

Lululemon's Expansion Into India



Makayla S, Ethan B, Angel M, Jonathan G, Emily M

Executive Summary:

In this international marketing plan, we will be taking Lululemon into the Indian market. We'll focus on the product, market analysis, strategies, and competitive landscape. Lululemon is a multinational apparel company, founded in Canada, known for its premium yoga and athleisure wear. As a group, we will analyze key attributes and features of Lululemon's company and identify how they will address the needs of customers in India.

India is a smart move for Lululemon's expansion for many reasons. Firstly, India is the most popular country globally for yoga, which aligns greatly with Lululemon's foundation in yoga. To add to that, India has the 3rd largest apparel market and a growing middle class. The athleisure market in India is expected to grow from \$1.07 billion in 2022 to \$1.93 billion by 2025 (Minhas). This makes the draw of India all the more strong. Despite this, there is strong competition in the field. For example, Decathlon, Puma, Adidas, Nike and others are already established in the country. This is not overly troublesome due to Lululemon's positioning as a premium brand rooted in yoga – differentiating themselves from their competition.

Lululemon has had success in the past expanding into global markets in Europe, as well as in Asia with China. A key competitive strength is the quality of their products, however, potential threats to their business include price sensitivity and established athleisure brands. In order to overcome these threats, Lululemon will have to enter the market with key objectives, which if achieved, will lead to success. These objectives include opening 50 stores in the first two years, establishing a distribution center in the country within a year, and building a community through monthly yoga events and social media activity, which will be extrapolated later in the report.

Taking a joint-venture approach allows Lululemon to utilize existing manufacturing expertise in India, as well as market knowledge. Lululemon will have a budget of 10 million USD to spread across many avenues, especially advertising and direct marketing, to ensure success in India.

This approach gives a strong indication of success in India, as there is clear room for their product to fit into the culture of India, as well as a growing athleisure market.

Product Description:

Lululemon offers high-quality athletic apparel, which include yoga pants, shorts, leggings, tops, and accessories, made from good materials. Their products are known for the use of high-performance materials which offer breathability, moisture wicking, and four-way stretch. The products are designed to be comfortable, functional, and stylish. Some of the features include hidden pockets, adjustable straps for accessories, and secure waistbands. As for sizes Lululemon comes in a wide range of sizes to cater to diverse body types, making sure they're inclusive.

Indian Market Analysis:

India would be a great entry due to the rising health and fitness trends there. Having such a big population that is health-conscious is causing high demand for sportswear, especially yoga and other fitness clothing. In addition, India has a big connection with the yoga culture. So, taking lululemon to India would align with the local lifestyle and values of the people. When people think of India they might think of poverty. However, India has a growing middle class, meaning they have much more purchasing power for premium brands. Not only is the middle class growing but e-commerce is something that is booming. Which would allow for lululemon to reach a much bigger audience.

Key Competitors:

Lululemon will face competition from established and emerging brands in the Indian market. Some of the competitors are Adidas and Nike. These brands have a strong presence and offer a variety of athletic wear. However, having lululemon focus solely on yoga gives it that advantage

and sets it apart. There are also local brands such as HRX that are gaining popularity and are much more affordable options. As well as Proyog which also caters to the yoga market.

Competitive Advantage:

Lululemon has several advantages over its competitors. Once again Lululemon is known for its premium quality. Which have high-performance materials which insure durability for the customers. They also have a deep understanding of the yoga culture which is amazing if you're trying to get into the birthplace of yoga. They're a multinational company with a great reputation. Lululemon is also moving towards a more sustainable commitment. Which is great for a country like India where being sustainable is huge.

Meeting Customer needs:

Providing high-quality athleisure wear suitable for yoga and fitness, which aligns with India's wellness culture. Offering a wide size range for inclusivity, catering to diverse body types. Focusing on functional, stylish designs, addressing the fashion preferences of the Indian market. Demonstrating a commitment to sustainability, aligning with the values of socially conscious consumers. In conclusion, Lululemon's entry into the Indian market is well-positioned to tap into the country's growing interest in health, fitness, and yoga, offering a unique combination of premium quality, yoga expertise, and sustainability that sets it apart from competitors.

Market Entry and Segmentation Strategy

With the objective to expand its presence globally, we will be taking Lululemon, a renowned activewear brand, to the Indian market. India, the world's third-largest apparel market, following China and the USA presents an attractive expansion opportunity. With its GDP forecasted to rise from USD 3.5 trillion in 2022 to USD 7.3 trillion by 2030, India's economic appeal is

undeniable. Additionally, India's demographic profile, with an ever-expanding internet user base that is set to more than double by 2030, is a promising indicator for the growth potential of e-commerce and premium brands like Lululemon.

