



Lululemon's Strategic Entry into India's Activewear Market: A Case Study

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INTRODUCTION

In the realm of activewear, Lululemon stands as a dominant force, embodying values of quality, innovation, and the global athleisure trend. Renowned for its high-performance leggings and yoga mats, Lululemon has spearheaded a movement that seamlessly blends fashion with fitness. Now, the Canadian powerhouse is embarking on a transformative journey, venturing into the expansive world of Indian wellness. This strategic move transcends mere market expansion; it signifies a profound immersion into a culture where wellness is ingrained in everyday life.

The Evolution of Lululemon traces back to the late 1990s by Chip Wilson, emerging from the surging popularity of yoga and a discernible gap in the market for premium yoga apparel. Throughout the years, Lululemon has transcended its initial identity as merely an activewear brand; it has evolved into a symbol of lifestyle, representing values of health, wellness, and community-driven spirit. This evolution is marked by continual innovation in product design, community-centric initiatives, and a deep-rooted understanding of consumer preferences and needs.

GLOBAL MARKET FOR ATHLETIC APPAREL WEAR

The global athletic wear market is a thriving industry experiencing significant growth. This report dives into the market size, growth projections, key trends, and regional variations to provide a comprehensive overview. The global athletic wear market has seen substantial growth, with estimates ranging from USD 182.01 billion to USD 230.6 billion in 2022. Projections indicate a promising trajectory ahead, with a Compound Annual Growth Rate (CAGR) forecasted between 4.24% to 6% over the coming decade. This surge reflects the increasing popularity of athleisure and active lifestyles worldwide, driving demand for innovative and performance-driven sportswear. As consumer preferences continue to evolve towards comfort, style, and sustainability, industry players are poised to capitalize on emerging opportunities and reshape the future landscape of athletic apparel.

The athletic wear market is experiencing dynamic shifts driven by several key trends. Firstly, there's a notable surge in health and wellness consciousness globally, spurring demand for athletic wear that blends functionality with style to support active lifestyles. Technological advancements play a crucial role, with continuous innovation in materials elevating performance and comfort levels. The rise of athleisure represents a significant trend, as consumers increasingly seek apparel that seamlessly transitions from workouts to daily activities. E-commerce is reshaping the market landscape, offering convenience and expanded choices for consumers purchasing athletic wear online. Sustainability concerns are also gaining traction, prompting brands to adopt eco-friendly practices and materials. Regionally, North America leads the market with its established fitness culture and prominent athletic brands, while Europe boasts a strong focus on sports and outdoor activities. The Asia

Pacific region emerges as the fastest-growing market, propelled by rising disposable income and a heightened awareness of health and wellness. South America and the Middle East & Africa present emerging markets ripe with potential, fueled by youthful demographics and urbanization trends.

In conclusion, the global athletic wear market offers a dynamic landscape for major players such as Nike, Adidas, Under Armour, Lululemon, and Puma, among others. With a deep understanding of the market's key trends and regional nuances, companies can strategically position themselves to capitalize on this burgeoning sector and meet the evolving demands of health-conscious consumers worldwide. As the industry continues to evolve, opportunities for innovation and growth abound, making it an exciting time for brands and retailers to thrive in the athletic wear market.

OVERVIEW OF LULULEMON: VALUES AND MARKET FOCUS

Lululemon Athletica is a global leader in athletic apparel, renowned for its focus on sweat, community, and healthy living. Founded in Vancouver, Canada in 1998, the company started by merging a yoga studio by day with a design studio for technical athletic wear by night. This unique origin story reflects Lululemon's core values:

- *Elevating the world from mediocrity to greatness:* This translates to their commitment to high-quality, functional apparel that empowers individuals in their fitness journeys.
- *Building a community:* Lululemon fosters a sense of belonging through in-store events, social media engagement, and ambassador programs.
- *Promoting healthy living:* The brand champions a holistic approach to well-being, encouraging an active lifestyle alongside physical fitness.

