

Lululemon Provides Better Customer Services through Digital Ecosystem

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Abstract. With the comprehensive and rapid development of digital media today, more legacy companies are using digital marketing to expand their brand's audience and sales to achieve effective publicity. This paper studies Lululemon as an example to analyze how brands form a digital ecosystem by collaborating with different digital platforms and positively influencing the results of digital marketing.

Keywords: Lululemon; Customer Services; Digital Ecosystem.

1. Introduction

Lululemon, one of the well-known activewear apparel companies, has been developing its marketing and business strategy through an online presence and a digital ecosystem in recent years. Digital platforms, as the part combining the digital ecosystem, provide an effective and convenient way to express brand concept and influence since the customers can easily access the brand online. Meanwhile, lululemon drives the data from these platforms to understand the customers better and provide more appropriate projects and advanced products in the future to maximize its revenue and reputation. Therefore, lululemon is using digital platforms and building its digital ecosystem to create better customer services and relationships. It is a part of lululemon's marketing strategy that also needs strong data support. The contributions of this paper include the following two aspects. First, the article discusses the impact of digital transformation for lululemon, while improving marketing efficiency and expanding related businesses. Also, the article provides a research perspective and analyzes the digitalization in the study of lululemon and its digital platforms.

2. Lululemon Digital Ecosystem

2.1 Cooperation with AgilOne

In 2016, lululemon upgraded its connection with data to help with online shopping and selling by cooperating with AgilOne. This customer data platform provides insight into customer behavior, enabling organizations to engage with individual consumers highly personalized way (Giannetto, 2014). The community united by customers is significant to lululemon because it is where the brand's loyal customers come from. Therefore, AgilOne provides the convenience and the function to integrate massive user data through API, which links different platforms and applications, communicating wholly and profoundly. For example, lululemon can determine whether customers prefer indoor cycling or running; shoppers who only take yoga classes once or twice a month from social media platforms, and then tailor can offer marketing campaigns to each consumer in stores and online (Evans, 2017). With the cooperation of AgilOne, lululemon can make effective strategies to attract customers, like holiday discounts during Christmas and monthly offline yoga classes served by lululemon's ambassadors. These events can keep attracting people regardless of whether they have brought lululemon's products. The potential customers will see the benefit and decide to become its client someday.

2.2 Lululemon’s Social Media Platforms

Table 1. Lululemon income statement

Fiscal year is February-January. All values USD Millions.	2022	2021	2020	2019	2018
Sales/Revenue	6,257	4,402	3,979	3,288	2,649
Sales Growth	42.14%	10.62%	21.01%	24.13%	-
Cost of Goods Sold (COGS) incl. D&A	2,657	1,943	1,756	1,472	1,242
COGS excluding D&A	2,433	1,758	1,594	1,350	1,133
Depreciation & Amortization Expense	224	185	162	122	108
Depreciation	215	180	162	122	108

The importance of customers for lululemon is that most of the revenue comes from the person who purchases lululemon’s products. The brand reached \$6.26 billion in total revenue, up 42% from 2020 (Annual Report, 2021). Since lululemon, as a legacy company in the retail industry, sells apparel, it should have a solid relationship with its customer. In order to compete with other activewear apparel brands such as Nike and Adidas, it is necessary for lululemon to make customers purchase its products first when they need them. There are too many selections and low switching costs for the retail industry, and sometimes customers make decisions based on the price. Lululemon operates its social media platforms well to build relationships with its customers. Lululemon has accounts on almost each social media platform, including Facebook, Twitter, and Instagram. Lululemon's social media marketing approach is community-oriented (Smith, 2012).

