

# Core Competitive Strategies in Sport Product Market: Evidence from Lulu lemon

Xinyi Zhu <sup>1,\*</sup>

<sup>1</sup> Faculty of Economics and Finance, Xi'an International Studies University, Xi'an, Shanxi, 710128, China

\* Corresponding author. Email: 18403205 @ masu.edu.cn

## ABSTRACT

With the market share of various large sports brands almost stable, Lulu lemon squeezed into the market with its unique business strategy and grew rapidly. From a small shop next to the yoga studio to more than five hundred branches today, Lulu lemon has come a long way. This paper explains the background and success factors of Lulu lemon, and queries the strategy adjustment of it in recent years. Further analysis of this case provides a reference for other companies to develop strategies in a changing and evolving competitive environment. The paper is supported by theories of economics and marketing, through the horizontal comparison of the same type of sports brands, showing the significance of niche brand grasping segmentation and a conclusion of unique promotion methods and the dissemination of company ideas can have a positive impact on pricing power. However, this analysis is more suitable for niche brands with unique products, and has little reference value for mass products. And in terms of utility, the ideas and methods proposed in this paper are more specific, so the required application conditions are more stringent than the general strategy. For the corresponding enterprises, this paper can play a better reference role.

**Keywords:** Sports Brands, Advocacy Strategy, Pricing power, Market

## 1. INTRODUCTION

In recent years, the position of various sports brands has gradually stabilized. Not only is there a lot of money invested in operation and production, but also a large number of loyal customers have been accumulated. The products are similar, too--sneakers, quick-drying short sleeves, sports shorts, hats, etc. To break the current situation, we need to explore new products to make up for the shortcomings of the market. This paper provides further business analysis and sustainability analysis of Lulu lemon, summarizing the impact of both to the existing literature. The sportswear market is huge, there are already Nike, Adidas, Puma and other giants. But Lulu lemon, a sportswear brand from Canada, has created a miracle of brand growth in 20 years. This once inconspicuous small store was founded and grew, and gradually occupied more and more market share. What's amazing is how fast it's growing. We can learn his unique business model and publicity methods, and how to reduce costs and obtain high profits by analyzing its road of development.

The paper is organized as follows. Section 2 is business analysis of Lulu lemon's business strategy. Section 3 is a discussion of its strategy shift. Section 4 is

a summary of the full text. Section 5 is the source of reference.

## 2. BUSINESS ANALYSIS

In this section, Lulu lemon's high-speed development history is explained mainly from the four dimensions of the timing of the market entry and the importance of the market segment, how to reduce marketing costs and expand the impact, the importance of brand culture and its impact on pricing and the company's unique way of doing business.

### *2.1 Identify Business Opportunities to Fill Gaps in The Sports Area*

'Different from Nike, Adidas--with long product line and sports brand covering a wide range of sports, Lulu lemon seized the opportunity of the yoga subdivision category, which created the rise of this niche brand.' (from Chinese magazine) [1]. 'In the era of product- centricity and consumer- centricity. After that, society will enter a new era, and the marketers in this era are no longer there. Customers are seen merely as 'consumers', but as independent-minded, the mind and spirit of the complete

individual, brand positioning needs to be carried out deeply on the consumer into the profile.' [2] Lulu lemon understands the deeper needs of consumers--why they exercise can't dress beautifully? As a result, sportswear that has always been functionally oriented will be introduced. Inject emotion and fashion elements, it has blown up the "fashion wind" in the sports world.

'Lulu was established in 1998 and is known for its "miracle" figure-enhancing yoga pants created from a special stretch material' [3]. In just a few years of its establishment, it has stood out from many sportswear brands. The founder of Lulu lemon's brand was a yoga enthusiast rare among men at the time. He worked in the surfing, skiing and skateboarding industries for 20 years before falling in love with yoga. During a yoga class he observed that the ladies did not have proper yoga attire. At that time, most people wore cotton clothes to class, and some even came directly in dance clothes, but this kind of material clothes was actually not suitable for hot sweat sports scenes.

