Management Lululemon Case Questions

Industry Analysis

1. Industry Characteristics

There are three main characteristics of the athletic apparel industry.

- One of the characteristics is the focus on health among players in the industry. Organizations in this industry focus on health living as among the major customer selling points. This has helped in attracting health conscious individuals.

- The second characteristic of this industry is high brand awareness. Players in the industry invest heavily in creating cross border brand awareness. This has increased competition among these brands both in domestic and international markets.

- Thirdly, the athletic apparel industry is characterized with a high level of market rivalry. Rivalry is evident between the established brands and the new entrants. Increase in market rivalry in the market makes it less attractive to the new entrants (Fleisher, and Babette, p6).

2. The key market success factors for performance-based yoga and fitness apparel

Amongst the key market success features in the performance based yoga and fitness apparel industry is product positioning. In this particular case, the success of Lululemon athletic is rooted in the organization's ability to position its product as a health promoting product. This aspect has been incorporated in the organization's marketing communication as well as in its culture.

Consequently, the organizations including Lululemon have significantly attracted high number of customers. This has led to a sharp rise in its revenue levels as well as increase in the market share (Sadler, p44). Thirdly, comfort and style are a major combined factor that is driving success in the yoga based fitness industry. In particular, female customers purchase the product to enjoy the comfort as well as looj stylish. Consequently, people are flocking lulu lemon store to purchase these well fitting and comfortable shoes that are distinct.

3. The forces driving the performance-based yoga and fitness apparel industry

There is a number of driving forces in the Yoga and fitness apparel industry. Amongst the major forces driving performance in the industry is the increasing concern among individuals on their health. More and more people are making deliberate efforts to boost their health. As a result of this, organizations in this industry are capitalizing on this aspect in delivering health oriented products to customers. The second driving force of the aforementioned industry is economic viability of the markets in which organizations are presenting their products.

In this case, Lululemon initially focused on the well performing economies in US and Canada before extending to Japan and later prospecting on the first growing Asia economies. Economic viability enhances the ability of the individuals to afford as well as acquire products. Economic performance of economies is thus a significant driver of growth in fitness products industry. The third driver of the yoga and fitness apparel industry is market rivalry. The high distribution capabilities of the players in this industry have been enhanced significantly as each tries to expand their market share. For instance, Lululemon has significantly enhanced the distribution of its products in US and other countries. This has enhanced the organization's ability to market its products significantly. Other players in the industry

including Nike have significantly enhanced their distribution of products and market communication to counter this rivalry.

4. Porter's Five Forces

According to Michael Porter, there are five industry characteristics that help in assessing the overall level of industry attractiveness among investors. In the apparel yoga industry, the threat of market rivalry is high. This is results to increased market communication by Lululemon and other players such as Nike. The threat of new entrants is medium. This is based on the understanding that new entrants are facing high rivalry from established as well as emerging brands making it unattractive for new entrants to join the market. The buyers' bargaining power is low. This is based on the fact the focus of such high end market and health conscious customers are comfort and the 'health' living style. On the other side, the suppliers' bargaining power is still strong. This is based on the understanding that many of the players in the industry are relying on the same suppliers. Finally, there is a medium threat of substitute products. Lululemon and other players including Nike and Adidas are presenting similar products to the market. In spite of this, the focus of Lululemon products on yoga than football has reduced threat of substitution from its products (Mun, p25).

5. The revelation of SWOT analysis concerning the overall attractiveness of Lululemon's situation?

In terms of strengths, Lululemon has recorded fast sales growth in the last four years. This indicates increasing profitability in the organization. Between 2007 and 2012, the organization's revenues increased significantly from $ 148 million to $ 1000.8. Its net income equally increased significantly over the same period. The organization equally has a strong brand name as well as an extensive distribution strategy that has enhanced its success. The organization's weaknesses are its inability to learn franchises successfully,

forcing it to engage in direct distribution. This denies the organization the merits associated with franchises such as the reduced cost of distribution.

The organization equally have a lower range of products to compete with other emerging firms and it is yet to attain a global presence in terms of distribution as compared to firms such Nike. Lululemon Company in terms of opportunities, the organization stands an opportunity of exploiting emerging economies in Asia as well as the wide market that it can reach through its wide distribution network. The organization equally stands an opportunity to exploit the increasing health consciousness among people, increasing demand for its products. The organization is equally faced with threats including increasing competition, market rivalry and strength of suppliers.

6. What are the key elements of lulu lemon's strategy? (Hambrick Diamond)

Hambrick identifies five elements that a strategy needs to be constituted of. This includes the arenas, vehicles, differentiators, staging and economic logic. In terms of arena, the organization's strategy in 2012 focused on growing its base in North America which would enable the organization to grow its sales. To attain this growth in sales, the vehicles that the organization intends to use in order to attain its goals is to broaden its product lines through designing wider range of products. The organization would equally engage in direct distribution rather than use of franchises.

The differentiators for its products is a unique culture that promotes health while at the same time employing next generation technologies in production as well as next technology fabrics. The organization equally intends to provide distinctive in store shopping experiences. In terms of staging, the organization aims at attaining these goals of expansion by the close of 2012 year although expansion to Asia would be taken later. In terms of economic logic, the organization has invested in economically viable areas such as

North America and the fast growing economies in Asia.

7. What recommendations would you make to Lululemon's CEO Christine Day?

Throughout the presentation, it has been clearly evident that it is necessary for the organization to manage the market rivalry. There is thus a need for an organization to retain its high product comfort and style, but at the same time boost its integrated market communication. On the same note, it is necessary that an organization enhances its product lines amidst competition. This will increase the scope of its operations and enabled it to enter markets with less competition (Hambrick, p15).

Works cited

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