



## Has Lululemon Gone Sour?

### Description

It only took one press release on Jan 13, 2014 saying that fourth quarter results would be lower than expected for **Lululemon's** ([NASDAQ:LULU](#)) share price to drop 15%. Projected revenue for Q4 is expected to now check-in between \$513M-\$518M. With negative sentiment swirling, unfortunate and lingering comments by founder Chip Wilson, and these lowered sales expectations, Lululemon has its work cut out for 2014.

At the 16th Annual ICR XChange Conference on Jan 14, 2014 Lululemon executives reflected on the past year, and gave some insight into what's been working, what hasn't and what we'll see more of in 2014. Here are some tidbits from the talk:

#### **In-store sales bad, online sales good**

The see-through/luon debacle from last year has led to a much more thorough testing process that involves individuals at the factory level becoming involved in quality control. Even though quality related issues are seemingly contained, Lulu's sales continue to be under pressure. CFO John Currie stated that in-store, comparable sales would be in the negative "low to mid single digit" range.

However, the growth in the e-commerce division was strong enough to make the overall sales growth positive. Segments that showed growth included men's and teens apparel. Both the e-commerce and men's department had been areas of focus in the second quarter, and I'd looked at the out-of-the-gate success of their online community [here](#).

#### **New initiatives**

In an attempt to win back the in-store shoppers, Lululemon tested several new initiatives. For instance, during the busy holiday season, 56 stores tested out an in-store mobile point-of-sale (POS) ecommerce system.

Remember the days of finding a shirt that you loved that wasn't in your size? One of the assistants in the store would call other locations to see if they had it. If you were feeling really ambitious, you'd drive halfway across town to pick it up. With this in-store POS mobile capability, employees can place the

order for you then and there and have it shipped directly to your house in a few days. This functionality will make sure that the sale is not lost when the customer walks out the door.

## Personnel

And this post wouldn't be complete without mention of the departure of Christine Day. As CEO she had good success, and Lululemon enjoyed a strong brand fuelled tailwind. However, the new CEO, Laurent Potdevin, is clearly stepping into a company that's taken on some water, so to speak. Mr. Potdevin was previously the president of TOMS shoes, and before that president and CEO of Burton Snowboards. Further changes on the personal front include a new product Senior VP Product Operations, Senior VP Distribution and Logistics, and Chief Product Officer.

In addition, Chip Wilson, the founder is stepping out of the role of chair of the board. While he will maintain a seat as a director, he will be replaced by Michael Casey who had been on the board since 2007. Michael Casey's background was as Senior VP and CFO of Starbucks Corp. While this has been announced and is in progress, it should take place by June 2014.

## Bottom Line

Given the turmoil that was 2013, we're going to find out in 2014 just how iconic Lululemon's brand has become. Powerful brands can bounce back from temporary hiccups and come out relatively unscathed in the long run. Time will tell!

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NASDAQ:LULU (Lululemon Athletica Inc.)

## Category

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