Macro-segmentation Factors:

India's rapidly growing middle class, combined with its cost advantage in textile procurement and manufacturing, positions it as a lucrative market for athleisure wear. Lululemon, a brand renowned for its quality, style, and trend-setting, can tap into the preferences of the upper-middle-class segment in India, with monthly incomes ranging from \$1,500 to \$25,000. Comparing this to the United States upper middle-class monthly income ranging from \$7,500 - \$12,500, targeting this same group in India should be a fairly simple transition for Lululemon. The country's affinity for wellness and fitness is evident, with the overall wellness market estimated at INR 490 billion. A staggering 40% of this market comprises wellness services, which include yoga studios and fitness studios. Over the next three years, this industry is projected to grow at an annual growth rate of 20% to reach INR 875 billion. Such trends align perfectly with Lululemon's core product offerings and brand values.

Micro-segmentation Factors:

The typical target customer for Lululemon in India can be described as urban or semi-urban, predominantly falling within the 25-45 age range, with a higher disposable income. These consumers are highly health-conscious, participating frequently in yoga and fitness activities, mirroring the country's growing emphasis on wellness. This age group falls within the 18-35 age bracket, a significant demographic cohort, representing approximately 41% of the global population. It's noteworthy that Lululemon's current demographic profile, mainly fueled by women between the ages of 16-35, is well-matched with the Indian consumer profile.

Consumer Trends:

India's consumer trends provide an optimistic outlook for Lululemon's entry strategy. The affinity for premium brands is evident in the soaring sales figures of leading sports and activewear brands in India. In 2022, seven leading brands, including Puma, Adidas, Nike, and Reebok, recorded a combined sales figure of over \$1 billion, marking a 50% increase from 2021. The fitness-conscious population, coupled with the upward trajectory of sustainability and ethical consumption trends, creates a favorable environment for Lululemon's sustainable product emphasis. Furthermore, the surging adoption of e-commerce shopping emphasizes the importance of a robust online presence for Lululemon in the Indian market.

Method of Entry:

Given the specifics of the Indian market, a joint venture emerges as the most suitable method of market entry for Lululemon. This approach allows Lululemon to leverage the local partner's deep understanding of the Indian market, including cultural tendencies and regulation requirements. The anticipated growth in the Indian wellness industry and the preference for premium activewear brands underscores the potential benefits of shared risk and local expertise that a joint venture offers. With the upper-middle-class segment in India sharing income characteristics with their U.S. counterparts, there's ample room for Lululemon to cater to this affluent customer base.

Advantages of Joint Venture Entry:

The advantages of this approach include tapping into local expertise, risk-sharing with the local partner, cultural adaptation to the Indian market, an established distribution network through the local partner, and the opportunity to build critical relationships with local stakeholders, ultimately enhancing brand credibility and opportunities for success. Lululemon's strategic entry into the Indian market relies on a holistic assessment of macro-segmentation and micro-segmentation

factors. The choice of a joint venture method of entry aligns well with India's unique market characteristics and offers numerous advantages. Lululemon is well-positioned to cater to India's growing upper-middle-class segment with a strong emphasis on wellness, fitness, and sustainability, creating a promising growth trajectory in this dynamic market.

Environmental Analysis, Industry Analysis, and Competitive Review

Economic Analysis

India is the largest economy in South Asia and one of the fastest growing economies in the world. As in many countries worldwide, COVID-19 stunted both economic growth and poverty reduction efforts, so the country is now having to work to get back on track. India is a mixed economy, combining elements of socialism and capitalism; much of the workforce in India depends on its informal sector, which consists of a diversified set of economic activities, enterprises, jobs, and workers that are not protected by the state. Most of the labor force in India is employed in the agriculture and industry sectors. India has a very large and young workforce, which can be a significant advantage for economic growth, but also presents employment challenges for a growing population. The country faces infrastructure challenges and significant income disparities, with a considerable portion of the economy living in poverty. The government has implemented social welfare programs to address this issue and India's economic growth over the past two decades is estimated to have halved the share of the population living in extreme poverty; still, certain challenges persist, such as inequality in consumption, child malnutrition, and low quality of jobs. Economic reforms in the last 30 years, such as liberalization and globalization, have opened up India's economy to foreign investment and trade. India's main export partners include the United States, the United Arab Emirates, China, Bangladesh, and Hong Kong. Its main import partners are China, the United Arab Emirates, the United States, Switzerland, and Saudi Arabia.

