

MDST 3080 - Writing for Public Relations  
Assignment 4  
December 1, 2014  
Summer Simon

**Issues Management/Consumer Messaging: Lululemon Athletica Inc.**

**Company and Industry Overview:**

Founded in Vancouver, B.C. in 1998, Lululemon Athletica Inc. launched into the yoga community and shared its first retail space with a yoga studio. We are an athletic apparel company that is directed towards the yoga community. Our technically bound running and yoga clothes are internationally sold and made for several activities including yoga, running, dancing as well as many other fitness doings. We strive to provide products that will create components for people to live longer, healthier, fun lives. Our products are carefully created in order to ensure comfort while in use whether it is for working out or wearing around the house. We use multiple technical fabrics and various technologies, as product quality is the foundation that we stand on. Our three key areas of our product's quality focus on fabric, performance and craftsmanship. Quality is the heart of who we are.

Chip Wilson founded Lululemon in response to female participation in sports, fitness and his belief that yoga is the ideal way to achieve and uphold athletic excellence. We strive to be a community in all of our locations to ensure strong relationships with our local publics. We often house many in-store events and encourage our community to become involved with their local Lululemon location. We are committed to not only providing the highest quality product but also conveying an all-inclusive atmosphere for our customers and neighbours.

As we have made a vast impact on the athletic community in both women and men's apparel it is inevitable that other companies will attempt to follow suit with Lululemon in the production of quality products for the fitness community. Under Armour is among these organizations as they branched into the women's business by designing similar products with their own fabrics. Wall Street has established

their Studio yoga line as a competitor for our company. Calvin Klein is also a brand that expresses an extremely similar aesthetic to our products. Lily Lotus is a Hawaiian based company competitor that is on our radar as they are ecologically friendly.

**Situation Overview:**

Recently, Lululemon has faced public scrutiny for claims against our inadvertently transparent yoga pants. We received pants that did not meet our high standards and although the fabric was the same, the coverage was not, resulting in transparency of select products. This forced us to recall about 17 per cent of all women's pants that have been sold in our stores. Our black luon women's bottom recall has caused store shortages of this staple pant. The recall has created a noteworthy financial influence on our organization as well as reputational damage because Lululemon stands for top quality products.

**Business Impact:**

As mentioned, Lululemon Athletica Inc. took a financial hit from the recall of our women's pants. Prior to the recall, our stocks sat at \$70.47 on March 14, 2013. By the afternoon of March 19, 2013 our shares dropped 3.3 per cent at \$65.29 and closed that day at \$64.08 dropping four per cent on the Toronto Stock Exchange. After our first quarter results, income from operations decreased 10 per cent to \$65.9 million. Our percentage of net revenue was 19.1 per cent compared to 25.6 per cent of net revenue in the first quarter of the 2012 fiscal year. Due to recalling 17 per cent of all women's pants sold by our stores our organization was financially affected.

**Challenges:**

In 2007, our company faced fabric complications with our VitaSea clothing line. Tests done by The New York Times had shown that our product line did not include certain minerals of the VitaSea fabric. Lululemon did a rush test and findings confirmed that the fabric contains the lyocell fibers consistent with the care and

content labels on the product. Following the accusation Lululemon removed all tags of health benefits from our VitaSea product line. This is a challenge that could complicate the issue Lululemon is faced with. Since the recall of our product this may put doubts about our company's reputation in the minds of our stakeholders including consumers, employees and shareholders/investors.

**Media Coverage:**

The majority of the tone in media coverage commentary about this issue was negative as product recalls are never good. While the recall did attract media interest much of it was considered "priceless" as many jokes and bad puns were made towards the company's product and the reason for its recall (being too sheer). This was the case made by much of the media. From a business aspect, financially, experts predict the recall could cost Lululemon \$67 million in revenue this year. There was some neutral coverage as we tried our very best to be pro-active about the situation and control it from the get-go. By taking immediate action we were able to minimize the amount of negative coverage about the company, the product and the recall.

The product recall was announced by Lululemon Athletica Inc. and then covered by various news outlets both broadcast and print such as CBC News, the Vancouver Sun, and Global News.

**Financial Impact:**

The financial impact that was absorbed by Lululemon as mentioned previously under Business Impact.

The media coverage did have a short-term impact on consumers and their trust in our company as our product presented a reason for consumers to doubt our company. We stand by our consumers and other stakeholders in order to continue to gain their trust through initiatives of our company and our high quality products.

