



## Can Menswear Save Lululemon?

### Description

It's been a harsh year for Vancouver-based **Lululemon** (TSX: LLL)([NASDAQ: LULU](#)), following a \$40 million recall on sheer yoga pants. some unfortunate executive comments about larger-size customers, and a stock that took enough of a beating to lead the company to delist from the TSX.

So what does the future hold for the yoga clothing giant? In the eyes of new CEO Laurent Potdevin (a former global shoes and snowbird executive) the answer lies in the opposite sex of its primary customer base. Is this a gamble, or a necessary action to recoup recent and future losses?

### It's man's yoga world

In the eyes of the company, a greater expansion into menswear could result in an extra \$1 billion in sales; currently Lululemon sells \$216 million of high-end yoga clothing to men. Part of the expansion involves going beyond its current lineup of yoga products in an attempt to lure in a broader demographic.

I admit I'm a little outside of Lululemon's current demographic, being a barrel-chested, hockey sweater-wearing, non-ironically bearded man who can't justify \$60 for a t-shirt. I am not alone in this, and this is something the company will have to seriously consider if it wants to be as successful with men as it is with women.

A hope of the company is that a massive expansion into menswear could fuel its international expansion plans. There are plans for separate male/female entrances, a greater footprint for men's products in existing stores, and even separate menswear outlets, especially overseas. Lululemon projects that menswear can outpace its overall growth for the next few years.

### The year of investment

This brand reshuffle is the first major step for the company, which is also in the midst of upgrading its infrastructure and supply chain capabilities. Lululemon is also on pace to meet its goal of opening 300 stores in the U.S. in the next couple of years.

Even if all of Lululemon's plans are successful, many believe that the stock won't see 2012 prices again until 2016 at the earliest.

### **Foolish bottom line**

A year of investment can be good for the company but not so much for investors. Earnings are expected to remain flat this year and that may continue into next year also. Last year Lululemon brought in revenues of \$1.6 billion. Add this to the goal of \$1 billion in menswear and a little patience could reap a large reward. This is aside from a Western European expansion that could be a "multi-billion dollar sales opportunity" according to the company. The recently opened London store has beat sales expectations by 60%.

Some analysts see this shift to menswear and the general philosophy of the company recently as a lack of focus, and that Lululemon should be more concerned with repairing its women's division before expanding.

Whether or not Lululemon can succeed with its plans remains to be seen, as competition in its core demographic from companies such as **Gap's** ([NYSE: GPS](#)) **Athletica** and **Nordstrom's** (NYSE: JWS) Zella continues to mount. Only time will tell whether this is a success or a flop. As investors we must always remember that some corporate expansion plans (in the famous words of Lululemon founder Chip Wilson), "just actually don't work."

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1. Investing

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### **Date**

2025/08/26

### **Date Created**

2014/04/25

### **Author**

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