

The Brand Extension Strategy for Subculture Brands to Achieve Mainstream Popularity: The Case of Lululemon

Yubing Chen *

The Sino-British College, University of Shanghai for Science and Technology, Shanghai, China

* Corresponding Author Email: SBC-22-7133@sbcsust.edu.cn

Abstract. With the emergence of new industries, there exists a notable gap between starting subculture brands and trying to appeal to the mass market. Although appears to be an opportunity, the questions on how subcultural brands broaden their marketing persist. Thus, this paper aims to show how subcultural brands make use of relevant marketing theories and analyze the case studies of stripped brands which successfully moved from niche to mass market. It is found that creating authentic brand stories and building highly interactive brand communities are the keys to brand success. Grasping the zeitgeist and social cleavage points to develop new products and sales models can help brands rapidly expand their market size. While expanding the brand, brands must pay attention to the consistency of brand values and subculture. In the initial stage, the brand should lay the cornerstone significance of the product, organize diversified activities closely related to the subculture on the basis of reliable products, and establish a close connection with the subculture consumers.

Keywords: Subculture brand; brand extension; Lululemon.

1. Introduction

The growing trend of people's consumption habits changing to a healthy lifestyle has played an important role in stimulating the demand for yoga wear products. The high demand for products in the yoga wear market has led brands and manufacturers to incorporate conscious and guided luxury into their products and the consumer buying experience [1]. Fortune Business Insights notes that the global market size was \$29.69 billion in 2024 and is expected to reach \$55.65 billion by 2032 [2]. However, the market growth of yoga clothing brands has always been limited to a single group, and the further development strategy of subculture brands like yoga clothing is how to bring the brand to the mass market.

This study will take Lululemon, a clothing sports brand from Canada, as an example to analyze how subculture brands break through the boundaries of consumer circles and niche markets and how to maintain the balance between brand tonality and commercial development in the process of mainstreaming. Through the research, Lululemon's expansion strategy can provide a reference for other subculture brands.

2. Subculture Brand

2.1. Definition and Characteristics of Subculture Brand

Subcultures exist within the overall culture, but have a distinct pool of members who are connected by common interests, values, and lifestyles [3]. Companies often build brand communities that cater to the emotional needs and lifestyles of subcultures. Harley-Davidson is a motorcycle brand that builds a community around its owners' lifestyle of rebellion, individuality and freedom. Through the organization of riding activities, the owners wear uniform Harley motorcycle clothing to express their emotional needs. At the same time, it also achieves the effect of promoting the brand. Emerging subcultures usually have low competitive pressure and can easily accomplish market penetration and dominance, helping brands drive trends. Finding a niche to develop in a near-saturated market gives the brand a relative potential for innovation and differentiation.

In 1998 in Vancouver, Chip Wilson seized on the new social movement of yoga, targeting middle-class women [4]. Since its establishment, Lululemon has been adhering to the brand concept of "The sweatlife" and "Be all in", designing products with the coexistence of touch, function and aesthetics [4]. Believing in the power of self, community and the world, the brand has maintained a high rate of interaction with community members and is committed to the space experience. The brand values and brand culture are implemented in all of the company's business activities. The downward trend of the economy and the uncertainty of the macroeconomic environment have made it difficult for brands to break out of their niches, even leading to sluggish sales in stores. In 2019, Lululemon proposed the "Power of Three", which is divided into product innovation, all-round guest experience and market expansion [2, 4]. Despite the economic downward pressure, Lululemon reported a 42% increase in net revenue in its 2021 financial report, putting it ahead of schedule on its "Power of Three" growth plan [2].