Political Analysis

India gained independence from British rule in 1947, and its current government is described by the CIA Factbook as a federal parliamentary republic, meaning that it is a federation of states with a republican form of government that is more or less reliant on the confidence of parliaments at both national and sub-national levels. Since India's transition from colonial rule to independence the country has practiced electoral democracy. However, the predominance of the Indian National Congress Party and the mobilization and recruitment of local notables into the party machine decreased the access of less privileged sectors of society to positions of power and made structural social reforms difficult to achieve. In the last decades, though, India has undergone a democratic upsurge with the economic empowerment of lower castes.

Demographic Analysis

India's population is predominantly Indo-Aryan with a smaller Dravidian population. The country's most popular religion is Hinduism, followed by Islam, Christianity, and Sikhism. With the exception of the deserts in the northwest, most of India has a very high population density, with the core of the population situated in the north along the banks of the Ganges river. India is linguistically and religiously diverse, with a large population under the age of 30, but also a growing older population due to the development of better medicines.

Competitors and Similar Products

India is the 3rd largest apparel market in the world, after China and the USA, and it is in a good position for growth in the athleisure market. There are seven leading sports and activewear brands in India: Decathlon, Puma, Adidas, Nike, Reebok, Asics, and Sketchers. These brands sold a combined \$1 billion in 2022. Lululemon's best-selling products include their leggings and yoga pants, joggers, and their athletic tops and jackets. Some of the main competitors that have ventured into the athleisure market in India are Nike, Puma, and Adidas, which have their own versions of these athleisure items that double as workout clothes as well as everyday wear.

Additionally, Lululemon will have to compete with Indian homegrown activewear brands like BlissClub, which have the advantage of being curated specifically to the Indian consumer. However, as the athleisure industry in India grows, there has been a surge of Indian athleisure companies targeted towards Indian women, like Bliss Club. Lululemon will be set apart from these homegrown brands because they produce high quality athleisure clothing catered to both men and women. Like Lululemon, other athletic brands such as Nike, Puma, and Adidas emphasize their athleisure being a hybrid between casual-wear and athletic apparel, comfortable and suitable for both workouts and every-day life, and these other athletic brands are already very established both globally and in the Indian market, with Puma having as many storefronts in India as Lululemon does worldwide. However, Lululemon sets itself apart by creating a brand under which the individuals wearing it are connected to one another and are united by the brand's motivation. According to a 2023 report from Statista, when converted from Indian rupees to US dollars, the athleisure industry in India was worth approximately 899 million dollars in 2020, 719 million in 2021, and 1.07 billion in 2022. The industry is expected to grow to be worth around 1.93 billion dollars by 2025.

SWOT Analysis

Strengths

Lululemon is a very strong well known brand through the athletic and lifestyle space for clothing. Lululemon is currently in 13 countries with storefronts and gradually expanding within those countries. They are in very large countries: the U.S, China, United Kingdom, France, Japan, etc. They already have a pretty well known brand in these large countries and are continuing to expand. The benefits of someone owning Lululemon is having the quality that comes with the clothes. Very smooth and comfortable apparel. Its focus is on people who do yoga, running and training but can be worn for an everyday outfit. This would also be great in India because they have a huge culture around yoga which would be a key marketing element to capitalize on. It

really has turned into a lifestyle brand that you could wear everyday to be comfortable. It is very versatile for anyone to wear. There are plenty of growth opportunities in the Indian market for athleisure wear. "In the next 4-5 years the potential growth that can be seen in the athleisure market will be about 15-20% year over year" (Ratna). This is a great opportunity for Lululemon to enter the market to be able to compete with larger more established competitors.

Weaknesses

Lululemon's main footing is in the United States and Canada. They have hundreds of stores between the two countries. They have less of a presence in the Asian markets which is a potential opportunity to capture customers and additional revenue. There are very large athletic brands out there that have already established themselves in India and that are fighting with other big competitors as well. Another weakness that could be a problem is that they have to set up and open retail stores which may be more difficult in India because the cities are more dense. Another issue they could run into is that not even half of India has access to the internet so if they were to open up their website to sell directly to consumers they wouldn't be able to capture half of India's population. There are many Indian athletic leisure clothing brands created because they were struggling to find athletic clothes that fit them correctly especially for women. One of the brands that I found that's an Indian athletic company is called Ochre Athletica which is just for women but looks similar to Lululemon.

