

Lululemon

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Canadian yoga and athletic apparel brand Lululemon Athletica is preparing to expand its reach beyond North America but remains committed to investing heavily in new functionality in its jackets, tops, shorts and other products.

What the visionaries see

It would be unusual to see a Lululemon Athletica display booth at an industry exhibition, even one devoted to sportswear and the textile components that go into it. Nevertheless, if you talk to the people in the know, the Canadian company often has a considerable presence at key industry events. Its representatives move through the halls asking knowledgeable questions and picking up information on innovations in fibres, yarns, fabrics and finishes that may well, eventually, end up in a new Lululemon yogawear collection.

Many clothing brands do something similar, but ask ingredient suppliers which brand is responsible for bringing the most people and asking the best questions and Lululemon will come close to the top of most lists. The Vancouver-based brand is also achieving exceptional commercial results and has been for a number of years. Its revenue figures for 2012 were $1.36 billion, an increase of 36% year on year. This could be a coincidence, but it probably isn't.

Behind the scenes

Chief finance officer, John Curry, has given better inventory positions and savings on airfreight as two of the background reasons for the revenue increase, but points quickly to the investments Lululemon has made with the money. "We have committed investment to innovation in terms of fabric and the complexity of our garments," he explains. "That does



Whoever heard a chief executive talk like Christine Day does? She has set up a network of 'community connectors' to attract consumers in new markets to Lululemon. They work "without expectations of driving revenue".

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compress gross margins, but it's a very deliberate investment. We're also continuing to push our international strategy and in the fourth quarter of 2012 we made significant investments behind the scenes, setting the stage for future international expansion."

He describes the position of the company as it headed into 2013 as "very strong", with 211 stores globally, 135 of which were in the US. It has set itself a target of having, in time, 300 stores in the US. With revenues of $2,050 per square-foot of retail space, Mr Curry claims Lululemon is currently the apparel retailer with the highest productivity in North America. Its e-commerce success is growing too and now accounts for 14% of all revenues.

On show

International expansion includes new distribution centres to service Europe from Amsterdam and Asia from Hong Kong. In addition, two showrooms in Hong Kong and one in London are already performing "tremendously well", he says. The showroom idea is an interesting aspect of the Lululemon strategy. It serves as base for people on the ground whom it calls 'community connectors' to lay the groundwork for a retail roll-out. They work at getting to know local yoga studios, spinning studios, Pilates studios, the great running ambassadors locally and establish strategic sales accounts. Additional showrooms are in the pipeline for locations in Germany, the Netherlands, Japan and Singapore. "Hong Kong is definitely ready for stores now," John Curry says. "We are searching now for our first permanent store location there. We'll go deeper with our showrooms in Europe in 2013 to set the stage for store openings in 2014. International expansion will increasingly become our focus over the next three to five years."

Drive desire, not revenue

Chief executive, Christine Day, says Lululemon has, in the past, "been in" markets for up to two years before having "any physical presence". As explained above, the 'community connectors' create networks and strive to understand what is driving local consumers in the brand's key markets, but "without expectations of driving revenue". Whoever heard a chief executive talk like this? "We have this kind of presence already in eight markets and this will continue to grow," Ms Day says. "What we can do is test product margins, test hidden costs such as duty imports and fees so we can really build our global pricing model and also build desire so that, when we go to open stores, we've got a pricing model that supports growth. We are creating desire and being the brand that everyone is waiting for."



The Run Reflective Jacket. A focus on fabric and functionality means Lululemon products keep improving.

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Flagship store in its home city, Vancouver. The yogawear brand claims to have a higher revenue per square-metre of retail space than any other apparel retailer in North America.

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And worth waiting for, she argues, because her company's products keep improving. Some recent popular examples include pants called Wunder Unders, for yoga or general gym wear. Made in the brand's signature fabric, Luon, means they offer a high level of four-way stretch, moisture-wicking, chafe-resistance and breathability. A pocket hidden in the waistband gives a good place to stow a key or fob. The Focus Half-Zip running top for men is another example. It offers four-way stretch, flat seams and is chafe-resistant and 'anti-stink' and is long-sleeved but lightweight. The half-zip in the name is at the neck to allow runners to cool off quickly when extra hot. It's made from another proprietary fabric, Rulu light, which the company says makes it ideal for for cold-weather runs. There are thumbholes at the end of the sleeves to keep the sleeve in position and provide some warmth. The brand was also an early adopter in previous collections of the idea of an entire jacket made from a reflective material. Its Run Reflective Jacket was Lululemon's first fully reflective garment, made from fully reflective knit material, but still incorporating technical details such as back vents and bonded underarm grommets for airflow and a 'zipper garage' to stop the zip from causing any chafing.

Christine Day continues: "Our products in the latter part of 2012 were some of the best we've ever had. We had a lot of colour and a lot of innovation. The holiday season (Christmas and New Year) was very intense for us. We had lines 50 or 70 people deep and people waiting for one hour to buy a gift card. There was a lot of pressure on stores and on guests [her word for customers]."

To ease pressure in 2013, one new idea will be online gift cards that you can buy online right up until Christmas Day and print it or download it onto your phone. There will also be a new distribution centre on the east coast of North America to shorten replenishment times to stores there. "We know the demand is there and we are creating the systems to capture it," Ms Day says.

Next opportunities

In terms of product innovation in 2013, she says "the next opportunity" is men's lines. "A little over a year-and-a-half ago men's was 8% of our sales. This year it will be about 12%, with a peak in the holiday season at 15%. We know we are gaining a lot of traction in Canada in men's and you'll see us make a substantial investment in our men's team." For women, its athletic dancewear brand, iviva, is "ready to roll out in the US" in 2013. Cross-training with yoga also interests the company. It sent out, at its own expense, yoga instructors to work with Canada's cycling teams, for example. The men's team got so much out of it, it found funding to keep the yoga instructor on.

Christine Day says Lululemon is not a "grow-anywhere-grow-fast company", but is about "creative, deep, sustainable relationships" that people will value in the long term.

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