

Javek Liang
Vivian Yang
GBDA 211 - 001
March 16, 2024

Lululemon in Chinese Market

In this report, we will explore how lululemon Athletica Inc. (hereinafter referred to as lululemon), as a leading brand in the global sportswear industry, successfully entered and expanded its business in the Chinese market. Since its founding in Vancouver, Canada in 1998, lululemon has gained global attention and recognition for its high-quality, performance-focused athletic gear in yoga, running and other sports. As the health and fitness trend rises globally, especially in markets with large populations like China, lululemon has taken a series of targeted strategic initiatives to attract consumers not only through product and brand strategies, but also through attention Community events and digital marketing strengthen connections with customers. This report will provide a detailed analysis of lululemon's operations in the Chinese market, its company positioning, expansion strategies, and the challenges and opportunities it faces. It will also explore how the brand combines its international appeal with its local market strategy and adapt to China's unique consumer needs and market environment.

The overview of Lululemon, to sell its premium athletic gear, lululemon strategically integrates innovation and inclusivity across its global operations. The brand champions a philosophy centered on community engagement and sustainability, driving its expansion in diverse markets, notably in China. Through a blend of physical and digital experiences, lululemon fosters deep connections with its audience, which contributed to its substantial growth. As the company continues to navigate new opportunities, its commitment to empowering healthy communities underscores its unique position to compete in the sportswear segment in the Chinese market.

In terms of culture, China's digital fitness culture has begun to develop and take root rapidly since the covid-19 epidemic and affected by the increasingly developed Internet, consumer demand for various health and fitness services has begun to rise, such as personal training classes, yoga workshops and other exercise classes. In particular, the trend of digital fitness and digital gyms "For example, the popular Chinese app Keep combines social media elements with personalized workouts tailored to user preferences while offering live-streamed group fitness classes as well, this includes customized workout plans, diet recommendations, and even virtual coaching from professional trainers" (Verot). This allows many fitness enthusiasts to quickly get into fitness at home and play a supervisory role. It also reduces the budget and transportation fee of fitness enthusiasts. So digital fitness and digital gyms are revolutionizing how individuals in China exercise, stay healthy and maintain their health by using technology-driven tools such as virtual workouts, personal training apps and connected fitness equipment to track progress and provide customized Exercise experience and timely guidance. Judging from the results, China's digital fitness market trends coincide with lululemon's marketing style.

In addition, the Chinese government has elevated health to an unprecedented policy priority in recent years. This strategy provides huge opportunities for health-related industries and companies such as lululemon. "President Xi Jinping has put health at the center of the country's entire policy-making machinery, making the need to include health in all policies an official government policy" (Healthy China 2030). Which means that people's health has become an important factor in China's social and economic development. In particular, "the "Healthy China 2030" plan proposed in 2019

aims to support the country's long-term development goals by improving national health levels" Healthy China 2030). It is precisely because the Chinese government attaches great importance to, supports and health promotion policies, which provides a broad development space and strong development momentum for sportswear related industries.

The legal framework conducive to Lululemon's expansion in China includes laws and policies that promote foreign investment, protect intellectual property rights, ensure consumer protection, and support e-commerce and digital transformation. For example, the Foreign Investment Law provides foreign investors with market access and fair competition and intellectual property protection, The section 5 of Chapter 1 states that "The State protects foreign investors' investment, income and other lawful rights and interests in China in accordance with law" (Foreign Investment Law). In addition, China's E-Commerce Law provides clearer regulations for online retail, which is beneficial to Lululemon's e-commerce strategy in China. these laws have created a more stable and favorable business environment for brands such as Lululemon in the Chinese market. More ever, China's economic system is based on socialism and mainly combines the basic principles of socialism with the operating mechanism of the market economy. Under this system, China plays a guiding and regulating role in economic development while retaining the decisive role of the market in resource allocation. The Chinese government achieves its macroeconomic goals, including social stability and economic growth, by controlling key industries and sectors. At the same time, private enterprises and foreign-invested enterprises enjoy relative freedom in non-critical areas and can operate independently according to market demand and competitive

environment. The advantage of this model is to use market competition to improve efficiency and innovation, while ensuring social equity and avoiding market failures through state intervention.

