululemon website, but believes the products may be slightly overpriced compared with similar items from Nike and Under Armour.

- “They are spreading to a broader clientele. I like the outfits and the material. I went online and took a look at the men’s apparel; it is very impressive.”
- “I do not think Lululemon is losing popularity at all. I think they are gaining. As long as the outfit feels good, looks good, the colors are great, people are going to gravitate toward it.”
- “We have one young lady who comes to our fitness center, and she just bought quite a few Lululemon outfits. She is a big fan and is spreading the word.”

Lululemon Athletica Inc.

- “Marketing is their biggest challenge. The competition is fierce. Their only downfall would be lack of appropriate marketing.”
- “Lululemon’s price is a little bit high.”
- “The major brands our people wear are the familiar names: Nike, Adidas, Under Armour. I have not seen anyone wearing the Athleta brand.”
- “I wear a variety of workout clothes, Under Armour in particular, but also store brands available at Target [Corp./TGT]. ... Also [Russell](#) [Berkshire Hathaway Inc.’s Fruit of the Loom] and Adidas.”

➤ Yoga instructor in Southern California

The number of clients wearing Lululemon has declined by 20% compared with three months ago, and the brand seems to lack a presence among Southern California men. The source has noticed people wearing Athleta products.

- “Compared to three months ago, less people are wearing Lulu. I would say 30% wear it. Three months ago it was more like 50%.”
- “I would not say it is losing its popularity, but maybe the newness is wearing off. Whenever a new brand comes out, it always has a honeymoon period.”
- “Some just wear shorts, some just wear tops and others wear the whole outfit.”
- “I did not even know they had a men’s line. So, around here I guess it is not popular for men.”
- “I have seen Athleta products lately, but not as many as I saw in the early days of Lululemon.”

3) LULULEMON CUSTOMERS

All four sources are wearing more Lululemon and have increased their spending at Lululemon stores compared with three months ago. Sources attributed the increase to Lululemon’s superior quality and expanding product offerings as well as their own growing interest in yoga and healthy living and in fashionable workout clothing. Pricing could be the only obstacle to Lululemon’s future growth. Two sources said friends have tried and enjoyed merchandise from Zella and Athleta.

➤ Woman in her mid-40s, Los Angeles

This source is spending more at Lululemon compared with three months ago and believes the company still has plenty of room to grow in terms of popularity and sales. She prefers Lululemon over Athleta, but said some friends are turning to the latter brand.

- “I am actually wearing Lululemon more now than ever. I have told all of my friends about it, and they love it just as much as I do.”
- “In my circles Lululemon is definitely as popular as it was three months ago.”
- “Three months ago, I was just starting to realize what good quality products Lululemon makes. I am spending more on it now than I was in the spring.”
- “Last month I overdid it by spending a little over \$500 on three different outfits. But on average I would say I spend about \$200 to \$300 per month.”
- “I have seen a couple of men wearing Lululemon products, but none of my friends’ husbands wear it. It is a certain type of guy who wears it.”
- “I have purchased Athleta, but I just did not feel as ‘special’ in it. Lululemon makes me feel good.”
- “I have been seeing a lot of friends buying Athleta. It is more in their price range, and they say it is pretty good.”

➤ Woman in her late 40s, Southeast

This source is wearing 50% more Lululemon clothing compared with three months ago, and she does not buy clothing from Lululemon’s competitors. She also has seen men wearing Lululemon clothing. More friends are beginning to practice yoga.

- “I am wearing 50% more Lulu clothing compared to three months ago. I just went on a big shopping spree at Lulu and spent around \$350.”
- “Nothing compares to the quality of Lululemon clothes.”
- “More of my friends are becoming interested in yoga.”

Lululemon Athletica Inc.

➤ Woman in her mid-50s, Chicago

Because of an increased workout routine, this source is buying more workout apparel and prefers Lululemon styles. She has spent approximately \$75 on each of her last five shopping trips in the last three months. She plans to spend 50% to 100% more in the next quarter when she will purchase apparel for the fall and winter.