Lululemon currently operates in established markets with a strong emphasis on health and fitness culture. Their primary focus lies in:

- *North America:* The brand enjoys a significant presence in the US and Canada, where a large portion of their customer base resides.
- *Europe:* European countries with established fitness communities are a key market for Lululemon.
- *Select parts of Asia:* The company has a growing presence in some Asian nations, particularly those with a rising middle class and growing interest in fitness activities.

PRODUCTS AND PRICING

Lululemon has meticulously crafted its pricing strategy to reflect the premium quality and innovation embodied in its athletic apparel offerings. The company's commitment to utilizing

high-quality materials, employing cutting-edge manufacturing techniques, and prioritizing sustainable practices contributes to the perceived value of its products.

By positioning itself as a premium brand, Lululemon can command higher price points while maintaining a healthy profit margin. This pricing strategy not only ensures that customers perceive Lululemon as a brand synonymous with excellence but also enables the company to invest in research and development, further enhancing its product offerings.

Here's a breakdown of the general pricing ranges for Lululemon's product categories:

- *Leggings*: Lululemon's signature leggings, crafted from technical fabrics designed to provide comfort, support, and durability, typically range from \$80 to \$200 or more.
- *Sports Innerwear*: Engineered to offer maximum support and comfort during high-impact activities, typically range from \$40 to \$100 or higher. These are designed with innovative features such as adjustable straps, moisture-wicking fabrics, and strategic ventilation to enhance performance and fit.
- *Tanks and T-shirts*: Crafted from soft, breathable fabrics with sweat-wicking properties, are priced between \$40 and \$80. These versatile pieces are designed to transition seamlessly from workouts to everyday wear, offering both style and functionality.
- *Shorts*: Tailored for performance and mobility, typically range from \$50 to \$100. Constructed from lightweight, stretchy fabrics with features such as built-in liners, secure pockets, and adjustable waistbands, these shorts offer superior comfort and functionality for various activities.
- *Hoodies and Sweatshirts*: Designed for warmth and comfort, are priced between \$80 and \$150 or more. Crafted from cozy, moisture-wicking fabrics with features such as thumbhole cuffs, adjustable hoods, and zippered pockets, these outerwear pieces offer both style and functionality for active lifestyles.
- *Jackets*: Engineered for protection against the elements, typically range from \$100 to \$300 or higher. Constructed from weather-resistant materials with features such as breathable membranes, sealed seams, and adjustable hems, these jackets offer superior performance and versatility for outdoor activities.

MARKET ANALYSIS

Lululemon Athletica, a global leader in premium athletic apparel, is considering entering the Indian market. Here, we analyze the market potential for Lululemon in India, considering the growing fitness culture, rising disposable income, and increasing internet penetration. However, we also identify challenges such as high import duties, intense competition, and consumer price sensitivity. To succeed, Lululemon will need to adapt its marketing strategy, product offerings, and pricing strategy to cater to the Indian market.

1. Market Opportunity

- *Growing Fitness Culture:* India's fitness industry is booming, driven by rising health awareness and a growing middle class. This creates a significant demand for high-quality activewear.
- *Rising Disposable Income:* India's disposable income is increasing, leading to a greater willingness to spend on premium brands like Lululemon.
- *Increasing Internet Penetration:* The rapid growth of e-commerce platforms in India provides Lululemon with an opportunity to reach a wider audience.

2. Market Challenges

- *High Import Duties:* The Indian government imposes high import duties on apparel, which can significantly increase the cost of Lululemon products for Indian consumers.
- *Intense Competition:* The Indian sportswear market is already crowded with established domestic and international brands like Nike, Adidas, and Puma.
- *Price Sensitivity:* Indian consumers are generally price-sensitive, and Lululemon's premium pricing strategy may pose a challenge.
- *Cultural Considerations:* Lululemon's marketing and product design may need to be adapted to suit Indian cultural sensibilities.

3. Competitive Landscape

The Indian sportswear market is highly competitive with established domestic players like Dollar Industries and Shiv Tex and international giants like Nike, Adidas, and Puma. These brands offer a wide range of products at various price points. Lululemon will need to differentiate itself by highlighting its brand image, focus on innovation, and superior product quality.

