
Decoding **Lululemon's** Decline and Path to Recovery

MKTG 410

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01

Problem Background and Definition

Problem Background



Lululemon is no longer just competing on technical quality, which has been lacking recently from our research and insights. In order to keep up with the industry and their competitors, they need to capture the attention of new buyers within the Gen Z consumer base, keeping up with the constantly changing athleisure market.

MARKET SHIFT

There has been a slow in growth for the brand as investors are questioning brand relevance.

BRAND LOYALTY PRESSURE

Competitive pressure from younger audience focused brands:

- Alo Yoga
- Vuori
- Athleta

Changing Purchase Behavior

Younger consumers are increasingly valuing authenticity and connection to the brands they purchase from.

Problem Definition

MANAGERIAL DECISION PROBLEM

What factors should Lululemon focus on to win back young consumers?

01

How do Gen Z consumers currently perceive Lululemon's product quality relative to competitors?

Quality

02

How do Gen Z consumers perceive the innovativeness of Lululemon's products?

Innovation

03

How do Gen Z consumers perceive the overall relevance of Lululemon?

Experience

02

Phase I Exploratory Research



Methodology Summary

APPROACH

- Exploratory research using a moderated focus group to surface initial themes and perceptions

ATTENDEES

6 college students

Ages 20-22

5 women, 1 man

Familiar with Lululemon Brand

TOPICS COVERED

Quality

Pricing

Relevance

Innovation

Loyalty



Key Insights

- **Quality perception decline**

Newer products feel thinner and lower category than older items . Yet leggings remain strongest category.

“The leggings feel thinner.”

- **Brand peaked around 2019-2020**

Gen Z consumers in the study feel the brand has not evolved since its peak and is losing cultural relevance.

“People have kind of moved on.”

Lululemon feels like a “mom brand.”

- **Innovation feels inconsistent**

Occasional hits but no sustained product innovation--not seen as a trend forward brand.

“Lululemon will sometimes have a hit every once in a while.”

“I don’t know that they’ve... progressed their brand.”

- **Premium pricing feels unjustified**

Full price is a pain point for the consumers of our focus group. Consumers feel like they are paying for the name not the product.

“Full price hurts my soul.”

“Lululemon is a little more overpriced...its not something I would buy for that price”

- **Competitors feel more current**

Alo Yoga is seen as trending more consistently and brands like Vuori and Athleta are growing in relevance

“Alo seems to be trending... more consistently.”

- **Service experience builds loyalty**

In store service and community feel are bright spots for Lululemon, they drive retention among loyal customers

“I actually really like the fact that if you tore a hole in your Lulus, you literally just give it to them and they'll try to fix it for you for free. I've always liked that about Lulu”

03

Phase II Descriptive Research



Phase II Methodology

Why we shifted from Phase 1

Themes uncovered from our focus group needed statistical validation across a larger, more representative sample of Gen Z consumers

How We Collected Data



Online Survey

Distributed online to men and women primarily aged 18-21



Cross-Sectional Descriptive Study

Captured attitudes at a single point in time--suited to describing current perceptions



Advantages

- Cost and efficiency
- Larger reach
- Easy to Standardize
- Anonymity

Sample Profile

95

Total Respondents

78.9%

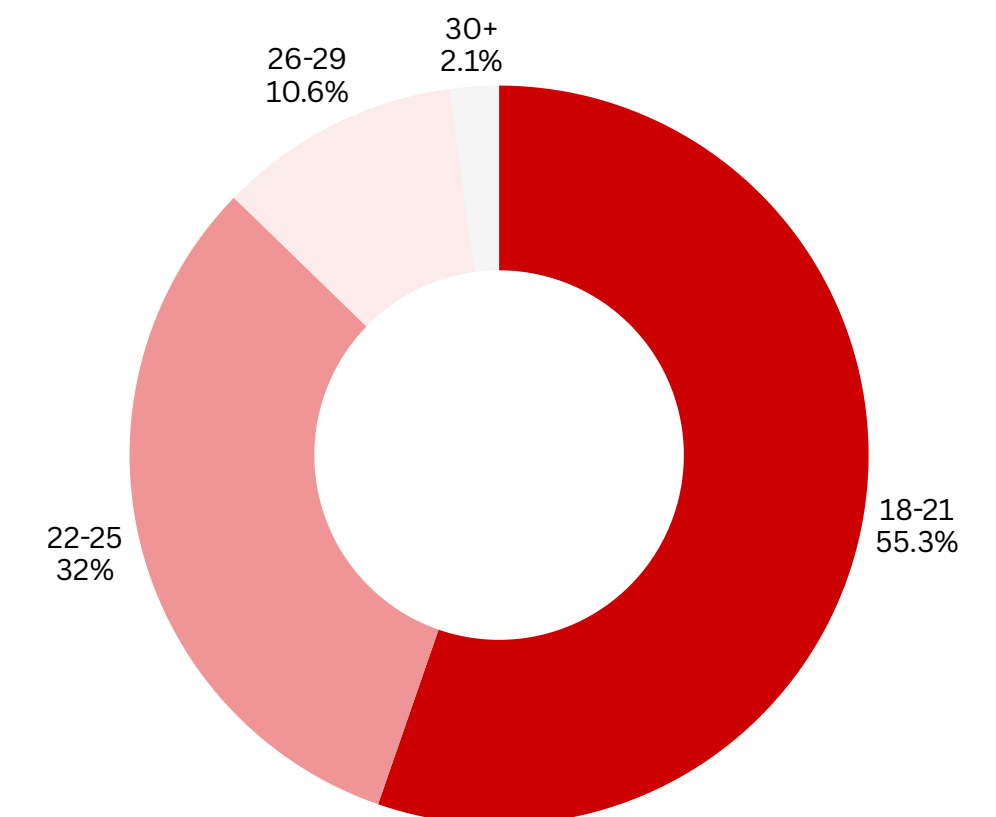
Female

85.3%

Familiar with Lululemon

69.5%

Full Time Students



Lululemon Consumers Are Paying for the Label Not the Quality

RESEARCH QUESTION

Are consumers paying for the brand name of Lululemon, rather than quality?

