



Metaverse Strategy for Lululemon

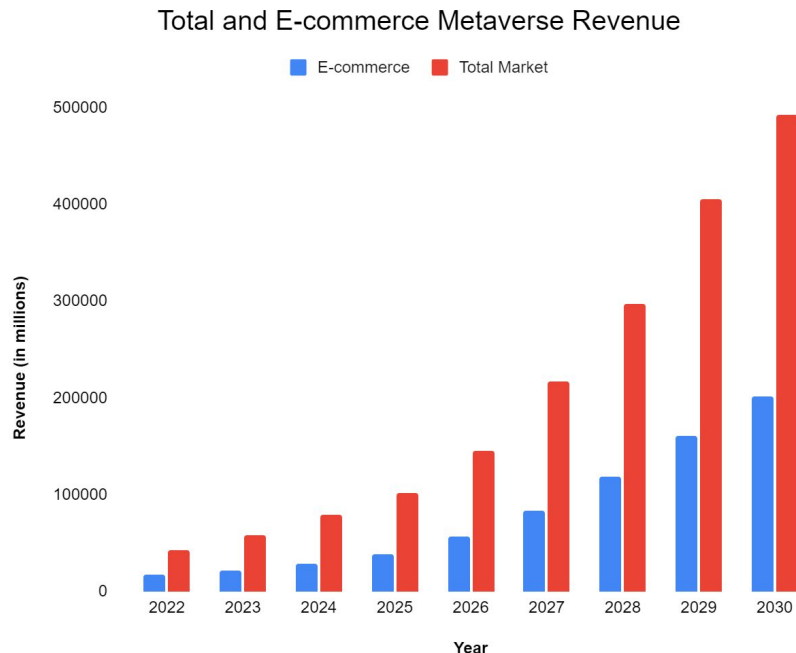
Discussion Document, May 2023

The Metaverse industry is emerging immersive dimension of the internet, and comprises a diverse value chain

Layer	Components	Players
Experience	Games, Social E-sports, Theatre, Shopping	FORTNITE RIOT GAMES ZEPETO twitch Gather
Discovery	Ad Networks, Social Curation, Ratings, Stores, Agents	STEAM STADIA itch.io Meta Google Play
Creator economy	Design Tools, Asset markets, Workflow, Commerce	RECROOM shopify SANDBOX ROBLOX unity
Spatial computing	3D Engines, VR/AR/XR, Multitasking, UI, Geospatial Mapping	UNREAL ENGINE AUTODESK presenZ Matterport CESIUM
Decentralization	Edge Computing, AI Agents, Microservices, Blockchain	OpenSea ENJIN Immutable ethereum SuperRare
Human interface	Mobile, Smartglasses, Wearables, Haptic, Gestures, Voice, Neural	oculus Microsoft HoloLens Magic Leap HUAWEI amazon alexa
Infrastructure	5G, WiFi 6, 6G, Cloud, MEMS GPU Material	aws Google Cloud NVIDIA AMD Azure

The Metaverse is a rapidly growing industry globally with a CAGR of 36.71% and market size of \$201B for e-commerce by 2030

Growth over time



Collaborations between brands and metaverse companies

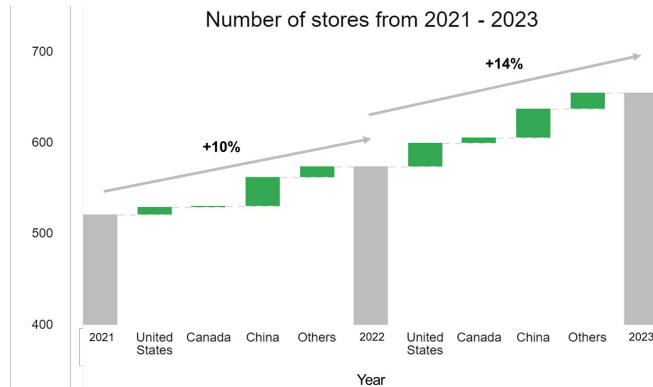
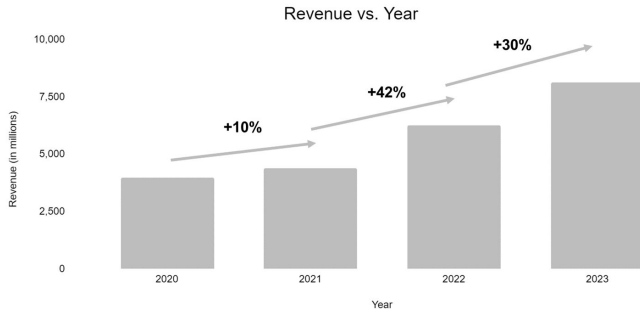
Brand	Metaverse Co.	Collaboration
		NFT collection
		Permanent online space
		Permanent online space
		Fashion launch event
		Limited collection drop
		Permanent online space
	 (Bored Ape Yacht Club)	NFT collection

