MGT495

# Analysis of Lululemon Athletica Inc.

# Competitive forces performance (Yoga and fitness)

The competitive forces of an industry entail the forces within and outside the company’s environment that affects its performance. Lululemon’s Company faces great competition on the line of the fitness wear from Adidas and Reebok. 1The two companies have been producing global brands on sports apparel and high-tech performance fitness garments fetching revenues that approximated to $7.5 billion in the year 2011. However, Lululemon Inc. has created an environment with dominant economic characteristics that facilitates growth opportunities across different regions.

The driving forces of industrial change and their effects on the profitability of Lululemon Athletica Inc. have significance to the competitive ability of the company. Global industrialization is a key factor influencing the performance of Lululemon in the industry. There have been companies that come up with a strong establishment in the market to due to increase in industrialization. 1For instance, the active-wear brand designer for the women’s wear with products in the line of style, performance, and fitness intended for yoga and fitness offered a wide range of products including skirts, dresses, tops and bottoms. This company’s brand name was Lucy and had a good established across the United States, a key market for the Lululemon Athletica Inc. Hence, the marketing strength of the company is affected by the existence of such small but well-established industries in the market.[[1]](#footnote-0)The superiority and dominance of the rivals in the market affect the performance of the general performance of the company. Lululemon, for example, is faced with stiff competition from large design and manufacturers of sports and athletics wear with a mixed variety of products such as Nike, Adidas Reebok, and Under Amour2. These competitive industries are well established in the market with known products across nations. As a result, this poses a significant competition to the markets of the Lululemon Inc. products.

Despite the good performance of the Lululemon Athletica Inc. in the market, one thing remains uncertain for the firm. The company might not be aware of the likely move that the rival competitors would take. There are markets that the firm has not yet penetrated, and the competitors are aware. Besides, knowing the company’s strengths and weaknesses can be used by the rival competitors in the market. Some business rivals steal the production strategies of a company and incorporate them into their systems to perfect the products. For instance, a member of the designers group of Lululemon Athletica joined Nordstrom that had introduced a line of attire for fitness activities and yoga, leisure wear. That member was charged with the design of most of the products. This shows that the products design by Nordstrom involved application of borrowed techniques from the Lululemon Inc., which had chances of improvement once they were incorporated into the Nordstrom’s initial strategies. The Zella products purchased both online at the website of Nordstrom and in the 200 Nordstrom full-line department stores operating in the region.

The five force analysis on Lululemon

The five force analysis involves examination of the competitive forces that affect the attractiveness of an industry. This makes the industry go beyond the rivalry of the competing sellers to include other pressures stemming from the industry. The five force analysis includes evaluation of the competitive pressures from the bargaining power of the buyer, forces coming from other industries in attempts to win the buyers over substitute products, the bargaining power of the supplier, threats of the new entrants into the market and rivalry created by the competing sellers to attract the customers.

Firstly, there is High Supplier Power in the market of operation of Lululemon. A lot of suppliers who are willing to produce for the Lululemon are also available because the company has gained a high buyer power in the market. The other brands offer the same products as the Lululemon, making the company switch the prices of its products to lower values as is the case with the other quality brands producers.

Threats from the new entrants can also be curbed through their moderations. Lululemon is being left out by the popular athletic brands which include Adidas, Nike, and Under Armor because they are specializing in different aspects. Such elements include outdoor sports and basketball which are mainly for men. Therefore, they entail a different target market and identity of the brand as opposed to Lululemon. Furthermore, brands such as Athleta, The Gap, Lucy, Nordstrom and Bebe stores are designed for women use. These brands offer clothes for the women’s sports in general and not solely on the yoga apparel.

The high threat of substitute products is another considerable force. Brands such as Nike, Under Armor, Lucy, and The Gap offer sports apparel that is do not concentrated on yoga. However, these products can still be interchanged easily with what Lululemon Inc. provides to its customers. More so, some brands offer cheaper sports apparel as compared to Lululemon.

High Rivalry among firms attributes to be the greatest competitive force an enterprise faces. The bigger brands have greater influence over large groups because of their resources availability. For the case of Lululemon, the competitor brands offer quality and have advanced performance features with innovative apparel which are similar to the products of Lululemon’s products. Additionally, popular brands have vast and well-established stores across the globe as compared to the few countries where Lululemon has opened its stores. Bigger brands have more resources and influence over the people because of its popularity.[[2]](#footnote-1)

# Performance of the sports apparels industry

The sports apparel industry require uniqueness in products line design and satisfaction of the buyers. Sports apparel industry should perform suitably by providing unique products in style, fit, and at the same time meet the performance needs of the target customer. Besides, the sports apparel industry must produce a variety and increase the availability of its products to the potential buyers across different regions with the order of preference[[3]](#footnote-2). The products must incorporate functionality, style, and the feel-good comfort for the products. To achieve this, there must be laid strategies to define the path the industry will assume. The industry should involve different stakeholders in the design of the desired taste of products for the consumers. Besides, technology must be embraced at all levels of production and marketing so that efficiency is increased. The expansion is not an option for the firm to keep its brand in the public domain.

# Position of the Lululemon

Lululemon as a sports apparel industrial brand is well positioned in the market despite the competition encountered from other brands of the sports apparel. Lululemon was able to identify a market gap in which the management pointed out that other athletic apparel companies did not address the unique style, fit, and performance needs of women effectively. These women were embracing a variety of fitness, yoga, and athletic activities but lacked proper satisfaction from the products being produced by the sports companies. By addressing the issues, Lululemon was able to establish well in the market. The brands are produced in uniqueness, fit and style and made available in different franchise stores operating across various regions.[[4]](#footnote-3)

Also, the company has created an ambient environment for the buyers with uniqueness from sellers of similar products. They have also employed attentive and knowledgeable employees in the stores. These factors have led to increased demand for their products that they have further opened branches in different countries such as Australia, Canada, and New Zealand.