n=95

5-point scale

One-Sided T Test

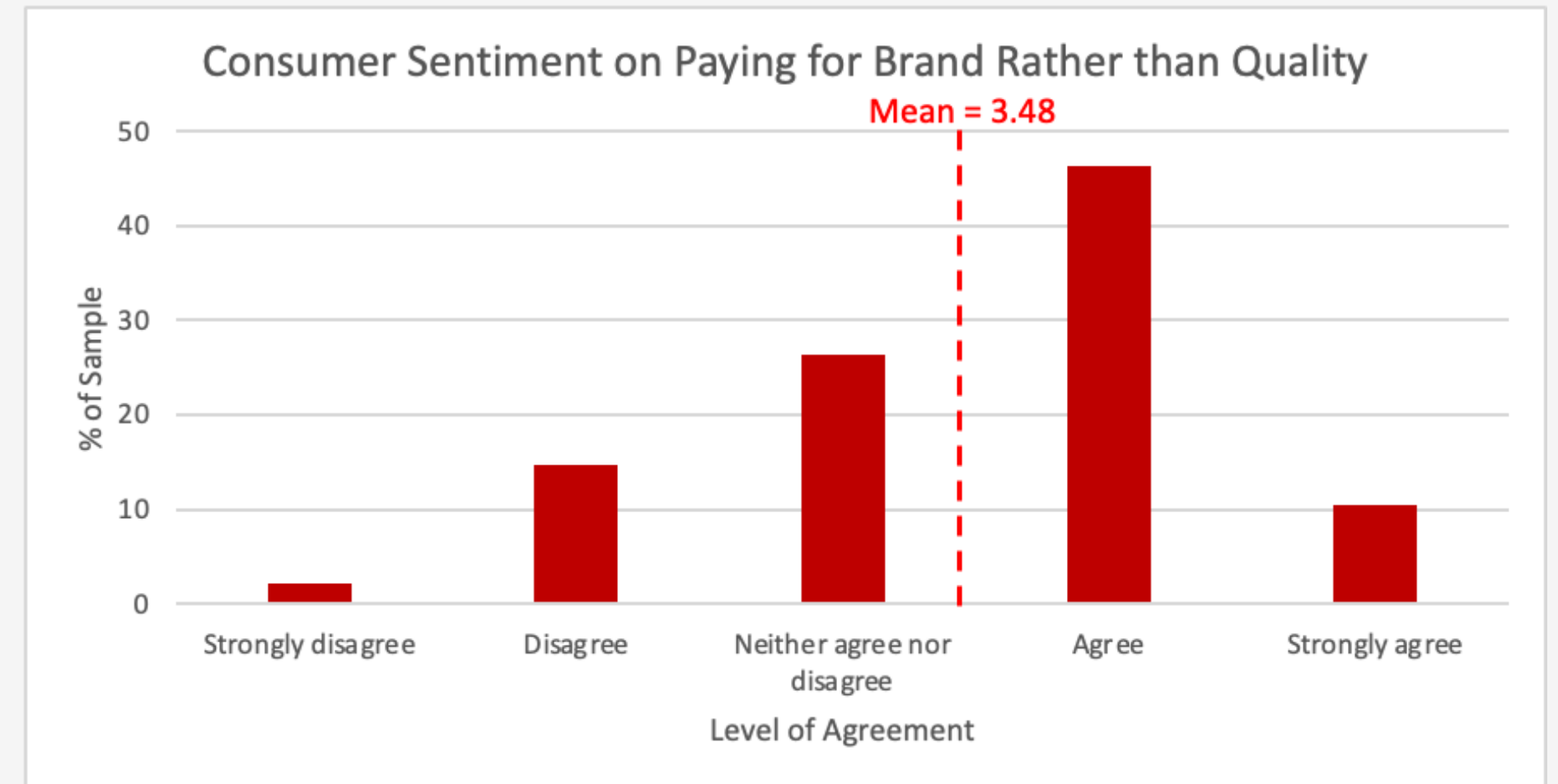
SAMPLE MEAN

3.48

Scale: 1= Strongly Disagree 5=Strongly agree

KEY TAKEAWAY

The sample mean is above the average, leading to the conclusion that a large portion of the target audience are paying a premium for the Lululemon logo



Lululemon Consumers Are Contemplating Their Brand Loyalty

RESEARCH QUESTION

Is there a correlation between paying for a brand name and recently considering purchasing from a competitor?