The Metaverse E-commerce (ME-commerce) landscape

Platform	MAU	Ages	Revenue	Pro	Con
Roblox	200M	9 - 25	\$2.3B	• Most popular metaverse • Robust creator economy	• Better for event launches • Blocky graphics
Fortnite	70M	18 - 34	\$6B	• Great for celebrity collabs • Robust creator economy	• Killing game
Zepeto	20M	25 - 34	\$162M	• Strong focus on fashion • Mobile-first experience	• Hard to find developers
Rec Room	8M	13 - 16	\$117M	• Great social experience • Plenty of games	• No presence in Asia • Can't buy goods in Asia
Horizon Worlds	500k	13 - 34	NA	• Immersive 3D VR world	• Meta has cut support
Sandbox	200k	13 - 34	\$6.3M	• Very profitable land NFTs	• Only when you buy early • Non-existent activity
Decentraland	30k	25 - 34	\$1.3M		

Lululemon is a global leader in the high-end active wear category and predominantly operates in USA and is expanding in China

Lululemon Growth



Lululemon Facts

Revenue & Profit

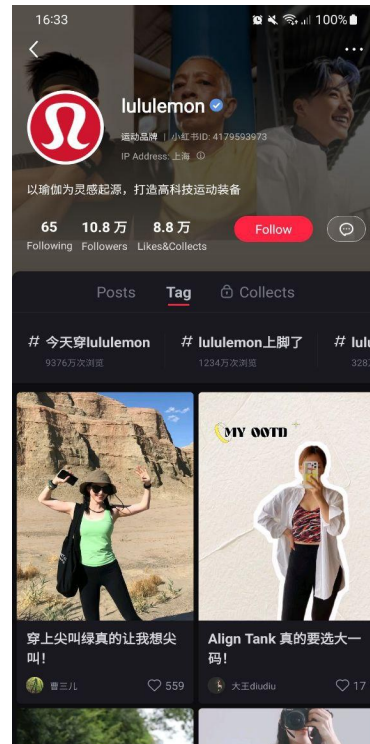
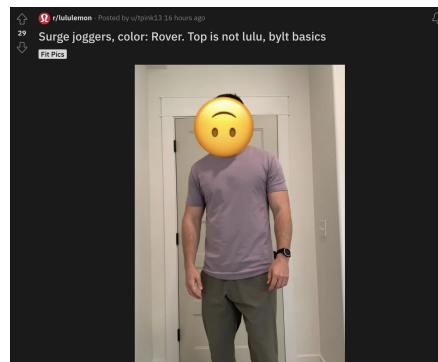
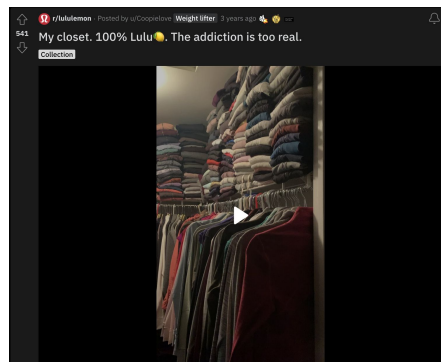
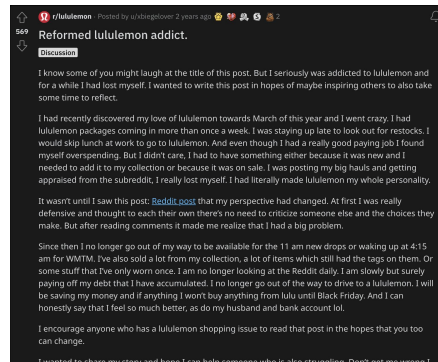
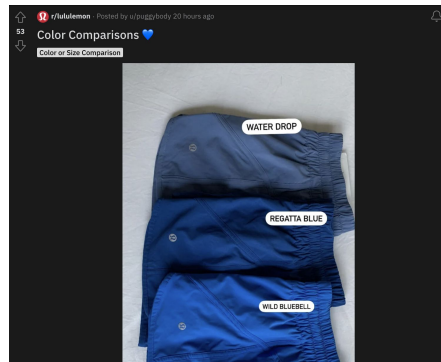
- 84% net revenue (rev) comes from North America
- 45% rev through direct-to-consumer via online store
- 45% rev in offline store
- 10% through SaaS + product (MIRROR)
- Gross margin 55.4%

Seasonality

- 44% of operating revenue is in Q4
- 24% of operating profit is in Q4
- Strongly pushed by holiday sales

