

**Marketing Strategy Memo: Rebranding Opportunities****Emee Marjorie Dy****Publication Date**

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# MEMO

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DATE: September 18, 2019

TO: Rachel Acheson, SVP of Brand and Strategy at lululemon athletica inc.

COPY: Tom Waller, SVP of Research and Development, and Rémi Paringaux, Brand Creative Director at lululemon athletica inc.

FROM: Emee Marjorie Dy (301 Mendoza College of Business; Phone 219-986-0077)

SUBJECT: **MARKETING STRATEGY MEMO: REBRANDING OPPORTUNITIES**

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This memo recommends lululemon athletica inc. restructure their marketing strategy to take advantage of the continuing growth of the athleisure market. Due to the projected 30% sales increase of the athleisure market by 2020 (Newbery and Malcolm 7), the following implementation strategies are feasible: the expansion of the company's menswear line, concentration of stores in metropolitan areas, and commencement of a social media campaign featuring individuals of different shapes and sizes.

## **BACKGROUND**

'Athleisure' can be defined as apparel designed for athletic pursuits, but is instead worn in casual, everyday settings (Newbery and Liu 5). 25% of athletic apparel consumers stated that they had no intention of wearing the clothing to fitness classes. Rather, they have purchased these items for everyday use due to their comfortability (Smith). A customer on lululemon's ABC pants for men: "I use it for work, golf, a quick run, or just an everyday pant" (Hough).

### *The industry*

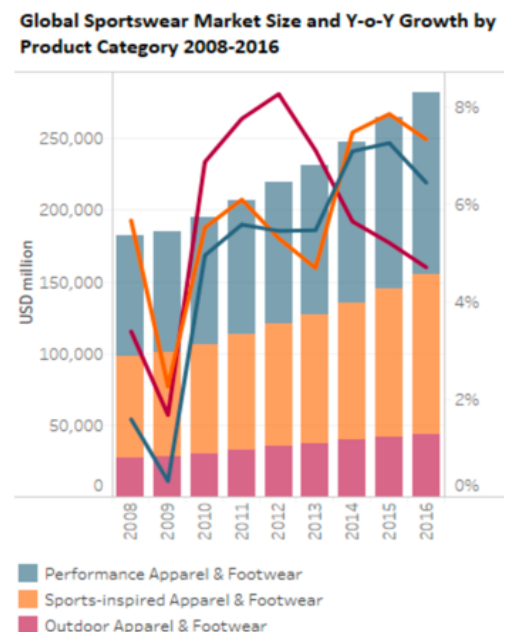
- Since 2013, industry-wide sales have grown at a compounded rate of 6% each year. This is 2.5 points faster than any other type of apparel (Much). In 2016 alone, the activewear industry was worth \$282.3 billion (Wroble).

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- The wellness market has had a 12.8% increase since 2015, which contributed to the increase in growth of the athletic apparel industry (Wroble).
- By 2016, the global apparel market grew by 4% with a large portion coming from athleisure sales (Newbery and Malcolm 6). The activewear market is expected to surpass the overall apparel and footwear industries by 2021 (Kissane 8).

- According to Fortune, the sales of non-activewear has plateaued within the last few years while activewear has consistently increased in sales performance (Newbery and Malcolm 7).
- Figure 1 on the right exemplifies the correlation of performance apparel and sports-inspired apparel, both of which have increased significantly since 2009.

*Figure 1\**



#### *Factors behind the trend's growth*

- Millennials' taste in fashion has fueled the athleisure trend due to their emphasis on apparel that appears sporty. 69% of teens describe their sense of style as casual ("Teen Fashion").
- UBS published data derived from a survey that US shoppers below 35 years of age are the most avid athleisure enthusiasts (Much). The younger population are also more likely to prefer recognizable brands regardless of quality ("Luxury Customer").
- 22% of women and 18% of men frequently shop at specialty fitness clothing stores. Male customers have a strong preference for recognizably expensive brands ("Luxury Customer").