n=95

5-point scale

Correlation

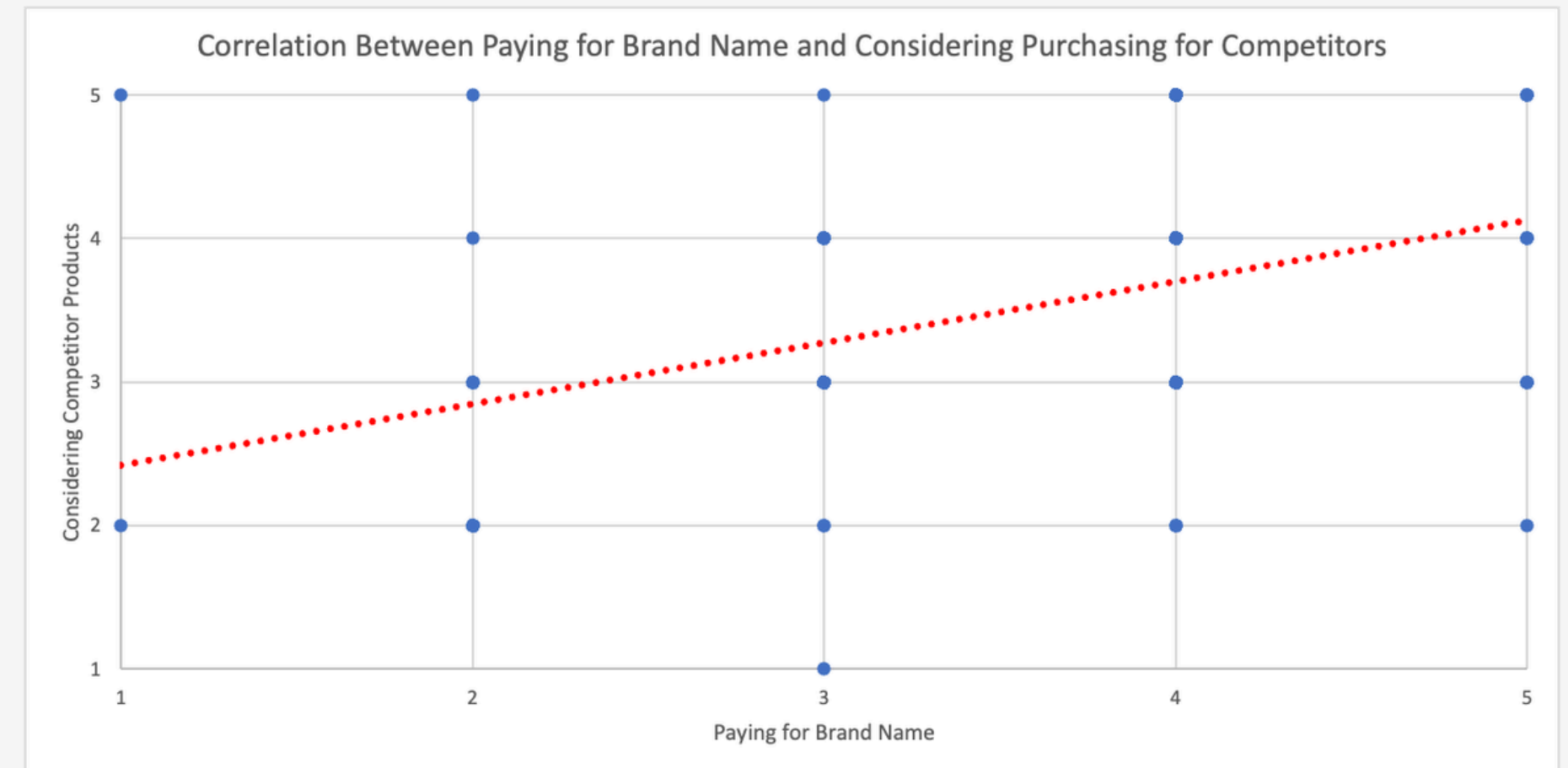
SAMPLE CORRELATION

.399

Scale: 1= Strongly Disagree 5=Strongly agree

KEY TAKEAWAY

There is a statistically significant link between Lululemon's consumers paying for brand and the consumer's intent to switch to competitors for an increased consistency in products.



Gen-Z Consumers See Lululemon as Slightly Culturally Relevant

RESEARCH QUESTION

Is perceived cultural relevance above neutral among Gen-Z Lululemon consumers?