As a sportswear brand, lululemon focuses on designing, manufacturing, and selling high-quality sportswear and accessories in terms of services/products. In China, its product line is primarily aimed at yoga, running, training and other types of fitness activities. Lululemon's products are known for their innovative fabrics, functional designs such as "seamless, waterproof, odor-resistant, breathable and four-way stretch technology" (Lululemon Apparel) and comfort. In addition to clothing, lululemon also provides yoga mats, water bottles, sports bags, and other sports accessories. Besides, in order to promote the brand in China, lululemon mainly focuses on the integration of fitness culture and community building, integrating its brand into China's growing fitness and health awareness. Through the penetration of digital platforms such as Tmall and the establishment of offline stores in first-tier cities, lululemon continues to promote a comfortable lifestyle while selling products. In particular, "Lululemon had been dedicating itself to building local communities and ambassador groups by organizing sports gatherings and workshops in China. From signature yoga classes to Pilates, cycling, and even frisbee lessons" (Sayers). Such actions have successfully established and expanded its community influence in China, deeply touched Chinese consumers' pursuit of a healthy lifestyle, and used it as a bridge to establish an emotional connection with the brand. The brand is also spreading its brand's core values of connection, growth and sweat by building an ambassador groups team on social media,

which effectively communicated lululemon's brand philosophy and activities to a wider audience.

lululemon's core value proposition and goals support the company's strategic vision for positive change under “the three pillars of "Be Humen", "Be Well" and "Be Planet". In particular, how it adopts Inclusion, Diversity, Equity and Action (IDEA) in the Chinese market and globally” (Our Impact Agenda). which points out the direction for lululemon's operations in China and the global market, is committed to good service and the diversity of the operating community. CEO Calvin McDonald emphasized, “At lululemon, we are in the midst of a journey to drive meaningful, lasting change in the world and promote wellbeing across our communities” (Inclusion, Diversity, Equity & Action). In China, this commitment translates into authentic and impactful conversations with underrepresented employees and the broader community to drive systemic revolution for special groups, which allows consumers to feel cared for by businesses. Ultimately, lululemon helps consumers feel comfortable and confident in a variety of sports and everyday life by delivering high-performance activewear.

Lululemon's revenue-generating model demonstrates its emphasis on providing unique, inclusive, and community-led experiences, a strategy that is not only reflected in its physical stores but also throughout its digital products and online platforms. In physical stores, lululemon creates a community-led shopping and experience environment for high-quality sportswear and accessories by organizing yoga classes, running clubs and other fitness activities." We create unique, inclusive, community-led experiences through our physical and fully integrated digital offerings – whether it be a yoga class in a local store or an outdoor lululemon 10km in a major market” (Lululemon

Service). These activities strengthen customers' influence on and connection with the brand. Additionally, in the digital realm, lululemon provides a fully integrated shopping experience through its website and mobile applications, allowing customers to seamlessly access and purchase its products including placing product sales links for promotions in its online digital fitness classes. These digital experiences expand lululemon's community influence and support its online sales. Through this multi-channel operating model, this experience-focused strategy has helped lululemon stand out in the highly competitive sportswear market and attract many loyal customers.

Lululemon Athletica's main target customer groups are male and female consumers who pursue healthy and active lifestyles, mainly young professionals and middle-class consumers aged 20 to 40. Especially women." As stated in their 2021 annual report, women account for 67% of the brand's net revenue. Their target consumers are middle-to-high-income young and middle-aged women" (Lululemon in China). Lululemon's product design can basically meet all the needs of sports performance, while also focusing on fashion, comfort, and diverse communities. Therefore, it is easy to be favored by those who are highly passionate about yoga, running, fitness and outdoor activities. It is also still Attract more consumers who care about personal health, body shape and fashionable appearance.