2.2. Brand Extension Theory

Alexpander & Colgate's theory proposes to use the subculture brand name familiar to consumers to enter a new product category, which is also called a brand extension strategy [5]. This also includes brand values, product scope, and geography and brand synergy of the company. To establish a vigorous and dynamic brand identity, Lululemon leveraged women's yoga pants as a cornerstone which built the foundation of their branding carbohydrates campaign. As for the product line expansion strategy, Lululemon has developed its product line from a single yoga pants product line to multi-scene sports clothing and sports derivative products such as shoes, cups, and bags, such as running and daily matching, and has developed its product line from category expansion and product innovation and upgrading. The brand prioritizes product excellence as the cornerstone of its growth strategy. By relentlessly innovating high-performance fabrics and ergonomic designs, it ensures superior comfort and functionality, creating a robust foundation for sustainable expansion. This dedication to cutting-edge materials and styles not only reinforces its market credibility but also drives its successful extension into new markets. Lululemon strategically addresses the evolving needs of diverse consumer segments, broadening its appeal and strengthening market penetration. By prioritizing geographic expansion and demographic diversification, the brand extends its reach to untapped audiences and regions. This dual focus on inclusivity and scalability ensures a dynamic growth trajectory while reinforcing its position as a leader in performance-driven activewear. It is planned to gradually occupy the market share in Asia, especially the Chinese market, which will develop into the second largest market in the world. The brand expansion strengthens Lululemon's position as a premium sportswear brand and lays the foundation for expanding into a wider range of markets and segments.

2.3. Brand Community Theory

A brand community is described as a geographically unbound community based on brand admirers and their followers of the same lifestyle [6]. For brands, the most important thing is how to create value through the brand community. Lululemon established a community foundation at the beginning of its establishment. Yoga design studio and yoga gym operate in the same space, accurately positioning the target audience Super girls. Through community activities, let these unmarried, childless, highly educated, high income, women who are passionate about sports and life strengthen their psychological identity of labeling, to become Lululemon loyal repeat customers [7]. Lululemon's offline Direct to Consumer model is its biggest core competitiveness. The ever-changing community vector and human connections are key for Lululemon to solidify its user engagement. Wilson, the founder of the brand, transformed the store into a yoga training center, and invited yoga instructors to teach classes in the store as a stunt, calling yoga instructors or Key Opinion Leader product educators [2]. It attracts a large number of yoga enthusiasts and converts them into precise customers. The shop is a veritable brand community. The instructors who are passionate about sports and life also play the role of brand ambassadors. The choice of common ambassadors is completely different

from other brands inviting popular netizens, which makes the brand more approachable and creates a good community scope while bringing them closer to the superwomen. In line with the development of the times, Lululemon has also made many other efforts in community building. The brand bridge the divide between online and offline to connect digitally. For example, activities such as running and yoga are regularly posted on the "Hot Sweat Life" mini program to encourage community members to participate [2,4]. The brand will also organize store sales to participate in the hot sweat marathon. In these ways, Lululemon creates an emotional connection with high-end users, attracting a brand following and word-of-mouth publicity. The brand community's activities include posting quality content on social media platforms about healthy living cultures and attracting the attention of subcultural groups, thus creating a truly high level of interaction and brand co-creation. Lululemon offers discounts to fitness instructors and teachers to enhance a sense of belonging within the subculture

3. Transition from Niche to Mainstream Market

3.1. Place

Place refers to the process from producer to consumer, including sales channels and logistics management. The increase and diversification of purchase channels can meet the needs of different consumers and enhance their purchase desire. Lululemon has gone from pure offline sales to online shopping malls, e-commerce platform flagship stores and even omni-channel sales. The brand will continue to continue offline sales model, with over 650 stores worldwide by 2023, and will also partner with the likes of Equinox gyms and Selfridges for pop-up stores to increase exposure [8]. Physical stores are usually located in high-end shopping centers and core fashion districts and focus on interactive experience design. For online services, the brand can reach a wider audience by entering Taobao, Amazon and other international shopping platforms. According to the 2023 financial report in China, online sales increased by 20% in four years, thanks to the internationalization and localization of the brand strategy [5, 7].

3.2. Promotion

Lululemon relies heavily on social media platforms for promotion. From product educators and brand ambassadors to consumers, new products are posted on Instagram and Xiaohongshu (Rednotes) to try on new products to ensure that people are attracted to buy products and can connect and interact with online audiences. Every link of social activities from post compilation, liking and sharing is a touch point of brand publicity and marketing, which improves marketing conversion rate. Through #lululemonootd, #lululemonnewproduct and other similar topics, users are encouraged to generate content and share their daily lives, reaching storytelling marketing and increasing brand authenticity. Lululemon also expands its brand influence through traditional advertisements, such as posters and ground promotion.