n=95

5-point scale

One Sided T-Test

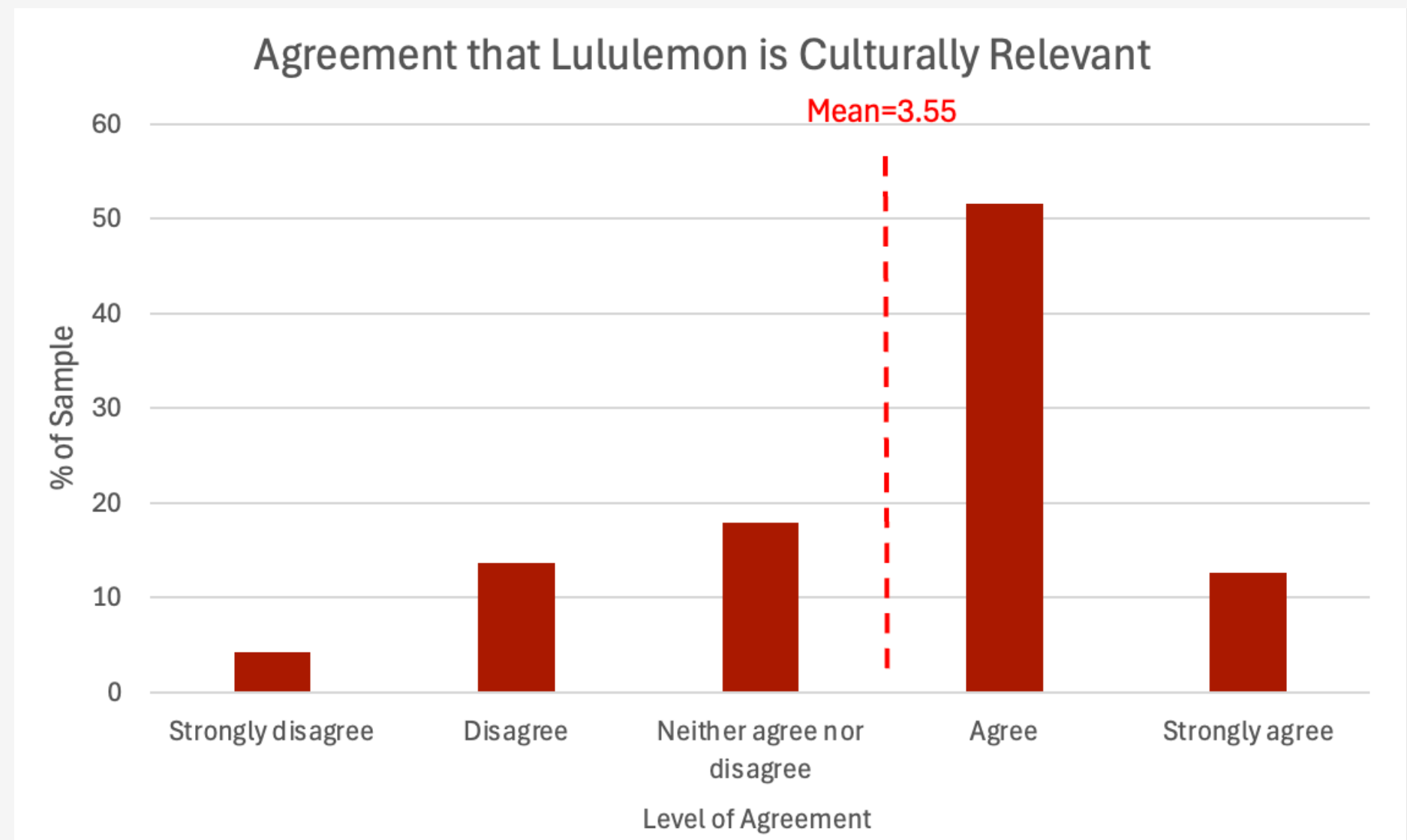
SAMPLE MEAN

3.55

Scale: 1= Strongly Disagree 5=Strongly agree

KEY TAKEAWAY

On average, Gen-Z consumers see Lululemon as being culturally relevant. They believe the brand fits into their lifestyle and identity



Cultural Relevance Drives Brand Engagement Among Gen Z

RESEARCH QUESTION

Is there a positive linear relationship between perceived cultural relevance and brand engagement among Gen Z consumers?

n=95

5-point scale

Correlation

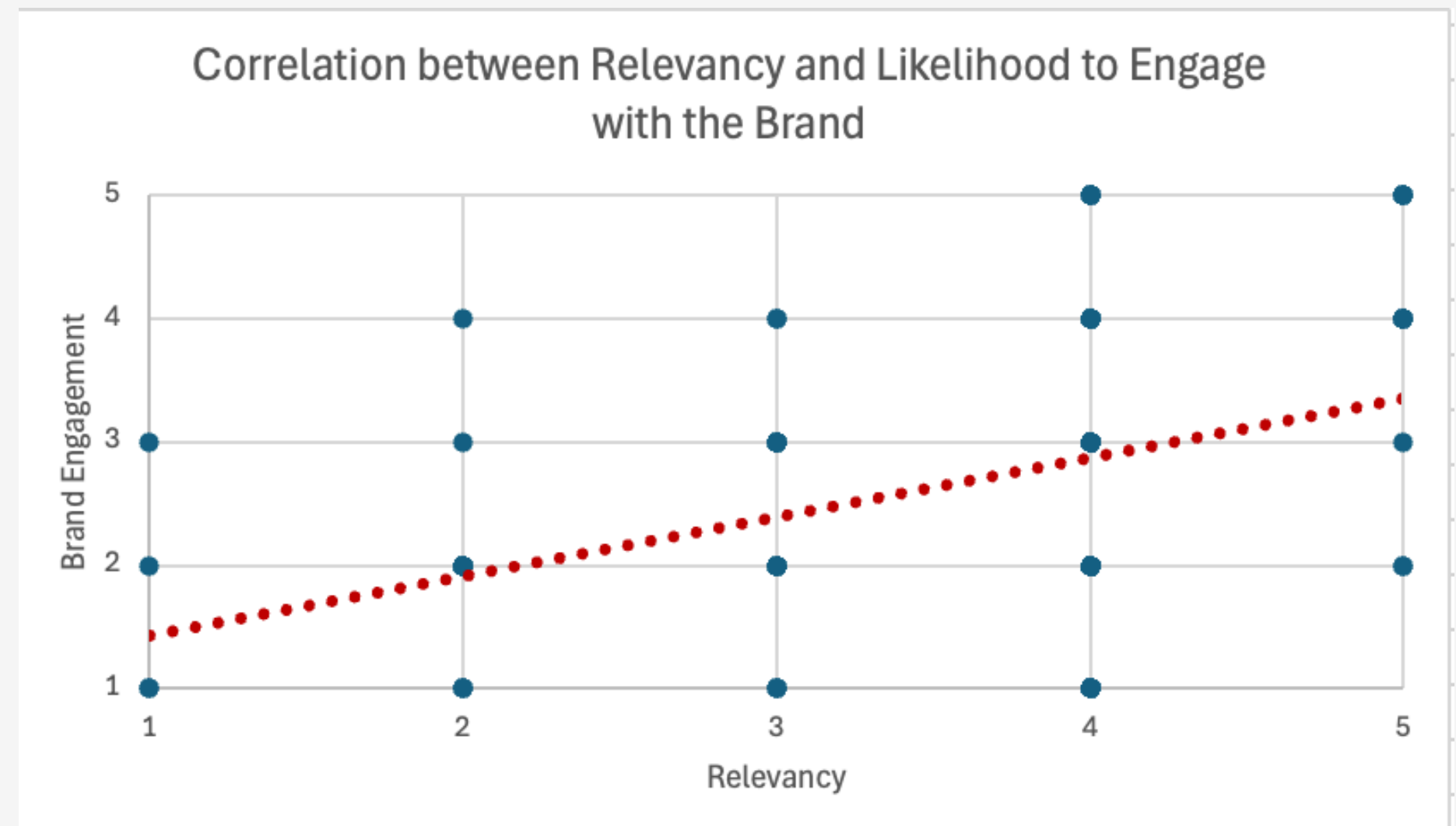
SAMPLE CORRELATION

0.401

Scale: 1= Strongly Disagree 5=Strongly agree

KEY TAKEAWAY

The more Gen Z consumers feel Lululemon is culturally relevant to them, the more they actively engage with the brand