4. Consumer Analysis

The target customer for Lululemon in India is likely to be affluent, urban fitness enthusiasts with a preference for premium brands. They are likely to be well-educated and digitally connected. Lululemon will need to understand the specific needs and preferences of this segment to tailor its product offerings and marketing campaigns.

5. Market Entry Strategy

- *Omnichannel Strategy:* Lululemon should adopt an omnichannel strategy, combining online sales with strategically located physical stores in major Indian cities.
- *Localized Marketing:* Lululemon needs to develop localized marketing campaigns that resonate with Indian consumers. This may involve using local celebrities and influencers, and adapting its messaging to cultural sensitivities.
- *Product Adaptation:* Lululemon may consider offering a wider range of products at more accessible price points, while still maintaining its brand identity and quality standards.

- *Focus on Community Building:* Lululemon should leverage its experience in building strong communities to create a similar experience in India through yoga classes, fitness events, and collaborations with local studios.

The Indian market presents a significant opportunity for Lululemon, but it also comes with challenges. By carefully analyzing the market, understanding the competition, and adapting its strategy, Lululemon can successfully enter the Indian market and establish itself as a leading premium activewear brand.

Additional Considerations

- *Sustainability:* Sustainability is becoming increasingly important for Indian consumers. Lululemon can highlight its commitment to sustainable practices to attract environmentally conscious customers.
- *Localization of Supply Chain:* Lululemon may consider exploring options for local manufacturing in India to reduce import costs and improve product affordability.

COMPETITOR ANALYSIS

Lululemon will face competition from both established domestic and international players in the Indian sportswear market. Here's a breakdown of some key competitors:

1. Global Brands:

- *Nike & Adidas:* These industry giants offer a wide range of athletic apparel, footwear, and accessories at various price points. They have strong brand recognition, extensive distribution networks, and established marketing strategies in India. Lululemon will need to compete on product innovation, brand image, and superior customer experience.
- *Puma:* Another major international player, Puma offers a good balance of quality and affordability. They cater to a younger demographic with a focus on trendy designs and collaborations with celebrities. Lululemon can differentiate itself by emphasizing its focus on performance and functionality.

2. Domestic Brands:

- *Dollar Industries & Shiv Tex:* These domestic giants cater to a value-conscious market segment. While they may not offer the same level of quality as Lululemon, their competitive pricing makes them a significant challenger. Lululemon can focus on its brand story, premium materials, and superior fit to justify its price point.
- *Indian Athleisure Startups:* Several Indian startups like Myntra, Bewakoof, and Nykaa offer private label athleisure wear at competitive prices. These brands often cater to local design preferences and trends. Lululemon can

compete by highlighting its focus on technical fabrics, durability, and a more established brand image.

Here's a table summarizing the key competitive factors:

Factor	Lululemon	Nike & Adidas	Puma	Dollar Industries & Shiv Tex	Indian Athleisure Startups
Brand Image	Premium, aspirational	Established, athletic performance	Trendy, celebrity-driven	Value-oriented	Trendy, budget-friendly
Price Point	High	Mid-range to high	Mid-range	Low	Low to mid-range
Product Range	Focused on performance apparel	Wide range of athletic wear and footwear	Fashionable sportswear	Basic activewear	Trendy athleisure wear
Distribution Network	Limited physical stores, strong online presence	Extensive physical stores and online presence	Growing physical stores and online presence	Widespread physical distribution	Primarily online sales

Key Takeaways: Lululemon needs to establish a strong brand identity that resonates with Indian consumers who value quality and performance.

- Pricing strategy will be crucial. Lululemon may consider offering a wider range of products at different price points without compromising on its core brand values.
- Building a strong online presence along with strategically located physical stores will be vital for reaching a wider audience.
- Understanding and catering to local design preferences may give Lululemon an edge over some international competitors.

By carefully analyzing its competitors and developing a targeted strategy, Lululemon can carve a niche for itself in the Indian sportswear market.

WHY INDIA? WHY NOW?