- “I have been shopping at Lululemon for three months. I previously had limited workout attire that I could use, but I wanted more of it and it to be fashionable attire. That is why I like the Lululemon apparel.”
- “I am seeing a lot more people wearing Lululemon clothing, especially on the path we work out on.”
- “In the last three months, I have been to Lululemon stores five times. I have shopped at a few locations.”
- “On an average trip, I spend \$75 to \$80.”
- “I was just on the website yesterday. I was picking out things I want to try on the next time I am in a store, which will be in the next few weeks.”
- “In the next three months, my purchases at Lululemon will be up 50% to 100% from what I have spent already. What I am looking at now are jackets and leggings.”
- “In the next three months, I will be shop more often at Lululemon than I have been. If I continue my workout routine, which I plan to, I will need clothes for the fall and winter.”
- “My only complaint is, compared to the other stores I tried on workout clothes at, Lululemon is on the pricier side.”
- “I like Lululemon’s designs. They have one running top that is a looser cut, shorter in front, longer in back. A lot of running attire I try on is fitted but is so tight. I do not like that.”
- “I like their [Turbo running shorts](#) [\$54] because I need pockets in my running shorts. Their pockets are in the back and it has a zipper. I find it more convenient.”
- “I have not gone into a Athleta store, but I have gone into [Gap Body](#) and I know they have more of a workout line. I did try on a couple of pieces when I was in there. I found it to be very similar to everything else except Lululemon. I ended up buying a couple pairs of light cotton shorts, but they were not from the Athleta line.”

In the next three months, my purchases at Lululemon will be up 50% to 100% from what I have spent already. What I am looking at now are jackets and leggings.

*Customer, Lululemon
Chicago, IL*

➤ Woman in her 20s, Chicago

Lululemon continues to lead other yoga apparel brands and has gained in popularity in the last quarter. However, Nordstrom’s Zella brand also is growing among this source and her friends. She is shopping more often than she was in the first half of the year and is spending \$70 to \$100 per trip.

- “Lululemon definitely has an edge on a lot of companies. People know their logo. It is recognizable. They are for sure the leader in yoga wear.”
- “Lululemon is as popular as it was three months ago, if not a little more popular. All the staff at my gym wear it, so I am seeing it a lot more often there.”
- “Lululemon is becoming more mainstream. I see it in a lot of workout magazines, and their stores are popping up everywhere now.”
- “I am shopping at Lululemon more often compared to three months ago. I started working at a gym recently, and I can wear workout apparel to work. That has influenced my shopping habits a lot.”
- “I am now buying one Lululemon item a month. Previously, I was buying something every two or three months.”
- “I spend an average of \$70 to \$100 per shopping trip.”
- “I make effort to go to the Lululemon stores. Before, if I was shopping and passed by one, I would stop. Now, I also look at the website every couple days because their sales section usually updates every day and you can find good deals on there if you check often.”
- “I really like their [WunderUnder pants](#) [\$72] because I am short. I have to get everything hemmed and altered. Lululemon does it right at the store for free. I pick up my pants five days later, and they are ready to go.”
- “Sometimes their stuff can be a little pricey. If I needed to run out quickly for a workout top that I need for a special event, I would not go to Lululemon. I would not want to spend that much money for something I will only wear a few times. When I shop there, I am shopping for something I will wear often.”
- “I have not seen any specific price increases in the last few months.”
- “Other brands I wear are Zella and a lot of Nike. I have also purchased a lot of workout clothes from Target.”
- “The Zella brand seems to be gaining some popularity. They carry it at Nordstrom’s, and when they had their anniversary sale, friends and I bought some.”

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- “I hear a friend every now and then talk about taking a yoga class. I have other friends that have been doing it for years, and they are keeping it up.”

4) LULULEMON STORES

Sales have been brisk and growing for two newer stores and steady for a third store during the last three months. All three sources said the [men's line](#) continues to slowly gain traction. A Chicago source said a new [Iviva](#) storefront is enhancing Lululemon's presence in the neighborhood. However, this source also said Gap's Athleta might be taking some share and attracting new customers through storewide sales, unlike Lululemon.

➤ Sales associate for a new store in Chicago

Sales are growing as more people discover this recently opened location. The store plans to expand its men's business by doing promotional events in a nearby gay community, and expects strong fall and holiday sales. Stay-at-home moms are a large part of the store's business, and heavier store traffic coincides with their children's nap times. A new, nearby [Iviva](#) storefront is only enhancing the company's presence in the neighborhood. Gap's Athleta might be taking a little business but has a different target market and discounting strategy.