Lululemon is not keeping up with trends in a meaningful way

RESEARCH QUESTION

Do young Lululemon consumers agree that the brand stays ahead of trends?

n=95

5-point scale

One Sided T-Test

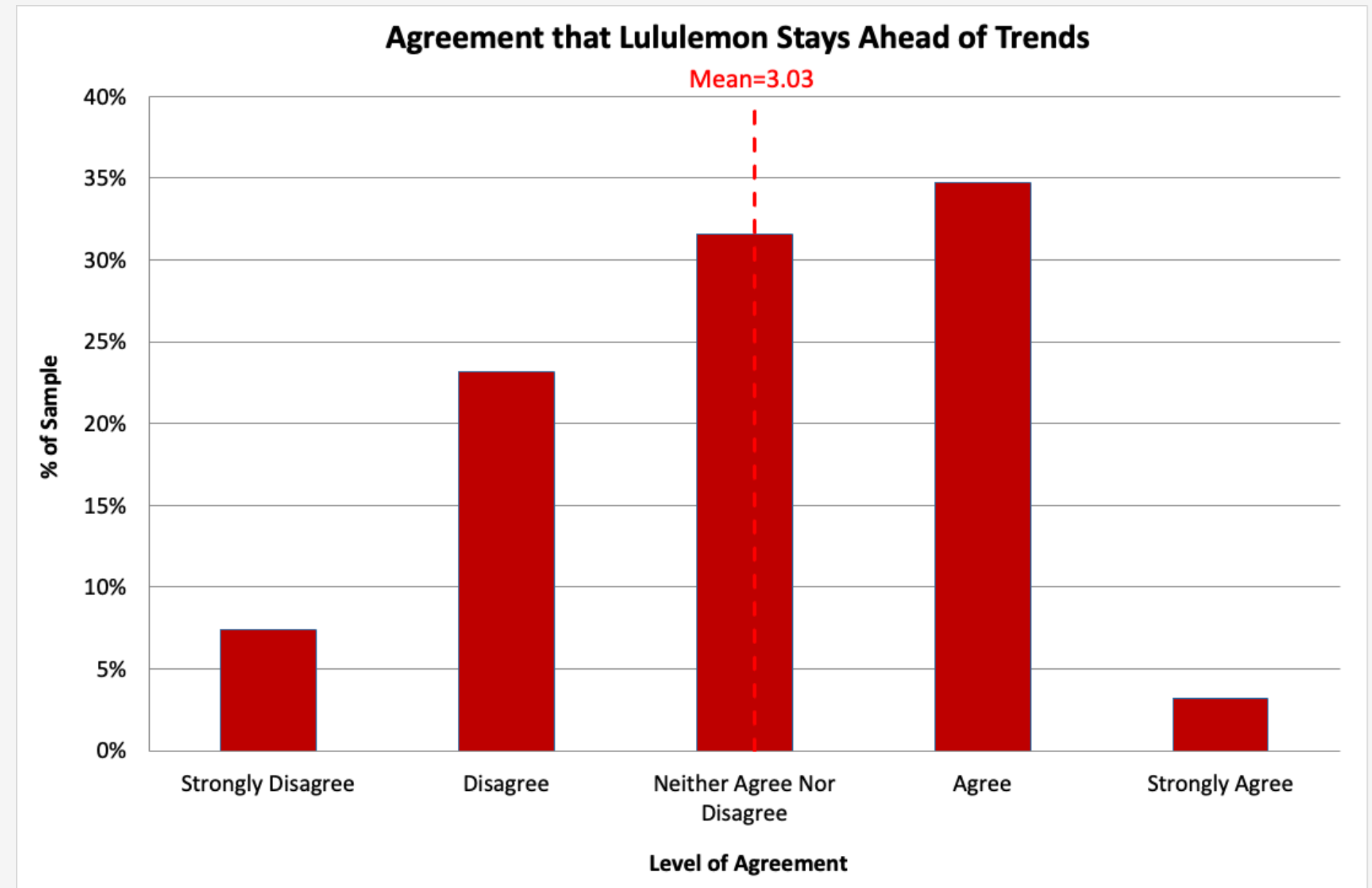
SAMPLE MEAN

3.03

Add in scale Eg) 1= Strongly Disagree 5=Strongly agree

KEY TAKEAWAY

Lululemon is not seen as meaningfully innovative by young consumers.



Innovation at Lululemon Increases Brand Loyalty

RESEARCH QUESTION

Is there a correlation between perceived brand innovativeness and likelihood to continue purchasing from Lululemon?

