



The Journal



Lululemon's New Store Hints at the Future of Retail



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Seattle WA, October 1, 2019; Shoppers need a reason to physically visit stores and give up the convenience of shopping from their couch. To address this new dynamic, lululemon athletica (NASDAQ:LULU) is experimenting with a new large-format, multipurpose store it thinks can drive customer traffic and reinforce its lifestyle brand image.

Seattle and Chicago's new location are the largest ever, they feature several amenities not found in a typical athletic apparel store. These average 20,000-square-foot and feature a yoga studio, gym, meditation area, healthy food restaurant, and, of course, a Lululemon store. The massive new complex is designed to attract a diverse range of guests and potential customers. The first floor is a dedicated Lululemon store featuring the company's standard apparel as well as unique merchandise that can be found only at that location. The second floor contains a restaurant called Fuel whose menu lists healthy food options, café drinks, and alcoholic beverages. Fuel guests can enjoy a meatless Beyond Meat burger and wash it down with a beer or craft cocktail. Finally, the location features a full-service gym and yoga studio where customers can become members or sign up for individual classes priced at \$25 per session.

The Chicago megastore expands the use case of Lululemon stores and extends its brand into fitness and hospitality. Customers have new, distinct reasons to visit a store, maybe just to meet a friend for a bite to eat or





Oscartek Gem Models

An "experiential brand"

Opening the large-format Chicago store is part of Lululemon's push to become "a truly experiential brand." Lululemon has always sought to be a lifestyle brand that embodies the values and attitudes of its active-lifestyle customers, but now the company wants to do more than just sell the clothing and accessories for that lifestyle -- it wants to be a gathering place.

If Lululemon is at the center of a community of athletic people, its brand will have more enduring meaning and will inspire a following of lifetime loyal customers. The company refers to its community as "SweatLife" and has been organizing local events to attract people who want to participate in the SweatLife. Last year, Lululemon created and hosted over 4,000 local events, including public yoga sessions, half marathons, and social gatherings.

Lululemon is also testing out a membership program in which customers pay around \$128 per year and receive exclusive access to merchandise, a free pair of yoga pants, free shipping for online orders, and free yoga classes. This is not a run-of-the-mill brand loyalty program; it is more like Amazon Prime combined with a yoga studio membership. The goal is to grow Lululemon's SweatLife community and reinforce its branding.

Putting into context the company's goal of building a more experiential brand with a membership program, building larger stores with wide-ranging capabilities makes a lot of sense. If Lululemon sees its membership program and local events helping to drive greater overall revenue, having a physical gathering place will give the company a stronger branding platform.

Building an Amazon-proof retail strategy

The advent of e-commerce led by Amazon has taken away market share from traditional brick-and-mortar retailers. Many retailers, particularly department stores, have had to close stores to adjust to the new reality. Other retailers have employed alternative strategies to drive store traffic. For example, dollar stores and discounters have found continued success by offering a "you never know what's on sale" treasure hunt experience.

a drink.

This is a hat tip to the successful retail strategy RH (NYSE:RH) has pioneered. RH turned many of its furniture stores into luxurious hotel-like galleries featuring classy bars and dining venues. As a result, RH has seen an uptick in store visitors and retail same-store sales growth.

Lululemon has described the Chicago store as a test that it is not yet ready to roll out nationally. If the concept is successful, don't be surprised to see a large Lululemon store like this open in a neighborhood near you.

Lululemon is not a discounter and therefore has had to think up other ways to stay relevant and drive consumer interest. The company's newfound experience-driven brand strategy is its response to the challenges in today's retail climate. Simply put, a physical, in-person brand experience cannot be cannibalized by e-commerce. Although many of Lulu's initiatives are still in a test phase, they hold promise and support the notion that Lululemon is a dynamic and innovative company that will continue to thrive.

10 stocks we like better than Lululemon Athletica

When investing geniuses David and Tom Gardner have a stock tip, it can pay to listen. After all, the newsletter they have run for over a decade, Motley Fool Stock Advisor, has quadrupled the market.*

David and Tom just revealed what they believe are the ten best stocks for investors to buy right now... and Lululemon Athletica wasn't one of them! That's right -- they think these 10 stocks are even better buys.

John Mackey, CEO of Whole Foods Market, an Amazon subsidiary, is a member of The Motley Fool's board of directors. Luis Sanchez has no position in any of the stocks mentioned. The Motley Fool owns shares of and recommends Amazon and Lululemon Athletica. The Motley Fool recommends RH. The Motley Fool has a disclosure policy.

Lululemon, the athletic apparel company known for its yoga gear, is entering the world of food and beverage. The company's first restaurant, Fuel, opens today on the second floor of a massive new flagship store in Chicago's Lincoln Park neighborhood. Customers will find healthy (acai bowls, smoothies, salads, protein boxes), beefy (an 8-ounce burger), and boozy (draft beers from Chicago's Marz Community Brewing) options on the menu.

Fuel is Lululemon's first restaurant.

Lululemon, founded in 1998, spent two years tweaking the counter-service restaurant and the surrounding 20,000-square-foot space to ensure it matched the brand's values. Folks unfamiliar with the apparel have at least seen those popular red and white bags on trains and buses. They're the ones with supposedly inspirational messages like "friends are more important than money."

"We know that food fuels you, but good food fuels you emotionally, too," said Maureen Erickson, Lululemon's VP of experiential retail.

She pivoted when asked if the restaurant was a response to the challenges of operating a store in an era of Internet sales:

"Building community through connection has always been at the heart of Lululemon — both online and offline, and Lincoln Park is the physical manifestation of the heart and soul of Lululemon," Erickson said.