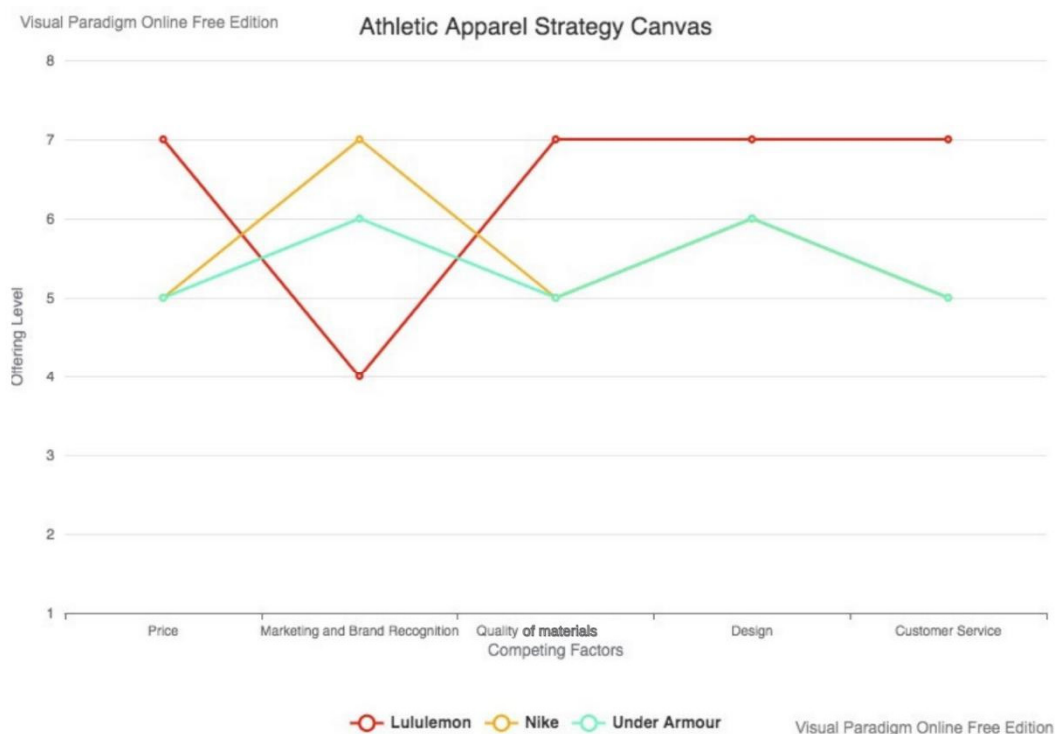


Figure 1. Athletic Apparel Strategy Canvas (Sousa, 2016)

Compared with other athletic activewear brand competitors, lululemon provides relatively better customer service. Lululemon uses social media to promote both online and offline events, while its ambassadors get more exposure on various social platforms. For example, lululemon's ambassador is a yoga teacher who will conduct yoga classes on weekends, and people who see the message get an invitation. Although there is no rule that people who engage in the event must wear Lululemon's

clothing, people will try to attend wearing lululemon products. There will also be customers who will go and buy related products to attend the offline event. Lululemon's offline events provide brand awareness for customers. In addition to promoting the brand and activities, lululemon is more about conveying a healthy attitude towards life. As evidenced by their collaboration with ambassadors of different professions, appearances, and body types, lululemon is catering to the customer's mentality and letting them know that everyone can wear the brand's products. Lululemon has enhanced its image and reputation of the brand. Brands that remain free of bias and are valuable and inclusive in the minds of their customers will be more popular. Modern customers do not care about the brand price, but the value and meaning the brand gives to each individual. This is the reason why lululemon attracts consumers. It uses social media platforms well, analyzing the number of likes and interactions to see if the users love each tweet and, in the process, improve the quality of the content to receive more attention and love from the users. Managing social media platforms is also a process of data analysis for consumers.

