

Mr Wilson Lululemon Athletica

Posted on September 29, 2018

Keywords

- **Market value**

Market value is obtained when the number of shares outstanding is multiplied by the share price currently prevailing in the market. It is the price of the asset in the market in the current.

- **Market share**

Market share is obtained when a sale of a specific company is divided by the total number of sales generated by a specific industry at a specific time. It is the percentage of sales generated by a particular company relative to the total sales of the industry.

- **Eavesdropping**

Refers to the art of listening. In the given text it refers to the art of listening to customer suggestions and complaints.

- **Price-to-earnings ratio**

The price-to-earnings ratio refers to the earnings received by the investor against each dollar invested. This ratio predicts future growth.

- **Management structure**

The way the hierarchy of employees is organized, and the way designations and roles are defined to

the management structure.

- Customer relationship management

The way customer data is analyzed, managed and interpreted throughout the life cycle of customers to maintain and improve the long-lasting relationship with customers is known as customer relationship management.

- Corporate control

Corporate control is the authority to make important decisions for a company, such as acquisition, strategy determination, resource allocation and so on.

- Proxy fight

A fight to own voting rights to have increased corporate control.

- Buyout

Buyout refers to the share being purchased by the acquiring firm to have a controlling interest in the company being acquired.

Summary of Articles

Mr. Wilson is the founder of the company Lululemon Athletica. At present, he is thinking about gaining some more control over the company. He has several options to deal with. He can either buy additional board seats or he can partner the company with private equity. People and other board members, including the bank, have different views about him. Some say that Mr. Wilson wants to gain more influence over the decisions and strategies made by the company. Some believe that Mr. Wilson has some new plans for change in his mind. Although Mr. Wilson stepped down as a chief executive officer in the year of 2005, he used his twenty-eight percent voting rights to vote against the new directors. Mr. Wilson wants to have much more control over a company deal with modern yoga gear items. The company is going through a difficult time. The company had to recall all its yoga pants

from the market since they were inferior in quality. The company wanted to fix the issue and wanted to respond to the issue. However, during that process, the company was unable to keep itself updated with new trends and changes in preferences among consumers in the market. The consumer wanted more bright colors and designs. The company was so much into fixing the quality issue that they missed the change in the market. As a result, the company suffered regarding low sales and high costs incurred in fixing the quality problem. At the time described in this 2014 case, the company was facing difficult conditions, including reputational damage, declining market share, and a fall in market value. Mr. Wilson was frustrated about how to return the company to success and was in conflict with the board and the chief executive then in office. He wanted the board and management to refocus on the company's original purpose and product quality, while the leadership at that time emphasized globalization and internationalization. This disagreement is a historical corporate-governance case and should not be read as a description of Lululemon's current board or chief executive. Mr. Wilson therefore had to decide how to respond to the situation described in the case (Suzanne Kapner, 2014).

The company is deciding what to do to meet the latest challenges. The company has thought to bring changes in its structure and the strategies that were being followed. The industry has faced growth in the previous year. However, some executives predict that there would be little opportunity for profits to grow in this particular industry. Lululemon is famous for targeting women. However, now they plan to change their strategies. The company has suffered due to the decline in profit and the departure of the founder. The company has decided to bring alterations to its management structure. The company has removed the role of senior vice president in the category of men's wear. The chief executive at the time decided to unify the men's and women's apparel categories to strengthen the brand and focus on globalization. The change in the management structure is a new move that is quite different from competitors in the same field. Many competitors, including Adidas, have different executive roles for the men and women category. However, Lulu has decided to alter its management structure to stay ahead of competitors and to strengthen the brand both in the women's and men's categories. The company is focusing on both men as well as children category. With new changes, the company believes that its profit and sales will rise. The company believes that its market value and share will also rise. The 2016 source reported that the company did not sell its products through wholesalers because it controlled its own distribution (Germano, 2016).

The company has experienced a huge rise in profit and sales as a result of its new strategy. The company has now built a mini-empire from its small yoga apparel business. The competitors in the same field focus on a price-lowering strategy to boost sales, but Lulu doesn't do any such thing. They do not use special software to gather large data and analyze it to generate information to guide decision-making. The company stocks less don't rely on discounts and offers to drive its sales. The company founded by Mr. Wilson experienced huge growth. However, some experts believe that the company is just overvalued, while others argue that the company has a bright future across boundaries and it can do much more if it chooses to globalize. Thus, the company has a unique strategy. It does not depend on various software for analysis. Rather, Mr. Day would spend his time in outlets observing the behavior of how people shop. The company does not believe in opening new

stores to drive up sales. Rather, they observe the behavior of shoppers and think about ways of resolving them. The company has trained its workers to listen and focus on the complaints of customers. The company focuses on every minor detail. For instance, a shopper refused to buy because the sleeves were to fit, too. The company wants to make sure that it is updated to the latest trends, such as bright and sharp color apparel, to attract customers. Many analysts complain that the company is unable to keep its stock up to the level required. So the company introduced some logistic changes. The company now stocks basics at higher levels than limited-time products. The company also follows a very strict return policy. The company makes sure that products are returned for not more than fourteen days, and they must carry original packaging and tags. They must not be washed or worn. The company makes sure that its core items are never out of stock (Mattioli, 2012).

Discussion:

The articles mentioned focused on how companies suffering from the worst times, such as the departure of a founder or the decline in profits and sales, can bounce back from success. Companies need to focus on change management and effective strategy implementation to boost profit and sales, as Lulu did. The company focused on change in management structure, determined new strategies unlike competitors, responded to customer complaints, and focused on new market trends to drive profit and sales.

References

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Memo

To: Laurent Potdevin

From: Nicole Kudialis

Date: March 6, 2018

Subject: the importance of strategy implementation and change management

This is to bring to notice that Lululemon Athletica is doing wonders in the category of men's and women's apparel. The company has recovered from huge crises such as the departure of its founder, declining profit and sales, product recall and declining market share and value. This is all due to a prompt response to changes and having an effective change management strategy.

However, to drive profits and sales in the future and to earn a good reputation in the market, there are many things that the company can focus on. The company must devise a strategy for keeping its customers attracted to the market. To increase market share, the company has to focus on stock levels, respond to the latest changes and respond to customer responses. The company can also focus on globalization to expand its boundaries to other countries. Improving the price-earnings ratio will attract more investors. Thus, the company will have more cash and return to invest in future projects. Management structure plays an integral role in driving the success of the company. Bureaucracy, too many bureaucratic lines, lack of decision-making, and residing control in few hands can make the organization too rigid to change according to the latest needs and changes in the industry. Flexible structure, decentralization, diversity, teamwork and leaner organizations are much more flexible in responding to the latest changes.

I believe my suggestions will help the company to prosper. Thank you for your time and consideration.

Nicole Kudialis.