Opportunities

There is huge market growth in the athleisure space across the globe. This market category overall is projected to grow 5.2% year over year from 2023-2032. In India alone, it is predicted to grow up to 15-20% year over year. There is huge market potential for this space in India. Athleisure wear has grown in popularity because of its functionality and comfort. Lululemon has a lot of technology and research around the type of fabrics they use to make it comfortable while

working out or sweating. It is a growing space with faster growth in India with the market potential. Even though there are some big names already in the space Lululemon has combated that before in the U.S., Canada, China, etc. The main focus to gain customers in India would be to show the quality of the brand as well as its versatility and also grab the large population of people who practice yoga in India.

Threats

There are very strong competitors in India in the athleisure space. Big brands as we know from the United States such as, Nike, Under Armour, Reebok, Adidas. Some have more footing than others such as Adidas and Reebok but they are all still major competitors. The most important thing to look out for when entering the Indian market is the price sensitivity. It is vital that the price is within range for what Indians are willing to pay for the apparel. There aren't many huge barriers with marketing athleisure wear in India since it is a rapidly growing market and there are many companies doing well. The problem will be slightly differentiating from all the other competitors that have established their brand. Lululemon does a great job of this by providing high quality with both a selection for men and women and almost making their brand part of social status.

First Objective - Open 15 stores in the first year, and expand to 50 in two years.

The first major objective for Lululemon's expansion into India is setting an objective for storefronts in the country. As of January of 2023, Lululemon has 650 stores, 350 of which are in the United States, and 50 of which are in their home country of Canada. This means they have not gone overboard with global locations. They have grown in a big way in the Chinese market, with over 110 locations. With their expansion in China being a general reference, it makes sense to start slower with 15 storefronts in the first year in India. There will be significant buzz created by their launch in India, and the first twelve months give the company a chance to properly

gauge the regional preferences and where success can be found. With this information, Lululemon can be better informed in their expansion to 50 stores in the second year. 50 stores allows Lululemon to gain a real standing with consumers in India, as well as begin to cut out a share of the athleisure market in the country. It would be unrealistic for a premium brand such as Lululemon to go toe-to-toe with Puma, who has as many storefronts in India as Lululemon has globally. Instead, a more premium brand such as Nike, with just over 100 storefronts, is in a more comparable long-term position. The fifty stores in the first two years is just the beginning, hopefully leading to growth – as the athleisure industry grows and the middle-class grows in India.

Second Objective - Host a yoga event for at least 1,000 people every month for the first three years of market entry.

One major thing Lululemon did to integrate their brand into the yoga culture in China, is hosting a yoga event for 5,000 people in the “forbidden city” in Beijing. This is a great idea, and can be applied to a greater extent to yoga’s homeland. With yoga being so popular in India, setting a goal of hosting monthly events for at least 1,000 people for the first three years of entry into the market is feasible. These events will do wonders to create trust and build relationships with customers. It will help Lululemon be accepted as an authentic yoga-focused company, to a large audience of people who appreciate yoga and are consumers of athleisure. Partnering with local instructors will help create the best respectful environment promoting yoga and their company.

Third Objective - Amass 500,000 Instagram followers for Lululemon India within 2 years of market entry.

Establishing a community online can be done through content creation and interaction on social media. 1.4 billion people live in India, with slightly less than 50% of the population having the internet. Despite this, the efforts will still reach a massive audience. A goal of 500,000 Instagram

followers for Lululemon India's Instagram within 2 years of market entry is a good goal. For comparison, Lululemon Europe's Instagram has been around for more than two years and has 300,000 followers. This may make 500,000 seem like a lot; however, India has 330 million active Instagram users – almost double the second-leading country (United States, 180 million). With this large audience, the objective is very achievable. Creating content highlighting the benefits of their products, promoting their yoga events, and showcasing Indian influencers using their products are all great content that can be used to gain this following.

Fourth Objective - Establish a distribution center in India within a year of market entry.

E-Commerce is an extremely important part of Lululemon's revenue creation. Considering the joint-venture approach we are taking, it is important to pair up the manufacturing with proper distribution channels to customers. Online customers in the United States only have to wait a transit time of less than two days from Lululemon. Right now Lululemon has just four total distribution centers (Soni). Investing in one in India before the launch is important to creating an expedient shipping process and distribution process to the storefronts in India as well as Asia as a whole. If China and India are going to be the key places of expansion for Lululemon, a distribution center in the continent should be a minimum.