2.3 Lululemon's Cooperation with AWS

Furthermore, data from digital platforms will help the brand reduce costs and errors so that the business can be operated accurately. Lululemon is not satisfied with episodic data now but is looking for more opportunities on interactive data. The digital transformation of lululemon also explains the situation. Lululemon is at tier one of digital transformation: operational efficiencies (Subramaniam, 2021). As an apparel company, it is hard to relate its products with artificial intelligence and the Internet of Things to get as much information as the brand needs. The store often provides episodic data, including daily product sales, turnover, and possibly some customers' phone and email information. However, from these data, the brand can only tell whether the sales are good or bad and cannot help the brand to attract more customers and establish an effective marketing model. Therefore, lululemon is looking for the implementation of new technologies to support data strongly. It is crucial to lululemon, and it makes relatively correct cooperation to select the platform of AWS to run its development and future business expansion.

Lululemon chooses AWS' multiple services to run its development, test environments, and upcoming mobile apps. Different services take responsibility for different parts of lululemon's current and future development. Lululemon uses the AWS CloudFormation template to define its complete development environment. AWS CloudFormation provides system administrators, network architects, and others with the ability to configure and manage AWS resource stacks based on the templates they create (Dalbhanjan, 2015).

AWS CodePipeline is a continuous delivery service that updates and provides automated management. It can release new features to customers in a short period (Dalbhanjan, 2015). Lululemon can take advantage of it because CodePipeline can handle small details in the management with fewer errors. CodePipeline provides the testing environment to ensure developers can give correct releases. It reduces the cost and workforce of system maintenance, giving the brand more time to develop new projects. CodePipeline helps show the real-time status. The developer can check the details of any alert and retry the failed operation, the process is refined into each small part, and there is no need to start over when encountering errors (Keen, 2022).

Lululemon also works with the Amazon Cognito service to create unique identities for users, responsible for user security, make more secure protection, and easy user login. The advantage of Amazon Cognito is that it can be simple to operate and offers an extensive user scale, which is important for a growing brand. Lululemon will continue to expand its user base in the future, and with Amazon Cognito, there is no need to worry about a continuously expanding user base. In addition, Amazon Cognito also ensures information security, which is a significant concern for users: Amazon Cognito supports multiple authentication features and static and dynamic data encryption (Amazon Cognito, 2022). It will also help improve the impression of lululemon for its customers since it focuses on the issue of security.

The company also plans to use Amazon Elastic Compute Cloud (Amazon EC2) to run customer mobile applications on the AWS Cloud. An obvious advantage of Amazon EC2 is offering lower resource costs in exchange for reduced reliability. (Yi, 2010). For example, when EC2 terminates a running instance, Amazon does not charge for the last part of the hour. Based on this fact, each user can postpone the termination of a running instance to the hour boundary. (Yi, 2010) It is well worth trying and investing in a brand.

3. Conclusion

The collaboration between lululemon, different social media platforms, AgilOne, and AWS shows that the brand strives for progress and change and prefers collaborating with authoritative data platforms. As more and more new brands enter the sportswear market, the market share competition will intensify. Lululemon has attracted some fans with its unique sportswear fabrics and wearing comfort, but it is not enough. Relying on the help of data to understand customers' needs and increase delivery efficiency and business expansion is more prospective for lululemon. With massive online purchase rates and occasional customer discounts and events, lululemon is doing things that help boost revenue. In the future, Lululemon will use data support to make faster and more efficient development.

lululemon can cooperate with more digital platforms in the future to discover users' preferences and use them to enhance the brand's products to better cater to customers. In addition, lululemon can also plan to use sensors to turn its products into IoT, the Internet of Things to monitor the health index of users. For example, placing sensors for heart rate and blood oxygen on the wrist brace and transmitting the data to the relevant data platform. In this way, users can monitor their own data during daily life and workout. The brand can also go through the digital platform to collect users' health information and provide effective fitness courses, such as yoga, cardio, tai chi, etc. lululemon will no longer be a regular activewear brand, but a health brand, and its audience and demand will be enhanced even more. In the market, lululemon will have stronger competitiveness to fight against the new entrance.

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