- “More people are starting to find out about us. We have done as well as we expected since we opened, and we expect to do even better. Our business is still growing, and the brand is still growing too.”
- “Our appeal has broadened, especially with more men knowing the brand. We hope to expand that business.”
- “The majority of our customers range [in age] from late teens to early 40s. We are really big with the stay-at-home moms in the neighborhood.”
- “Men's is 25% of our store floor. It is doing better and better all the time. Men really like our apparel.”
- “Two of our staff members live in Boystown, so we are doing some promotional events there to hopefully bring in more men's business. It is only a few miles away, and a lot of men work out in that area.”
- “For women, our most popular items are the [In Stride](#) [\$108] and [Define](#) [\$99] jackets. In pants, the [Wunder Under](#) and [Studio crop](#) [\$88] and [long pants](#) [\$98] are big.”
- “For guys, our most popular shirt is the [Vent Tech](#) short-sleeve shirt for \$64, and men love our [shorts](#). We have sold lots of shorts. I got my boyfriend a pair, and that was all he was wearing and I had to buy him another.”
- “We do appeal to kids so much so that we just opened five storefronts last month called [Iviva](#), whose target market is kids ages 4 to 14. There is one in Chicago, New York, Seattle and Los Angeles. Those locations all opened last Thursday [Aug. 10], and a Boston location will open soon.”
- “Gap's Athleta might be taking a little of our business as their price points are lower and they have more sales. They have storewide sales, whereas we do not. We have a few items on sale, not the whole store at the same time. They also have an older, different demographic than Lululemon.”

Our appeal has broadened, especially with more men knowing the brand.

Sales Associate, Lululemon Store
Chicago

Reporter Observations: On a midday Monday visit, 12 to 15 women, ages 20 to 60, were in the store. The men's section was in the front of the store but no men were present.

➤ Sales associate for a new store in Atlanta

Sales for this three-month-old store have been very brisk. The men's line is very popular, and customers have been buying clothing for leisure wear, not just exercise.

- “We have been open only three months, and sales have been great. We have been experiencing steady demand.”
- “The men's line is selling very well.”

➤ Sales associate for an older store in Los Angeles

Sales have remained steady during the summer, with the men's line slowly gaining traction.

- “Business has been steady over the past three months. Lately I am seeing an increase in repeat customers.”

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- “For the men’s line, generally the sales are slowly increasing. It is slow, but I think people are really just starting to become aware of the fact that we have a men’s line.”
- “We have plenty of competition, and we are aware of it. The first one that comes to mind is Gap Athleta.”

5) LULULEMON SUPPLIERS IN CHINA

These two sources said new orders from Lululemon have increased 10% to 15% compared with three months ago. However, production costs also have increased, 5% since early 2012 for one source and 20% year to year for the other. One source revealed that Lululemon is actively looking for manufacturers in Vietnam and Indonesia.

➤ Large raw material and manufacturing supplier to Lululemon, China

New orders from Lululemon have increased 10% compared with three months ago. However, production costs also have increased by at least 5% since the beginning of the year. Lululemon and other brands have been using new materials.

- “Lululemon sales and orders have increased by 10% compared to three months ago. However, other sports apparel companies such as Under Armour and [Champion](#) [Hanesbrands Inc./HBI] have seen similar order increases as well.”
- “Lulu’s growth remains above competitors.”
- “The manufacturing cost in mainland China has been increasing a lot since 2010. Additionally, production costs have increased by at least 5% since the beginning of this year.”
- “We are updating new materials according to clients’ need. Not only Lulu but other brands like [Outdoor \[Products\]](#) are all competing with new materials.”

Lululemon sales and orders have increased by 10% compared to three months ago. However, other sports apparel companies such as Under Armour and Champion have seen similar order increases as well.

*Raw Material & Manufacturing Supplier
China*

➤ Supplier of leggings and workout pants to Lululemon, China

New orders from Lululemon have increased 15% compared with three months ago while production costs have risen 20% year to year. Lulu has found OEM suppliers in other Asian countries but still turns to China for raw material suppliers.