4. Lululemon Brand Expansion Effect

4.1. Market Performance

According to Grand View Research, the yoga apparel market will grow at a CAGR of 6.2% starting in 2020, reaching \$47.8 billion in 2025 [1]. After lululemon came into the public eye, global net revenue grew 19% year-on-year to \$9.6 billion in 2023, but still showed a slowing trend, especially in the North American market [2]. The first increment is the growing market in China. 2023 Lululemon Annual Financial Report mentions a whopping 148 stores in China [4]. As shown in Figure 1, the growth rate in China reached 67.2%, and the proportion of Chinese revenue increased by 3% [4]. The second increment is the Direct-to-consumer channel. In the 2008, Chip Wilson started to develop the Direct to consumer channel. Direct to end-customers through official channels (website

or apps) has become an important source of performance. In the 2020 environment, direct to consumer sales far exceeded store sales by 52%. After three years of economic recovery in stores, online e-commerce sales still reached 44.82% [4].

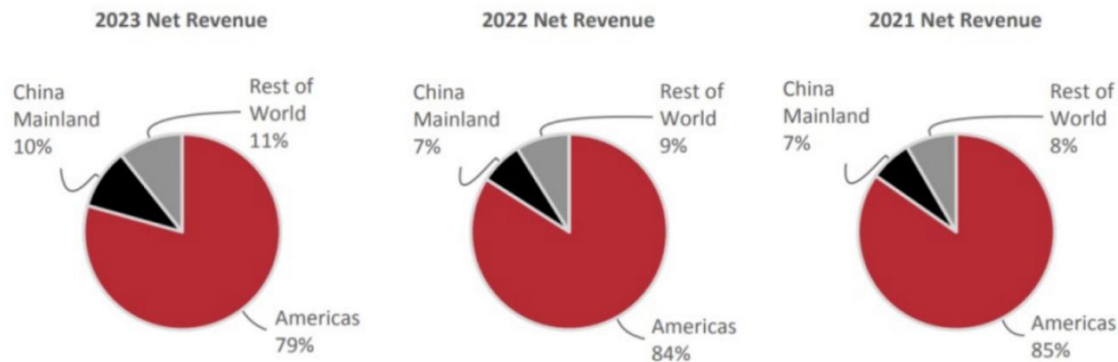


Fig 1. Lululemon2021-2023 net revenue ratio [4].

4.2. Brand Image

The brand has 80 to 85 percent awareness in Canada, only average awareness in the U.S. market, and only 12 percent in China [9]. Lululemon has raised national awareness by developing products for men, while partly ignoring women and reshaping its brand image: from yoga clothing to an all-sports brand. With the epic success of the brand community, Lululemon has become more than just a brand, but synonymous with a healthy lifestyle.

4.3. Consumer Loyalty

High growth in international markets reflects Lululemon's user stickiness. As known for Figure 2 and Statista's website, 75% of U.S. consumers say they are likely to buy Lululemon again [10, 11]. 41% of Generation Z expect loyalty programs to give them frequent benefits. Faced with the threat of cheaper alternatives, Lululemon organized a “Dupe Swap” campaign, in which knockoffs were exchanged for free for authentic merchandise. The campaign redeems the brand's image and encourages consumers to build loyalty to the brand.