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*Other factors affecting the athleisure trend*

- Growth in the number of households earning above \$100,000 annually is expected to help several main industries outperform low-end retailers (“Women’s Clothing Stores”).
- In the US, many corporate offices help their employees take part in fitness activities, encouraging them to wear athleisure to work (“Technavio Offers Report”).
- The women’s plus size market is currently estimated to be worth \$22 billion. Size range is important to 16% of activewear consumers, and 23% of women say they want more plus sizes. Around the world, mentions of size inclusivity has increased by 109% since 2017 (“Activewear”).

## DISCUSSION

**Athleisure’s future market growth** means there are still many opportunities for the company to explore social media campaigns and menswear clothing lines. The entrance of athleisure into the global apparel market suggests that athleisure is no longer just a fad. The company must conduct extensive research to determine how lululemon athletica inc. can differentiate itself from both current and potential competitors to retain loyal customers. The forecasted growth of the activewear industry in the coming years provides the opportunity to introduce new advertising campaigns and clothing lines. The appeal of athleisure will continue as the health and wellness industry remains strong.

The age group that generates **the greatest revenue for activewear is between 18 - 35 years old**, which means the company must keep up with Millennials’ taste in fashion. Influencers on social media advocate for health being the new sexy. Athletic apparel companies have the power of affirming the

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consumer's identity as an active individual simply from the products being sold. This means that the company must constantly conduct extensive research on what Millennials want. 18 to 35 year-olds are the most avid athleisure enthusiasts, so knowing this demographic well will allow the company to create products that suit their tastes. Key characteristics of Millennials include being the most racially diverse group of Americans with a willingness to purchase recognizable brands ("Marketing to the iGeneration"). By 2023, 42% of the US population will be non-White ("Activewear"), thus lululemon must take note of this when marketing their products. Another key characteristic of Millennials is their active social media presence. Knowing that the target segment is active online means the company can take advantage of this marketing opportunity.

**The athleisure market has expanded significantly** because of a strong male consumer following, rise in household income, and shifts in the workplace. The similar percentages of men and women who shop at specialty fitness clothing stores suggest that there is an equally strong market for both genders. The company currently holds a strong consumer following in females, but with male consumers wanting recognizably expensive brands, lululemon has the opportunity to maximize its current menswear line. The rising household income in the US, especially in urban areas, has also contributed to the athleisure trend. This is because specialty fitness stores are priced highly and only wealthier households can afford the luxury of athleisure. In addition, shifts in the workplace that include allowing employees to wear athleisure to work has created a target segment of young employees. Aside from these factors, there is great demand for plus sizes. Society's attitude towards size inclusivity introduces the possibility of a lululemon plus-sized line.

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## RECOMMENDATIONS

*Implement the following strategies by Dec 2019 to begin rebranding by Jan 2020.*

**1. Dedicate an equal section of products on display for men and for women.** We must present ourselves as a gender-neutral company in our physical stores. Our stores appear female-oriented due to the number of female mannequins, female staff, and the items that are chosen to be put on display. The size of the menswear market for athleisure demonstrates great potential because the same percentage of men and women shop at specialty fitness stores. (Action: SVP of Brand and Strategy).

**2. Concentrate stores in metropolitan areas.** Urban cities act as influence hubs. Companies located in such areas can identify new health and fitness trends quickly and can apply this knowledge to their products. We must capitalize on local strategies by networking with merchandisers, designers, and other retailers to gain exposure. We are known for being a premium fitness brand, and consumers with higher incomes are concentrated in metropolitan cities. (Action: SVP of Innovation and R&D).

**3. Establish a social media campaign featuring individuals of different shapes and sizes – all in athleisure.** Since athleisure is worn by consumers who are not necessarily athletes or health buffs, we need to market to the everyday individual who chooses to wear our products. To do so, we must incorporate diverse body types into our social media campaign. The diversity of our target market requires a multicultural perspective. The demand for plus sizing is significant and our competitors have already begun to add sizes 1X to 3X. We must emphasize our inclusivity, diversity, and support of every individual embarking on a lifestyle shift towards health and wellness. (Action: SVP of Brand and Strategy, Brand Creative Director).

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\*Figure 1 obtained from: Kissane, Bernadette. "Sportswear Developments: Has Athleisure Reached the Finish Line?" February 28, 2017. Retrieved from Passport (Euromonitor) database.