So why does Vancouver-based Lululemon want to dip its leggings into the restaurant pool? Chicago is a strong market and was one of the handful of cities the chain first expanded into. A restaurant also helps grow the brand and fulfill its full potential, Erickson said.

“What we know is our guests want everything under one roof,” she added.

The restaurants feature an island in the center with bar seating. There are two coolers full of grab-and-go drinks and food for customers in a rush. There’s an espresso machine with beans from West Town’s Dark Matter Coffee. The dining tables sit in front of two fitness studios. Sweaty customers can grab food immediately after classes. They’ll sit on seats and couches in a space called the “connection room.”

Erickson talked about using the most seasonal and beautiful produce. Nice looking fruits produce pretty plates, which also produce pretty photos. The sunlight on the second floor is bright; very good for Instagram photos.

Executive chef Paul Larson knows the Midwest presents a challenge. This concept would be right at home in California’s sunshine, but Chicago is home to polar vortices and the like. Also, of note: fad diets come and go. One day a customer is into keto, the next month it’s paleo or whole 30. Larson said they’ve built in the flexibility to change the menu to accommodate trends.

“Trends change and we want to make sure we always stay on trend with what they need,” Erickson adds. “It’s also for people like me who like to workout out so I can eat a good cheeseburger,” she said.

Also, it doesn’t appear the restaurant serves pop. Lululemon founder Chip Wilson had a major aversion toward soda. The company has distanced itself from his views since he resigned in 2015 as CEO.

Lululemon employed crews to build-out a full kitchen inside the space once occupied by Restoration Hardware. Coincidentally, Restoration moved Chicago operations into a tony new location in Gold Coast where Hogsalt Hospitality (Au Cheval) operates a restaurant. Hogsalt’s Brendan Sodikoff took that template to New York where he opened a restaurant in October.

Chicago and Seattle are one great experiment, and they’ll study the store’s performances.

Phononic reinvents the way cold supply chains work

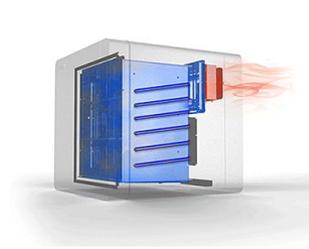
Vishnu Rajamanickam, Staff Writer Oct 1, 2019 1

Fundamental to cold supply chains to function are the refrigerated containers that move freight from the processing floor to the consumer’s table. However, the technology has remained a bit antiquated within the space; compressors and fans have been the norm to regulate the temperature within containers.

But innovation within the semiconductor niche has led to huge gains for the logistics industry, as solid-state cooling technology has made it easier to control and anticipate volatility in temperature and humidity conditions within containers. Phononic, a solid-state

semiconductor company, is taking a disruptive approach to the existing technology to deliver precision temperature control while maintaining high energy efficiency.

“At Phononic, we design and manufacture semiconductor chips that cool or heat with electricity. We started working on material science and perfecting these semiconductor chips, after which we moved into designing components that can help cool small devices much more effectively than they have been done before,” said Nicole Scott, director of product management at Design with Phononic.



Post-development, Phononic devised a way to package the semiconductor chips ruggedly and reliably, helping build freezers and refrigerators that were tailor-made for the healthcare space, which continues to have the most demanding temperature control requirements.



Compressor-Free Refrigeration

A new cold has arrived.

Designed to meet the stringent guidelines for controlled storage of pharmaceutical drugs, vaccines, and medical devices.

“We’ve now moved to the food and beverage space, creating commercial refrigerators and freezers for the industry, providing reliability and unique value in terms of improved capacity,” said Scott. “We are trying to move into a new era in which we create thermal modules, supply the semiconductor chips that complete thermal assemblies and help companies use Design with Phononic to create new products and to improve existing ones.”

phononic.com/evolve

evolve

What separates Phononic’s technology from traditional compressor-based technology is its ability to use thermoelectric chips that are more energy stable and energy-efficient. “We don’t have power that goes up and down as the compressor turns on, because the chips are more stable. The chips also take up much less space in the refrigerator or freezer, and thus you get more storage space inside the compartment,” said Scott.

The thermal modules are easy to handle even when there are issues with their working. The modules resemble flat bricks, which can be taken out and replaced easily.

Through the Design with Phononic program, the company is graduating from being a creator to an enabler, partnering with companies like Unilever to solve cold supply chain issues. Even within the last leg of the food supply chain, retailers struggle with placement of freezers and refrigerators. For instance, ice cream will always have to be placed in areas of the store with lower foot traffic, because of the large freezers. With Phononic, this will no longer be a hindrance, with the possibility of putting compact freezers on countertops or at the point-of-sale.

“You can use totes to load a grocery order in, so that it is kept at the perfect temperature right until the customer picks it up. You can take it a step further and remove these totes from the warehouse space, put them into any delivery vehicle, and get them to the customer’s house – all while the product maintains the perfect temperature, without the need for ice packs or melting ice,” said Scott.

The company targets the refrigeration on-demand market, wherein cooling solutions will no longer use energy to cool entire storage rooms, but by judiciously using energy to control temperatures of specific products in a storage space.

“Phononic has an incredible market opportunity to address multiple billion-dollar markets with a total addressable market of more than \$30 billion globally,” said Scott. “Through ‘Design with Phononic,’ the company now has engagements across multiple sectors and industries, enabling industrial designers and engineers to rethink what has been designed and what’s now possible to keep things cool and hot.



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