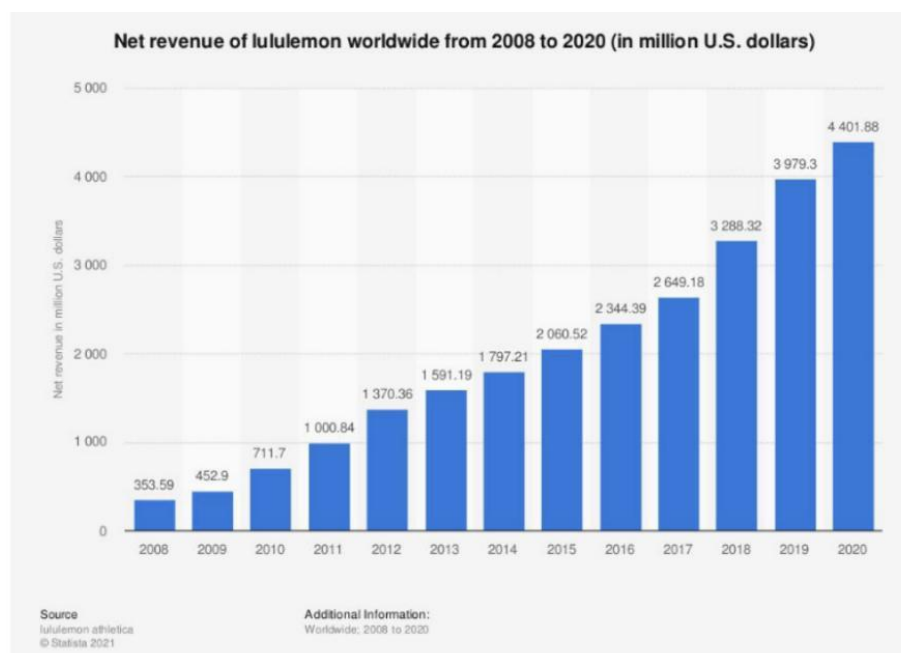


Fig 2. Net revenue of Lululemon worldwide from 2008 to 2020 [10].

5. Discussion and Suggestion

5.1. Challenges

Under the premise of macro-environmental economic downturn, although lululemon's annual net revenue continues to rise, it still faces many challenges on the way to enter the mass market. The core North American market is heavily saturated, with growth declining 20% to 9% in 2023 compared to the same period in 2022 [10]. Against the backdrop of inflation, consumer demand for higher-priced goods has declined significantly, particularly among the Gen Z demographic, which is highly brand loyal. It also questions Lululemon's high-priced strategy and reduces brand loyalty. Traditional sports brands such as Adidas and Nike as well as emerging brands led by Alo grabbed lululemon's market share through cost-effective strategies and target audience vulnerability.

5.2. Coping Strategies in Mainstreaming Subculture Brands

For subculture brands, the most important way to get out of the loop is hardcore product first value and a brand community built on a brand philosophy that fits with the subculture [12]. Before the brand can get out of the loop, you need to get in the loop. Brands should first define their own cultural core. Brands in the mainstream market usually have a story tone and core [13]. In order to attract and convert consumers, brands should create a brand story background or brand founder for themselves. Making the brand or founder a religious presence, for example, luxury brands such as Prada, Dior, Chanel, etc. have their own mythological characters that not only make the brand more concrete, but also allow consumers to express their self-awareness through them.

Secondly, the brand needs to integrate the social activities of the target group, such as offline gatherings and online exchanges, with social emotions and collective consciousness [13], and Key Opinion Consumer can strengthen the connection between the brand and niche circles, and bind the brand with subcultures in depth.

Branded community events can also make an effort in expanding the market. Brands can expand the scenarios in which their products are used, for example lululemon expanded from the yoga scenario to the everyday scenario. Moreover through more dimensions and ways to output extended knowledge, such as product trial and promotion in cooperation with KOL.

In addition to constantly upgrading products or services and strengthening the brand's own capabilities, brands can seize social hotspots and rupture points to meet new cultural needs. Adidas has paid attention to the trend of ballet and traditional Chinese culture of generation z, and launched "sport + lace", "sport + new Chinese style" designs. Lululemon could adopt a similar strategy by introducing a limited line of clothing that caters to market trends, as a way to meet market demand and expand the types of consumers.

To penetrate the mainstream market, brands can develop peripheral products with high added value and emotional value. While maintaining the original heart of the subculture, consumers can experience the brand at a lower barrier to entry and price. Brands can cross-border with famous ip to launch co-branded products, enhance the brand's cultural value, to achieve the purpose of penetrating the mainstream market.

6. Conclusion

On the path of brand expansion, closely integrating subculture with products and marketing is of vital importance. From the successful experience of Lululemon in this study, it can be seen that first, the brand immerses itself in subculture exploration to understand the unique needs and motivations of subculture members and builds a brand community that meets consumer expectations. Secondly, the construction and dissemination of brand stories serve as the cornerstone for establishing an emotional connection between the brand and subculture groups. Moreover, authenticity is highly valued in subcultures. Brands must respect the integrity of subcultures and maintain genuine connections with community members, allowing consumers to appropriately participate in product

design and decision-making. This strategy not only enhances the brand's market influence but also earns more consumer recognition for the brand in the highly competitive market. Based on the analysis of lululemon, this paper puts forward some suggestions on the optimization of its brand marketing strategy.

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