The so-called where there is demand, there is a market. In this new business opportunity, Wilson began to try to use the niche market of yoga as an entry point, and improved the functional defects of yoga clothing on the market to add technological elements, and entered the market that specializes in tailor-made clothing for women's low-intensity sports, and the price is also 2 to 3 times that of the industry. Because of the material is comfortable and sporty, Lulu lemon quickly sparked a rush of female consumers. In addition, because it takes into account the dual needs of sportswear functionality and fashion, Lulu lemon fills the market gap of popular elements lacking in sportswear in the past, so users not only wear Lulu lemon when taking yoga classes, but even extracurricular scenes will use Lulu lemon as a choice for daily collocation.

Unlike most of the comprehensive sportswear brands at that time, the company's products also integrated a lot of humanized and fashionable designs, such as invisible pockets, pants foot reflections and other details design is practical and full of fashion, in addition, the company changed the sweatpants have always been a single pure tone, with a variety of patterns, patterns into the style, so that people can go out of the gym at will after exercise, in and out of public places. This is where the company's differentiation and competitiveness lie compared with other international sports brands, and the sports brands in the early market generally focused on sports functions and did not pay much attention to fashion, which made the company's products with both function and fashion can quickly stand out. Today, Lulu lemon has become synonymous with fashion.

## **2.2. Cost-effective Promotion Strategies**

Lulu lemon's success can be attributed to its unique

approach to marketing. According to CEO Christine, before opening a store in a new city, Lulu lemon would first contact local yoga instructors or instructors of other fitness classes to provide them with free yoga clothes for a year, and the latter would act as Lulu lemon's "ambassadors". Not only are they dressed in Lulu lemon's costume in front of the students, but they are also responsible for providing feedback to the company on design aspects. In addition, yoga instructors can also sell Lulu lemon on behalf of the buyer and give the buyer a certain prize. In addition to new products to try on & give away, there are also additional professional photography benefits. The premise is that these photos are free as promotional materials for the brand Lulu lemon will use these photos in store windows and social media such as ins, WeChat, Weibo, etc., to create its own brand community culture. Not only is the cost extremely low, Lulu lemon also reaps extremely high marketing effects. Unlike the "all-star" manner of brands such as Adidas, Nike, Lulu lemon greatly saves operating costs through the promotion of brand ambassadors and buys the distance between them and consumers closer. After all, local fitness instructors seem to have more right to speak than celebrities who have not been exposed. On the other hand, compared with the star filter, the sense of trust inspired by this group of ordinary people around them is more lethal.

However, it doesn't mean that spending a lot of money to ask celebrities for endorsements is not as good as community ambassadors. Every brand has its own marketing model. As far as Nike is concerned, its own strength is strong, and more than half a century of accumulation has also accumulated a lot of wealth for Nike to support high endorsement costs, and combines stars with spirit, so that consumers become "believers". But Lulu lemon doesn't fit into this way. In 1998, Nike, Adidas, under Armour occupied a large number of markets, lulu lemon is just a small shop opening noiselessly, there is no ability to compete with them and no strong financial support. Therefore, niche and intimate community-style marketing has become a breakthrough in its brand popularization.

## **2.3. Tie The Price to The Style—Extend Brand Connotation to Achieve Product Premium**

One reason for Lulu lemon's rapid success is that it has been tied to the sport and lifestyle of "yoga" since its inception. The core of Lulu lemon's promotion is not how durable his yoga pants are, but to spend a lot of effort to show consumers their lifestyle and culture. For example, its shopping bag is printed with inspirational words to achieve emotional resonance. Anyone who has worked at Lulu lemon will call this attitude "sweat life", that is, to sweat through the movement of beauty and convey a healthy, fashionable taste of life in a sunny posture. Many brands are eager to see profits translated, but ignore long-

term relationships with consumers. But in fact, for categories with serious homogenization, consumers do not buy products, but brand culture. 'In North America, the moral imperative to live a health-promoting lifestyle has grown stronger, therefore activities, services, and goods that promote good health have gotten a lot of attention' [4].