Need for Pivot

In light of Lululemon's promising growth prospects in established markets like the U.S. and Europe, it's crucial to recognize that these regions have nearly reached saturation with numerous brands fiercely competing to define the premium athleisure niche. This scenario presents a double-edged sword; while it signifies a thriving market, it also means that differentiation becomes increasingly challenging amidst such fierce competition. Therefore, maintaining a dynamic business model through continual evolution is indispensable. Given Lululemon's financial structure, which significantly differs from cash-rich titans like Nike or Adidas, diversifying market risk by entering an untapped yet promising territory becomes not

just a strategic move, but a necessary one. Venturing into new geographic domains can prevent Lululemon from the pitfalls of "putting all eggs in one basket," maintaining its resilience against market volatilities and unexpected regional downtrends.

India: The Perfect Confluence in Space and Time

Expanding into India aligns closely with Lululemon's geographical and operational strategies, leveraging the close proximity of much of its raw material sourcing and manufacturing already located in South Asia. This enables logistical advantages and potential cost reductions in the supply chain.

Now is an opportune time for Lululemon to enter the Indian market, as there is a growing consumer interest in premium athleisure wear, supported by a notable number of international orders from the region. This indicates a strong product-market fit, suggesting that Lululemon's products align well with the needs and preferences of India's increasingly health-conscious and style-savvy population.

Additionally, aligning with the Indian government's 'Make in India' initiative allows Lululemon to benefit from government incentives like the Production Linked Incentive (PLI) scheme. This not only supports local manufacturing but also strategically positions Lululemon in a market poised for significant growth, capturing both consumer demand and benefiting from encouraging government policies. Thus, entering India now presents a well-rounded opportunity for market penetration and sustainable growth in a booming market.

It's an opportune moment, both in terms of 'where' and 'when', rendering India an impeccable choice for Lululemon's next big leap.

Spotting the 'gap'

In the competitive Indian apparel market, there exists a notable gap for a brand like Lululemon, which specializes in high-quality, performance-oriented athleisure wear. This gap is primarily in the premium segment where emphasis on product functionality, material superiority, and a holistic wellness lifestyle can significantly differentiate a brand. Despite the presence of global giants like Nike, Adidas, and Puma, and the affordability of domestic brands and startups, Lululemon can carve out a niche by leveraging its unique brand strengths:

Lululemon can also stand out through exceptional customer service and a strong brand narrative. Unlike domestic brands that compete on price, Lululemon's approach includes personalized shopping experiences and community activities like wellness workshops, creating a lifestyle around its products. Highlighting its commitment to sustainability and well-being resonates with consumers who prioritize ethical, value-driven brands. Offering premium materials and advanced designs further differentiates Lululemon in the Indian market.

To build a distinctive presence, Lululemon should focus on a formidable brand image, highlighting unique features such as its patented fabrics and durable designs through targeted marketing campaigns. Collaborations with local influencers who embody Lululemon's active and mindful ethos can accelerate brand recognition and appeal.

By leveraging these strategies, Lululemon can successfully introduce its premium, lifestyle-centric athleisure to India, appealing to the health-conscious, urban consumers and establishing itself as a lifestyle brand, not just an apparel retailer. This strategy positions Lululemon uniquely in the competitive Indian market, promising sustainable growth and strong market entry.

MARKETING STRATEGY FOR OPENING BIG IN INDIA

Developing a comprehensive marketing strategy is one of the key success factors to opening big in India. Given the value-chain makeup of LuLuLemon, it is important to establish their brand identity and product lines targeting the unique needs and preferences of Indian consumers, to capitalize on the burgeoning interest in fitness and wellness across the nation. A systematic strategy can be developed on the following lines:

1. Identification

- **Market Research:** Thorough market research to understand the cultural nuances, economic landscape, current fitness trends, and the athletic wear market dynamics in India.
- **Consumer Preferences:** Identifying consumer preferences regarding sportswear, which could include preferences for material, pricing, and designs that resonate with the local populace.
- **Competitor Analysis:** Gathering insights into existing players in the Indian market such as Nike, Adidas, and local brands like HRX by Hrithik Roshan and how they market their products.