## Issues Management Tool:

Audience	Expected Reaction	What will they ask?	What do we say to them?	Broader Implications/Positioning Statement
<b>Consumers</b>	<ul style="list-style-type: none"> <li>- Question product and brand quality</li> <li>- Lose trust in our company</li> <li>- Brand switching by resorting to buying competitors products</li> </ul>	<ul style="list-style-type: none"> <li>- What are you doing to fix the problem?</li> <li>- Am I am to get an exchange or refund?</li> <li>- Why should I continue to buy Lululemon products?</li> </ul>	<ul style="list-style-type: none"> <li>- Further testing on brand and product quality</li> <li>- Customer relationships are our number one priority</li> <li>- Apologize for the recall and fault in product quality</li> </ul>	<ul style="list-style-type: none"> <li>- Always continuing to improve our product's quality and fabrics</li> <li>- Customer satisfaction is a must while moving forward with our company and their products</li> <li>- Again, apologize for this issue and continue to fix it to the best of our abilities</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>- Review brand quality</li> <li>- Question brand reputation and integrity</li> <li>- Analyze CEO and senior management decisions</li> </ul>	<ul style="list-style-type: none"> <li>- Why was the product flaw not seen in initial testing?</li> <li>- How badly is the company suffering? Reputation? Financially?</li> </ul>	<ul style="list-style-type: none"> <li>- Lululemon tests its products continuously to pride ourselves on quality for our customers</li> <li>- While the recall does present a financial impact to the organization we are learning from these situations. As a company we value our consumers and the decisions they make</li> </ul>	<ul style="list-style-type: none"> <li>- Have faith in our customers and that they will continue to remain loyal to us as we present quality products in an inclusive community</li> <li>- Product quality is what we pride ourselves on and we will move forward with our customers priorities at the fore front of our endeavors</li> </ul>

## Q&A:

### 1) *What happened?*

Lululemon has faced public scrutiny for claims against our inadvertently transparent yoga pants. We received pants that did not meet our high standards and although the fabric was the same, the coverage was not, resulting in transparency to select products. As a result, we are recalling our black luon women's pant.

### 2) *Who is responsible?*

While no individual party can be blamed for the situation, Lululemon takes full responsibility for their products and quality they present to their customers.

### 3) *Why did it happen/What caused it?*

During the making of this select batch of products the high quality standard of Lululemon products was not met and further testing will help to improve

this in the future. We are in conversation with our manufacturing partner to recognize what happened during the time that this fabric was made.

**4) *Who is affected/hurt?***

Lululemon customers are directly impacted, as it is their purchase of the pants that have been recalled. Our stakeholder groups including consumers, employees and investors may be questioning our brand's integrity and quality but we assure them to stand by us during this time, as they are our main concern in presenting them with high quality products to maintain a well-run organization.

**5) *What are you doing about it now?***

As a company, Lululemon is taking action to resolve this problem. We are recalling our entire product sold that is subject to transparency and providing customers with an exchange in product or a monetary refund.

**6) *What are you doing to prevent this from happening again?***

To prevent this from happening in the future our company is taking measures with our suppliers and manufacturers to replace this fabric and further test our products to ensure this does not happen again. By adding testing to all of our products we will continue to ensure our customers that our products have the highest quality for their use. We are committed to making things right as customer feedback is encouraged and we want to recognize that we are listening to our customers. We want customers to value our company like we value their support in our organization

**PR Recommendations:**

In order to protect our company's reputation and maintain consumer trust Lululemon must be pro-active in regards to the issue. By getting out in front of the media, we are able to direct initial coverage and maintain a brand-friendly message. Lululemon must consciously recognize and maintain brand integrity and standards. Our company recognizes that the reason for the recall was that this batch of products fell short of our high quality standard expectation. In order to control this situation we took action quickly by removing the product from stores and our

website within two weeks of the arrival of the product. This displays that we value our consumers and the products that they are purchasing by instilling our organization's brand attitudes toward our consumers.

Our most important relationship is with our communities and our guests. Due to the issue that our product went through testing without transparency being detected, Lululemon must take the initiative to apologize for the issue that faces our consumers and stakeholders. Through our valued communities we must appreciate these relationships and remain to have open communication with our consumers, employees, investors and the media. These are the relationships that we value. We want to put quality and customer satisfaction above everything else.