In terms of differences in operations and market strategies between China and Canada, Lululemon's practices reflect the different culture and consumer behavior patterns in each market. In Canada, Lululemon benefits more from strong local brand influence and customer loyalty, especially the experience and product quality of offline stores that satisfy its people. However, lululemon was originally in China, where the

brand faced challenges such as weak brand influence and an unestablished customer base. To address this issue, Lululemon focuses on digital and mobile marketing strategies tailored for Chinese consumers, emphasizing the importance of online presence and e-commerce platforms such as Tmall and Douyin for product discovery and purchase. Facts have proved that lululemon's development in China over the past few decades has been successful.

Overall, lululemon's operations in the Chinese market indicate that its global expansion strategy has achieved significant success. Reasons for its success may include that the company has effectively expanded its business scope by deeply penetrating digital platforms such as China's Tmall and opening offline stores in major cities and has strengthened its connections with consumers through digital means such as WeChat mini programs. Secondly, the brand's focus on inclusivity, diversity, community participation and organizing various activities have established a strong community influence in China. Finally, the Chinese government's support for the healthy sports industry such as the "Healthy China 2030" plan also provides a good development environment for lululemon. According to Statista data, "from 2019 to 2022, the number of lululemon stores in China increased from 38 to 117" (Tighe). And Lululemon Athletica Inc's net profit in the third fiscal quarter "increased by 28% year-on-year, and revenue in the Chinese market increased by 41%" (Lululemon in China). This proves and reflects the success of its strategy. lululemon is successful because it accurately grasps market demand, effectively uses digital tools, and actively responds to government health initiatives.

Reference

"Foreign Investment Law of the People's Republic of China". The National People's

Congress of the People's Republic of China, 15 Mar. 2019,

<http://tfs.mofcom.gov.cn/article/fl/202101/20210103034662.shtml>

"Healthy China 2030 (from vision to action)." World Health Organization, World Health

Organization, 2024, <https://www.who.int/teams/health-promotion/enhanced-wellbeing/ninth-global-conference/healthy-china>.

"Inclusion, Diversity, Equity & Action." Lululemon Athletica. Lululemon Athletica, March

16, 2024. <https://corporate.lululemon.com/our-impact/our-people/inclusion-diversity-equity-and-action>.

"Lululemon Apparel." Lululemon Athletica. Lululemon Athletica, March 16, 2024.

<https://corporate.lululemon.com/our-business/products/apparel>.

"Lululemon in China: Not Just a Brand, But a Lifestyle." Daxue Consulting, 16 Feb.

2023: <https://daxueconsulting.com/lululemon-in-china/>.

"Lululemon Service." Lululemon Athletica. Lululemon Athletica, March 16, 2024.

<https://corporate.lululemon.com/our-business/services>

"Our Impact Agenda." Lululemon Athletica. Lululemon Athletica, March

16, 2024. <https://corporate.lululemon.com/our-impact/our-impact-agenda>.

Sayers, Sofia. "What is the Secret Sauce Behind Lululemon's Popularity in China?"

Campaign Asia, 31 Jan. 2023, <https://www.campaignasia.com/article/what-is-the-secret-sauce-behind-lululemon8217s-popularity-in-china/483061>.

Tighe. D "Number of Lululemon Stores Worldwide by Country." Statista, Published by

Tighe. D, May 11, 2023. <https://www.statista.com/statistics/291231/number-of-lululemon-stores-worldwide-by-country/>

Verot, Olivier. "Digital Gyms and Digital Fitness Market In China." Marketing China, 19

Apr. 2023, <https://marketingtochina.com/digital-gyms-and-digital-fitness-market-in-china/>.