2. Segmentation

- **Demographic Segmentation:** Age, income levels, and gender will play crucial roles. Urban, middle to upper-class individuals, especially millennials and Gen Z who are fitness-conscious and have disposable income, might be the primary focus.
- **Behavioral Segmentation:** Segmenting the market by lifestyle and consumption habits, including frequent gym-goers, yoga enthusiasts, and active lifestyle adherents.
- **Psychographic Segmentation:** Focusing on consumers with a preference for luxury or premium products, brand-conscious and those who perceive clothing as a reflection of their personality and status.

3. Targeting

- **Urban Young Professionals**
Why: This group typically has higher disposable income and shows a growing

interest in maintaining a healthy lifestyle that includes gym, yoga, and other fitness practices. In addition, target group is not only fitness-conscious but also brand-aware and fashion-forward.

Marketing Approach: Tailored marketing campaigns using digital platforms, sponsorship of corporate wellness programs, and collaboration with popular gyms and fitness centers.

- Fitness Enthusiasts and Athletes

Why: A segment that values the technical aspect of sports apparel like breathability, flexibility, and durability. Active participation in sports and fitness activities is rising among India's younger population, further fueled by increasing health awareness.

Marketing Approach: Engage through sports events, partnerships with sports clubs, and endorsements from well-known athletes.

- Yoga Practitioners

Why: Yoga is deeply rooted in Indian culture, making this segment naturally substantial. However, the modern adaptation and commercialization of Yoga have created a market for premium yoga wear.

Marketing Approach: Collaborations with studios and influencers, creating culturally inspired yoga apparel lines.

- High-income Luxury Shoppers

Why: This segment seeks premium quality and brand value. They are inclined towards international brands and are likely to be early adopters of Western fitness brands.

Marketing Approach: Exclusive brand launches, high-end store locations, and leveraging international brand appeal.

- Eco-conscious Consumers

Why: With a growing trend towards sustainability in India, targeting consumers who look for sustainable and ethical brands can position Lululemon uniquely in the market.

Marketing Approach: Highlight Lululemon's commitment to sustainability in products and operations, participate in green initiatives, and promote eco-friendly products.

4. Positioning

Brand Positioning Statement: Position Lululemon as a premium, innovative athleisure brand that not only enhances your fitness regime but also contributes to sustainable fashion.

Unique Selling Proposition (USP): Focus on high-quality, durable materials, innovative designs, and a commitment to sustainability, which can be a great differentiator in the Indian market.

Marketing Communication Strategies:

Design the most optimal communication strategy to convert the knowledge potential gained from the above 4 steps to tangible impacts on the consumer.

Channels : Using digital marketing and social media platforms extensively to connect with the younger audience. Celebrities and fitness influencers can be advocates of the brand to increase credibility and visibility.

Cultural Adaptation: Integrate local culture into marketing campaigns, perhaps by featuring local landmarks or cultural elements in advertising, thereby resonating more deeply with consumers.

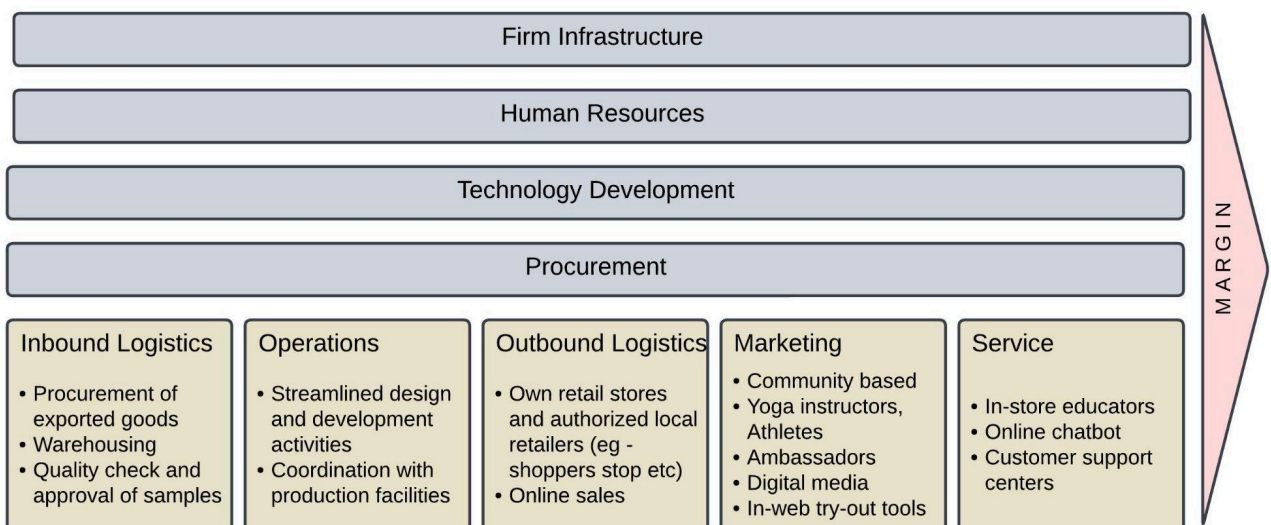
Retail Experience: Enhancing consumer experience through well-designed flagship stores in high-end shopping districts alongside an optimized online shopping experience.