Marketing Mix for Lululemon's Entry into the Indian Market

Product:

Lululemon's product, encompassing high-quality athletic apparel with a focus on yoga and athleisure wear, aligns strategically with the health-conscious and yoga-centric Indian market. The product's features, including the use of performance materials such as Luon and Luxtreme, hidden pockets, and adjustable straps, contribute to its competitive advantage. Lululemon's commitment to sustainability and cultural understanding provides a unique selling proposition. The product will be positioned as a premium athleisure brand, emphasizing its functional, stylish

designs and sustainable practices. To enhance market introduction, Lululemon may consider introducing limited-edition lines inspired by Indian culture or collaborations with local influencers to create products that resonate specifically with the Indian market.

Price:

The pricing strategy for Lululemon in the Indian market will balance the brand's premium positioning with the need for competitiveness. While the product's premium quality justifies a higher price point, it should remain comparable to similar products offered by local competitors like Adidas and Nike. Understanding the purchasing power of the growing middle class in India, Lululemon will aim for a pricing structure that caters to this demographic while maintaining a perception of exclusivity. Cost considerations will include production factors such as raw materials, manufacturing, and distribution. To penetrate the market effectively, Lululemon might initially adopt a price penetration strategy, offering an attractive entry price to gain a foothold in the competitive landscape. As the brand establishes itself and builds a loyal customer base, it can gradually adjust pricing to reflect its premium status in the market.

Promotion:

During the initial launch, Lululemon should do advertising, social media campaigns and use platforms that are used in India. They can also engage with local influencers and fitness enthusiasts to create a buzz around Lululemon. Additionally, Lululemon could partner with fitness studios to host events where customers can try on products and receive advice and souvenir bags. Lululemon can offer some type of promotion for the first few months to try and build a customer base. After being open for a while, assuming it's going well, they can open more stores in other cities. They can create loyalty programs that would give customers exclusive benefits. A unique concept would be to make regional products so each part of India gets access to items specific to the region. In the long run, to show leadership, they can create

more opportunities for India, as well as encourage customers to share their experience with Lululemon.

Distribution:

For the initial launch, they can open flagship stores in major metropolitan cities like Mumbai, Delhi, and Bangalore, where there is a concentration of fitness enthusiasts and a growing awareness of premium athletic wear. One that would be a must is having an online platform. So that anyone from India could buy them if they're interested. Although about half of the population of India doesn't have the internet, it'll still be available for those who do. After a few years, they can start opening more stores in tier-2 cities. Or even form strategic alliances with some local boutiques to showcase the brand. Long-term they can implement subscription models. This would be for loyal customers, providing them with regular deliveries, exclusive discounts, and access to new products.

Budget

With the initial launch of Lululemon in India the marketing budget would be allocated based on our marketing and brand objectives. This is because we do not have any previous years' sales in India to go off of. First, starting off with this strategy, it would be best to penetrate the market as quickly as possible. Once Lululemon becomes established, the marketing budget for further expansion into India will be allocated based on the percentage of sales. This is to keep this region of the company profitable once it has become more established. The budget's total amount will make up to \$10 million dollars. During the initial launch into India, the budget will be broken down as follows: marketing research (15%), advertising (25%), sales promotions (15%), personal selling (5%), direct marketing (20%), public relations (10%), e-commerce (10%). This budget is divided as so because it reflects the big investment into widespread advertising within large cities and direct marketing to people's personal devices. Social media marketing on

Facebook and Instagram is also a crucial point to emphasize within direct marketing. The marketing research will be going towards assessing competitors' strengths, ways to attract new customers in India, and continuously improving and evaluating strategic marketing campaigns. The sales promotions would be used towards traditional Indian holidays and to attract more customers from potentially lower income areas. The personal selling strategy in India would be a bit difficult in rural areas where it is harder to communicate so it would be in more of a development stage. Public relations would be very important in establishing a positive brand reputation entering a new market and gaining the consumer's trust. The last portion of the budget is to expand the Lululemon website into India with an online ad campaign to go along with this. This budget reflects the effectiveness of each segment in the Indian market because about 20% more of the population has televisions than access to the internet. As Lululemon enters the Indian market these marketing strategies seem to be the best fit. As India is a very large emerging market there should be both an online and in-store presence of Lululemon which is what this budget gives us.

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