Lulu lemon's success lies in pinpointing the keyword "health." It has implemented a number of odd tactics and strategies in order to differentiate its shopping experience. First, in addition to being a retail company, "Lulu lemon stores have been advertised as health resource/education centrals. Lulu lemon stores, for example, are designed to serve as centre of health', disseminating knowledge and providing tools to help Lulu lemon communities increase the level of health and personal accomplishment.' [5].

Another reason for Lulu lemon's success is its price integrity. Despite promotional periods, products are not discounted, and buyers are aware that they must pay full price if they want the product. They successfully sold at a high price with this strategy and gained a group of loyal customers. If you just want to buy a pair of ordinary yoga pants, you may only need 100 yuan; but if you want to buy a pair of yoga pants that symbolize the quality of life, the price needs to be doubled several times. Pricing is determined by the value created for the customer, not the lower the better. It can be said that the price equals style. [6] It just like the marketing line of some luxury brands - people always feel differentiated from the people around them who only buy ordinary bands after spending relatively high prices on special bands. "From the analysis of consumer psychology, when the producer's information reaches the consumer through marketing activities, so that consumers have self-doubt about the previous consumption behaviour, this leads to the beginning of new consumption, but the unreasonable expansion of the product line will directly lead to the next round of consumer doubt, thus changing consumer behaviour again. In the process of high consumption, consumers in addition to paying attention to whether this thing is good or not, more concerned about whether this thing is worthy of it, whether it is in line with our lifestyle."(from Chinese magazine) [7].

In the 90s, the percentage of women college graduates in North America has risen from about 20 percent to 60 percent. Increased educational attainment has delayed fertility, raised women's average incomes, and created a new demographic portrait of consumers. Lulu lemon defines its user profile this way: a super girl who is between the ages of 24 and 36, earns \$80,000 a year, has a high level of education, has her own house, has an hour and a half of exercise every day, and has a positive attitude towards life. Because they are richer, and want to change their lives, and more eager to be seen in their

bodies. Certainly, they are also willing to pay for a good body.

In order to promote the concept of "hot sweat life" in China in an all-round way, 2016. In August, lulu invited ambassadors to Tmall in Beijing and Lujiazui, in Shanghai. Du Taikoo Li held a large-scale offline event of "Hot Sweat and Allure City Heart Exhibition China". Except for the Lord. Playing yoga activities, also launched a half marathon event. In 2015, successfully crossed. In cooperation with the brewery, the community has produced more than 80,000 bottles of limited beer, which are specially supplied for the competition and summer music festivals. This way further narrows the distance between brands and consumers.

## ***2.4 Transform A Single Shopping Place into An Emotional Gathering Place for Shopping, Leisure, Class***

One of Lulu lemon's core selling points is their store as a yoga venue and a unique emotional conveyance. Imaging there is a store you and your friends frequent to offers free classes and places to exercise. When you pass by, you can go in without thinking and say hello to friends who often work out together and buy something you like. Combining fitness, classes and shopping, Lulu lemon has become a community for yoga enthusiasts Its founder firmly believes that good products themselves need brand story support, and when he founded the brand, there were not many sports brands that could accurately capture the "emotional appeal" of female consumers to sports products, which gave Lulu lemon more opportunities. In an interview, the founder said: "We strive to create a warm and happy 'community' feeling for customers, so that the relationship between consumers and brands are no longer simple buying and sell, more like girlfriends. they come here like a 'party', and shopping is just a daily habit."

Wilson values the influence of yoga instructors on student consumers, and Lulu lemon has its own yoga training gym. Wilson instructs store staff to act as "educators" in order to improve client contact. They ask each customer "what kind of exercise they like" and "how often they work out" to assist them in selecting the appropriate products, and they serve as a devoted coach in the store's regular sports sessions. Lulu lemon has earned a great number of admirers by popularizing the concept of healthy athletics through these recurring training courses. Almost no promotion costs have been put on this, thanks to the proper positioning of channel marketing.