- “Compared to three months ago, orders from Lululemon are increasing at a slight rate, around 5%.”
- “The cost of production has been increasing. Labor costs, logistics costs, raw material costs and loan interest rates are all increasing. Costs have been 20% greater than the same period of last year but have not changed much in the last three months.”
- “Lulu has other OEM suppliers in Indonesia and Vietnam, but all the raw materials are from China. Lulu and some other brands have been looking for manufacturers in other countries like Vietnam and Indonesia.”

Secondary Sources

These four secondary sources provided detail into Lululemon’s new Ivivva Athletica openings in the United States, its lawsuits claiming patent violations by competitors, Athleta’s attempts to emulate Lululemon’s business model, and a sampling of July Twitter comments from customers.

➤ Aug. 14 Ivivva Athletica [blog post](#)

Lululemon has five new Ivivva Athletica showroom locations throughout the United States, generating customer excitement and desire for more locations.

- “The time has finally come + we couldn’t be more excited to have FIVE new ivivva USA showrooms open this month!”
- “NYC was our very first American showroom in the ivivva family when they opened two weeks ago and the ivivva team has been totally inspired by all of the amazing young dancers they’ve already met!”
- “I think a lot of dancers in Oregon would love to have a Ivivva! So many people wear Ivivva at my studio, preferably in the Portland area.”

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➤ **Aug. 18 *Chicago Tribune* [article](#)**

Lululemon is the process of filing patent lawsuits, claiming three patent violations by PVH Corp.'s (PVH) Calvin Klein and G-III Group Ltd. (GIII).

- "In the suit filed in federal court in Delaware on August 13, Lululemon accused PVH Corp's Calvin Klein brand and manufacturer G-III Apparel Group Ltd of infringing three patents on the design of its yoga pants."
- "Patent lawsuits are uncommon in apparel and can be difficult to win. The suit could deter imitators, and thus help the Vancouver-based company cement its growth. It also highlights how tough the competition is."
- "'What Lululemon is doing here is staking its turf,' said Jeremy de Beer, an intellectual property expert and law professor at the University of Ottawa."

➤ **July 23 *San Francisco Chronicle* [article](#)**

Lululemon's business model is being emulated by competitor Athleta, which also is attempting to undercut Lululemon on pricing. Of Athleta's 22 locations, 13 are within a mile of a Lululemon store.

- "Last month Lululemon Athletica Inc. opened a store in Durham, N.C. Three weeks later Athleta, Gap Inc.'s answer to Lululemon, opened its own location in the same mall."
- "Gap's Athleta also is borrowing from its rival's playbook, then undercutting the chain on price. Like Lululemon, Athleta is hooking up with local yoga instructors and sponsoring classes such as Mommy & Me Yoga."
- "Lululemon professes confidence in its staying power, saying in January that while Athleta and VF Corp.'s Lucy activewear chain may take 'a sliver' of its market, their impact isn't significant."

➤ **Customers' July Tweets on Lululemon, compiled via [CrowdFlower's data analytics](#)**

This sampling of Twitter comments centered on Lululemon and its competition. Customers appear to be using Lululemon products both for style and fitness, and the brand's expansion efforts into running gear have been successful. Athleta and Zella also garnered positive comments, with one user predicting that Zella will be the next Lululemon.

- "True confession: I care more about what I wear to the gym than what I do once I'm there. (cc: @lululemon)"
- "Just made a quick stop in @lululemon ... Man that store is dangerous!!!! Nothing fits better for crazy workouts! #luluforever"
- "Lululemon boxer briefs are the best thing ever!!!"
- "Just had a chance to try out and give feedback on the @lululemon men's running line @ the #Portsmouth showroom! Check it out if you haven't!"
- "I always feel stupid when the lululemon staff ask me if I will be using their pants for yoga or running #neither #howaboutsitting"
- "Back to school shopping for my #uniform @lululemon #fitmom"
- "I feel like The Gap is having an identity crisis. Does it want to be Lululemon ... American Apparel ... Urban Outfitters? \$GPS"
- "I like athleta's pants better actually. lululemon has cuter tops, though. athleta has an 'older' clientele kind of."
- "I'm calling it now. Zella is the new lululemon."
- "I love @lululemon but the new #GAP Fit mark is pretty slick."
- "For those asking they're the Zella full length leggings. They are comparable to Lululemon according to reviews and half the price."

Additional research by Cheryl Meyer, Marissa Yaremich, Steve Evans, Debbie Moss, Cindy Elsberry, Tina Strasser and Silvia Yu

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