More so, the company has been laying strategies progressively to address the industrialization and increase a number of revenues. For instance, Lululemon Inc. has influenced millions of women, youths, and men towards the purchase of yoga and fitness apparel based on the uniqueness of the product and marketing strategies that facilitates the gradual growth of the company. They also acquire franchisees across the countries of their operations and customizes each one of them to their standards that give the clients the kind of comfort desired in such facilities. In so doing, the profitability of the company increases every financial year, and its competitiveness remains high.

# Factors affecting Success[[5]](#footnote-4)

It is not obvious that Lululemon will prosper in the market, hence faces a number of influencing factors. Among these factors are the laid strategies product attributes and competitive capabilities with the greatest impact on future competitive success in the marketplace6. Lululemon has continually laid and reviewed strategies since its establishment. For instance, the company laid strategies to grow store base in North America and open new stores outside the region in the year 2007. Also, the company strategized to make adjustments in discontinuation and reversing the use of franchise as a component of the company’s retailing. This would also include store expansion strategy and launching direct-to-consumer strategic initiatives to facilitate selling of the apparel through the company’s website. Other plans include retail and wholesaling strategies and the showroom store strategy.

Another success factor for the industry is attributed to its ability to satisfy a gap uniquely and with style. The growing need for fit, yoga and style products had remained unsatisfied for long by other sports apparel. Lululemon identifies this gap and offers to address the issue through the design and supply of a mix of products. Also, the setting of the franchise and the retail stores of the Lululemon brands offers a satisfaction to the customers. The knowledgeable and well-supportive employees attract and retain customers at the shopping centers, hence purposive to the success of the industry.

The core values of developing the highest quality products, leading a healthy balanced life, operating with integrity, positive inner development, self-responsibility, and self-empowerment and individual goal-setting are also success factors of the industry. For instance, the company is providing employees with a goal-oriented and a supportive work environment. Proper coordination and support of the workers is an essential element that contributes to the success of an enterprise. The employees remain encouraged and motivated to work with commitment towards the set goals of the firm, hence its success.[[6]](#footnote-5)

# References:

Gamble, John, and Arthur A. Thompson. 2009. *Essentials of strategic management: the quest for competitive advantage*. Boston: McGraw-Hill Irwin.

Lazonick, W. (2009). The explosion of executive pay and the erosion of American prosperity. *Entreprises et histoire*, (4), 141-164.

Shank, M. D., & Lyberger, M. R. (2014). *Sports marketing: A strategic perspective*. Routledge.

**The Comments from the professor**

**ONLY GRADED 70points OF 100points!! Please don’t make the analysis!!**

1. A table of content is required. See the guidelines.

2. The first 2 pages (Competitive forces performance) is NOT necessary. Please simply Address the Assignment questions.

3. For question 1, each of the five forces should have been discussed (under separate sub-heading) as to how strong/medium/weak that force is and explain Why. In order to do that, the factors that affect each force3 should have been discussed. Chapter 3 provides detail discussion of those factors.

For instance, for bargaining power of suppliers, we need to assess those factors that affect the strength of this force (again, see chapter 3 for a list of those factors). Or for threat of new entry, we must assess ALL "barriers to entry" first and then based on such assessment determine how serious that threat is.

For threat of substitutes we must look at products other than those from the rivals. Nike and Adidas, ... are not substitutes, they are rivals. See the concepts for deeper understanding in chapter 3.

4. You have NOT addressed question 2, in providing the strategic group map of the industry. See chapter 3 for an example.

5. Question 3, the key success factor analysis MUST look at the industry and not any particular firm. We should address "what does it take to succeed in this industry for any company?" and NOT "what made Lululemon successful?"

6. You should NOT use outside sources for the analysis. There is enough information in the case to perform the required analysis.

7. The number of footnotes you have used is limited. Footnotes Must be used throughout the paper to link your analysis to the materials, concepts, data in the textbook and cases.

1. Gamble, John, and Arthur A. Thompson. 2009. *Essentials of strategic management: the quest for competitive advantage*. Boston: McGraw-Hill Irwin. Pg. 285 [↑](#footnote-ref-0)
2. Gamble, John, and Arthur A. Thompson. 2009. *Essentials of strategic management: the quest for competitive advantage*. Boston: McGraw-Hill Irwin. Pg.42-54 [↑](#footnote-ref-1)
3. Shank, M. D., & Lyberger, M. R. (2014). *Sports marketing: A strategic perspective*. Routledge. Pg. 44 [↑](#footnote-ref-2)
4. Gamble, John, and Arthur A. Thompson. 2009. *Essentials of strategic management: the quest for competitive advantage*. Boston: McGraw-Hill Irwin. Pg. 276-277 [↑](#footnote-ref-3)
5. Gamble, John, and Arthur A. Thompson. 2009. *Essentials of strategic management: the quest for competitive advantage*. Boston: McGraw-Hill Irwin. Pg.62-64 [↑](#footnote-ref-4)
6. Gamble, John, and Arthur A. Thompson. 2009. *Essentials of strategic management: the quest for competitive advantage*. Boston: McGraw-Hill Irwin. [↑](#footnote-ref-5)