'Lulu lemon's success among its customer bases is due to their guest-facing experience. Without these visitors, no impact strategy would be complete. Lulu lemon has tapped into this sentiment by offering personal development experiences that focus on visitors'

emotional health and mental well-being' [8]. The product is closely combined with the free experience class, so that consumers can learn about Lulu lemon in the long-term yoga training, change their lifestyle, and purchase directly in a relaxed and pleasant training atmosphere, and improve the brand stickiness of consumers through the figurative display of brand culture; on the other hand, they can deeply reach potential consumers, gain insight into their consumption habits and living habits, and collect consumer feedback to continuously improve products. Consumers' consumption concept changed from functional supremacy to brand consumption, and then advanced to experience consumption (from Chinese magazine) [9].

### 3. DISCUSSION

In 2020, the physical retail industry has been hit hard by the spread of the global coronavirus epidemic, and due to the severity of the epidemic in the United States, Lulu lemon has also closed all stores in the European and American markets and abandoned all stock repurchase programs this year. More than half of its sales come from North America. The move has clearly taken a big hit. The Chinese market on the other side of the ocean still maintains normal business, and even the only Store in Wuhan, which closed due to the epidemic, has resumed business in early April of the same year. Taken together, it's hard for Lulu lemon not to cater to or even curry favour with Chinese consumers, so there is a series of promotions at the Tmall

After a series of transformations, Lulu lemon expands the industrial chain to expand its customer base. In addition, since 2018, Lulu lemon has increased the development of the male market and the extension of various sports industry chains. It is undeniable that these transformations have brought Lulu lemon high revenue in recent years, but in essence, Lulu lemon's niche brand positioning is also quietly shifting, it is also easy for original customers to abandon re-purchases because of their current product positioning. According to this trend, whether Lulu can maintain this situation in the later period is still unknown

To begin with, the exorbitant cost of its high-end items has hampered its scale growth, implying that only high-income clients can use them, excluding low-income customers. Competitors like Nike and Adidas can keep these clients, limiting the company's market share growth in one way. However, this price acts as a double-edged sword, validating the high net worth of its core clientele while also maintaining stability.

According to the research report, more than 90% of the world's luxury brands, for various reasons of business difficulties and increased profitability, have carried out brand extension or brand product line extension, of which 90% of the extension failed.

people's impression of Lulu lemon is also gradually changing, with the lower prices of high-priced products, as well as the promotion of low-end products.

"Prada Fashion broke its brand promise of 'knowing women best' in 1993, involving the men's clothing and shoes and hat markets, and this adventure caused its brand image to plummet; Ferrari unveiled its 'red girl' and became an ordinary high-end sports car brand, and the brand's "non-uniformity" led to the departure of customers"(from Chinese magazine) [10]. If Lulu chooses to balance both sides, it will inevitably reduce the value of existing activities, and the final impact will still need to be tested by time.

In the short term, Lulu lemon's profit margin will not be greatly affected, but in the long run, Lulu lemon's stock price will be affected. If Lulu lemon's promotions are more and more, then the future will lose its high-margin advantage, and the stock will be downgraded as a result.

### 4. CONCLUSION

In conclusion, we have showed that Lulu lemon from its inception to its successful growth and domination of the market is the four dominant factors. This article is explained from the establishment to fill the gap in the market, the unique publicity method reducing costs and torturing brand influence, extending the brand connotation to obtain product premiums, and creating a multi-functional shopping place. Through the comparison with similar enterprises, this article reflects the advanced nature of Lulu lemon in marketing concepts and the great success it has achieved. This paper is mainly based on the basic framework of business analysis, lacking financial analysis. Future studies will incorporate data from relevant financial analysis as well as models. And in the long run, the development of niche products will experience bottlenecks earlier because of their limited audiences. This article has not yet analyzed the relevant solutions, and future research will try to find solutions or postpone the bottleneck period of niche brands find out the more general reference strategies that apply to a wider range of applications.

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