n=95

5-point scale

Correlation

SAMPLE MEAN

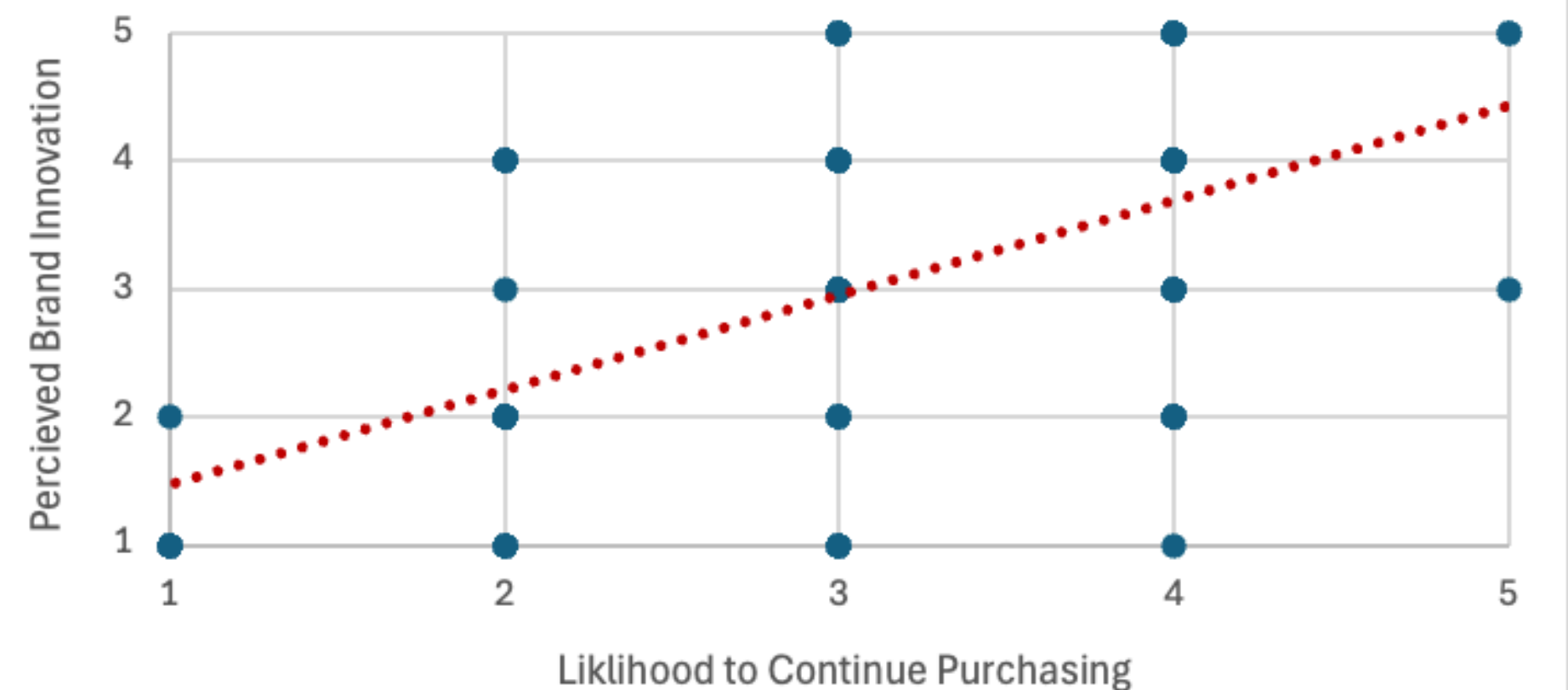
0.519

Add in scale Eg) 1= Strongly Disagree 5=Strongly agree

KEY TAKEAWAY

Innovation perception is a direct driver of customer loyalty.

Correlation Between Percieved Innovation and Liklihood to Purchase the Brand



Lululemon's Reputation Lacks Pricing Power Among Gen Z

RESEARCH QUESTION

Is there a relationship between reputation-driven purchasing and willingness to pay premium prices for Lululemon among Gen Z consumers?