Implementing this strategy in a phased and culturally sensitive manner will help Lululemon to effectively penetrate and establish itself in the Indian market, leveraging both global brand value and local consumer insights.

VALUE CHAIN ANALYSIS

As Lululemon prepares to penetrate the lucrative Indian market, targeting the discerning premium segment, it brings forth a specially crafted value chain strategy tailored to meet the demands of this dynamic market. With a commitment to quality, innovation, and sustainability, Lululemon's entry into India signifies not just a business expansion but a strategic endeavor to establish a strong foothold in world's fastest-growing economy.

Value Chain Diagram



Key Resources

- Intellectual property: through trademarking its logo, brand, product designs, and proprietary fabric names, the company fortifies its position against imitation and ensures the integrity of its brand identity and product offerings in India.
- Robust distribution strategy: In the first phase, Lululemon can optimize its operational efficiency in India by investing in larger distribution facilities not only facilitate to streamlined supply chain operations but also enable the company to effectively expand its market reach across the diverse geographic landscape of the Indian market.
- Brand image: Lululemon's brand name stands as a beacon of excellence in the realm of athletic apparel, particularly renowned for its high-quality yoga products that set it apart from competitors. This distinct positioning can earn Lululemon a reputation in the Indian market as a trusted producer of premium activewear.

Most Value Adding Activities

- Outbound logistics: Lululemon's inventory management style in the US is creating a fake scarcity for its products by distributing a limited amount of a specific design, so they encourage customers to purchase its products quickly. Given the affinity patterns for premium wearables, a similar scarcity-driven strategy could potentially resonate with Indian consumers.
- Product design: A dedicated team collects invaluable insights from customer feedback and conducts thorough market research to stay abreast of current trends. Additionally, the company maintains strategic partnerships with fabric inspection, testing, and verification firms, ensuring the quality and performance of materials used in Lululemon products are rigorously assessed across various performance metrics.
- Marketing: In the Indian market, where awareness of premium activewear brands is rapidly growing, through strategic marketing initiatives Lululemon can cultivate a loyal customer base and position itself as a trusted authority in the realm of activewear, thereby driving both brand recognition and sales growth.
- Human Resource Management: Employees at lululemon, known as "educators" are highly trained and motivated by the company to create a personal relationship with its customers. Moreover, lululemon programmes called "Make your Mark" (for students who interns at the company) can help in connecting with the Indian population.

CONCLUSION

Breaking into the Indian market presents a strategic opportunity for Lululemon to expand its global footprint and tap into a burgeoning segment of health-conscious, style-savvy consumers. With a deep understanding of the market's potential, Lululemon can leverage its core values of quality, innovation, and community-building to establish a strong presence. By adapting its marketing strategy, product offerings, and pricing strategy to cater to Indian consumers, Lululemon can position itself as a premium lifestyle brand, not just an apparel retailer, and capitalize on the growing demand for high-quality activewear in India's evolving fitness landscape.

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