n=95

5-point scale

Correlation

SAMPLE CORRELATION

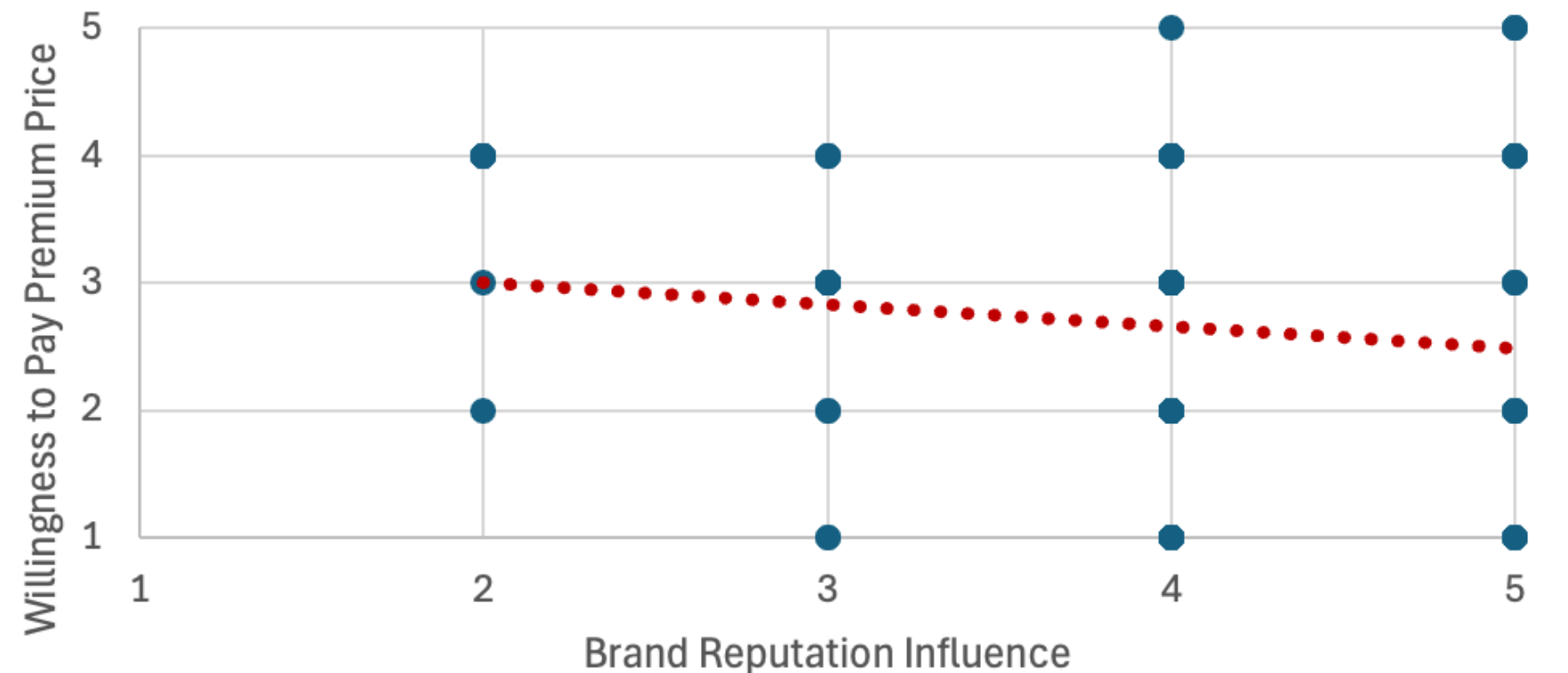
-0.125

Scale 1= Strongly Disagree 5=Strongly agree

KEY TAKEAWAY

Lululemon's reputation does not significantly increase Gen Z consumers' willingness to pay premium prices.

Correlation between Brand Perception and Consumer Purchase Behavior



Price Plays a Larger Role Than Reputation in Purchase Decisions

RESEARCH QUESTION

Do Gen Z consumers value price sensitivity more than brand reputation when making purchase decisions?

n=95

5-point scale

Paired Samples
T-Test

SAMPLE MEAN

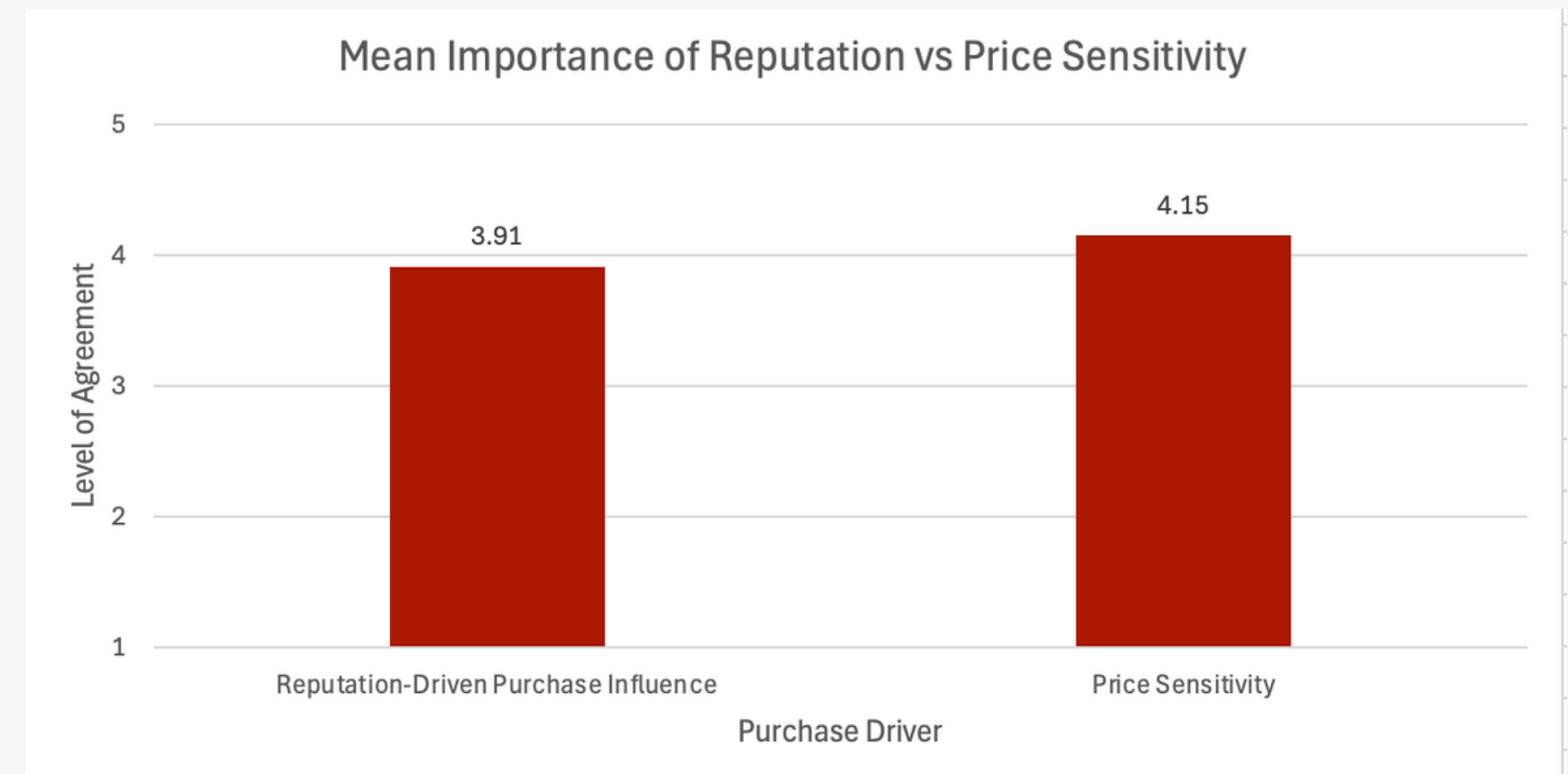
Reputation Influence Mean: 3.91

Price Sensitivity Mean: 4.15

Scale: 1= Strongly Disagree 5=Strongly agree

KEY TAKEAWAY

Gen Z consumers are significantly more influenced by price sensitivity than by Lululemon's reputation in purchase decisions.



In-Store Experience is a Relative Asset for Lululemon

RESEARCH QUESTION

Is perceived experiential value of Lululemon's in store services higher than neutral?

n=95

5-point scale

One Sided T-Test

SAMPLE MEAN

3.50

Scale: 1= Strongly Disagree 5=Strongly agree

KEY TAKEAWAY

Lululemon's in-store experience is perceived positively, exceeding neutral expectations.



Increased Experiential Value is Related to Brand Loyalty

RESEARCH QUESTION

Is there a correlation between perceived experiential value of Lululemon's in-store services and resistance to switching to a lower priced competitor?

n=95

5-point scale

Correlation

SAMPLE CORRELATION

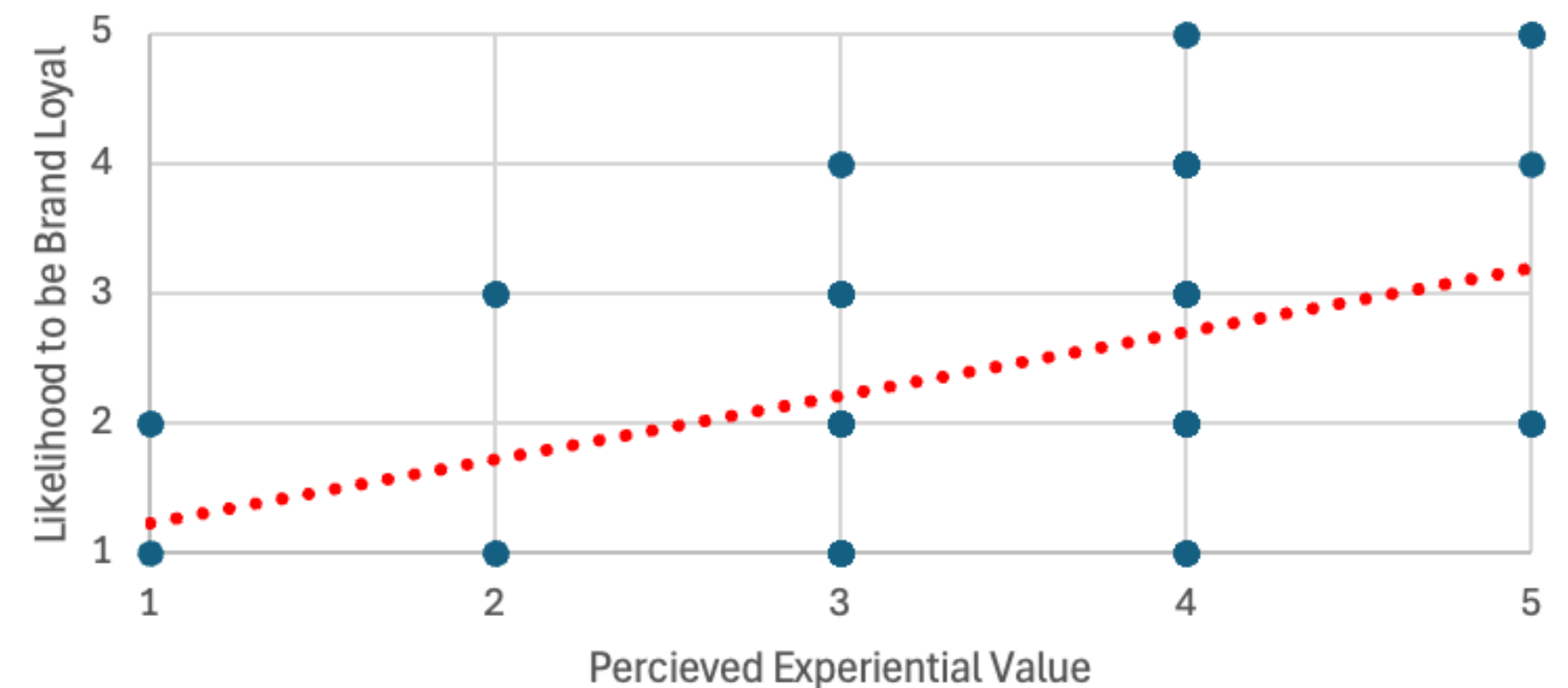
0.368

Scale) 1= Strongly Disagree 5=Strongly agree

KEY TAKEAWAY

Higher perceived experiential value is associated with increased brand loyalty.

Correlation between Percieved Experiential Value and Likelihood to be Loyal to Lululemon



04

Conclusions and Recommendations

Conclusions

01 Consumers feel they're paying for the name not the product

Customers agree that purchases are brand-name driven rather than quality-driven.

02 Brand-name skepticism leads directly to competitor shopping

There is a significant moderate correlation between feeling overcharged for the name and actively considering Alo, Athleta, or Vuori.

03 Lululemon is not seen as innovative

Young consumers rated brand innovativeness at essentially neutral, and, therefore, we cannot say that the brand is perceived as trend-forward.

04 Innovation is the strongest driver of loyalty

The more innovative consumers find the brand, the more likely they are to keep purchasing; Fixing this perception directly moves buying behavior.

05 Cultural relevance and in-store experience are working – but only moderately

Both were found to be positively impact engagement and switching resistance, but correlations were moderate, meaning there is room to strengthen these advantages before competitors close the gap.

Recommendations

01 Launch a product quality campaign

Provide fabric transparency, durability guarantees, and side-by-side or tester material comparisons that give consumers a tangible reason to justify the price

02 Promote loyalty program by targeting at-risk consumers

Brand-name skepticism predicts competitor consideration
Intercept these consumers before they leave by introducing them to early access, rewards, and exclusive member pricing

03 Scale experiential retail as a competitive moat

Community events, ambassador programs, and in-store experiences are what Alo and Vuori cannot replicate at scale

04 Make innovativeness a central part of marketing messaging

Innovation needs to be communicated consistently across social, in-store, and campaign channels targeting Gen Z

05 Create cultural moments that signal innovation

Institute limited-edition drops, unique designer collaborations, collaborations with related influencers/celebrities
Re-enter into new product categories will do more for innovation perception than incremental fabric updates

Thanks!

Questions?