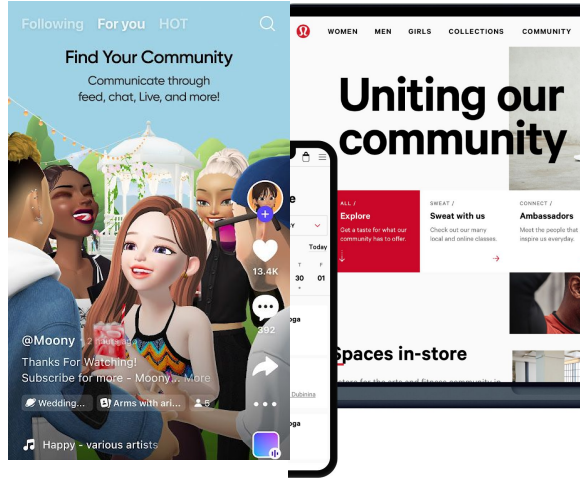
Lululemon community on Reddit and KOLs on Xiao Hong Shu drive online product purchase in USA and China respectively

Community-first strategy drives organic virality and low-cost customer acquisition



We propose that Lululemon establish a virtual store in community-focused Zepeto to maintain market leadership

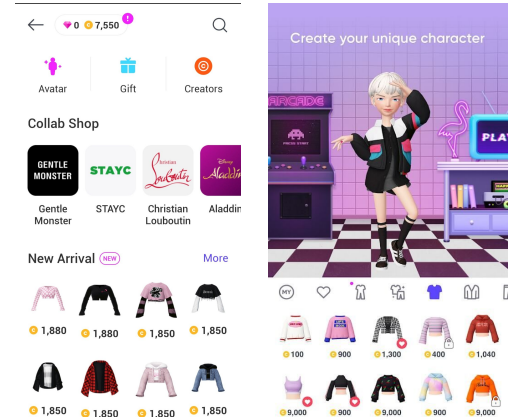
Zepeto (left) and Lululemon (right)



Zepeto and Lululemon share values



Proposed store



The Lululemon metaverse store is enhanced with artificial intelligence at multiple touchpoints

	User Interaction / Conversation	In-metaverse Experience	(M)E-commerce
Supervised learning	Sentiment analysis to gauge reaction to products	ChatGPT-powered chatbot NPCs	Demand forecast for products
Unsupervised learning	Discover novel user behaviour Topic modelling to mine insights	Find interaction spaces to build community	Identify new product purchase profiles
Recommender system	Connect users of the same profile based on products purchased	Recommendation for metaverse activities to increase DAU	E-commerce style product recommenders to increase basket size

It takes 6 months for implementation of a metaverse store on Zepeto with data collection

Phase 1: Research and Planning (3 weeks)

- Market Research and Competitive Analysis
- Client Requirement Analysis, Identifying Project Scope and Objectives
- Resource and Team Planning
- Project Timeline and Milestones Planning
- Data Collection and AI Strategy Planning

Phase 2: Design (6 weeks)

- User Experience (UX) Design
- User Interface (UI) Design
- Metaverse Environment and Lululemon Virtual Product Design
- Design Review and Approval
- Data Collection System Design

Phase 3: Development (10 weeks)

- Zepeto Environment Development
- Lululemon Virtual Product Development
- User Interface Integration
- Backend and Database Development
- Data Collection System Development and Integration
- Initial Testing and Debugging

Phase 4: Testing and QA (4 weeks)

- System Testing
- User Acceptance Testing
- Data Collection System Testing
- Bug Fixing and Quality Assurance

Phase 5: Deployment and Launch (3 weeks)

- Deployment to Production Environment
- Data Collection System Launch
- User Training, Documentation, and Project Launch

Implementation considerations and risk mitigation measures

Implementation

Considerations

Platform understanding

Fully comprehend Zepeto's functionalities, user demographics, and customization options

Design & integration

Design a store with items that are aligned with Lululemon aesthetics

AI & Machine Learning

Devise a proper machine learning strategy before implementation

UX/UI design

Prioritize user engagement and interaction, making the store not just a shopping platform but a social experience

Risk

Mitigation

Market risk

Monitor the metaverse market closely and consistently

Adoption risk

Conduct user training and support; collect and use feedback for continuous improvement

Resource risk

Implement careful project management and resource planning. Consider outsourcing or partnerships if needed

Scope creep

Remove ambiguity and confirm scope with client

Insufficient testing

Design an effective testing strategy and allow sufficient time for testing

Data leakage

Implement state-of-the-art encryption and follow strict data handling protocols to ensure user data privacy.



Thank you!
Q&A



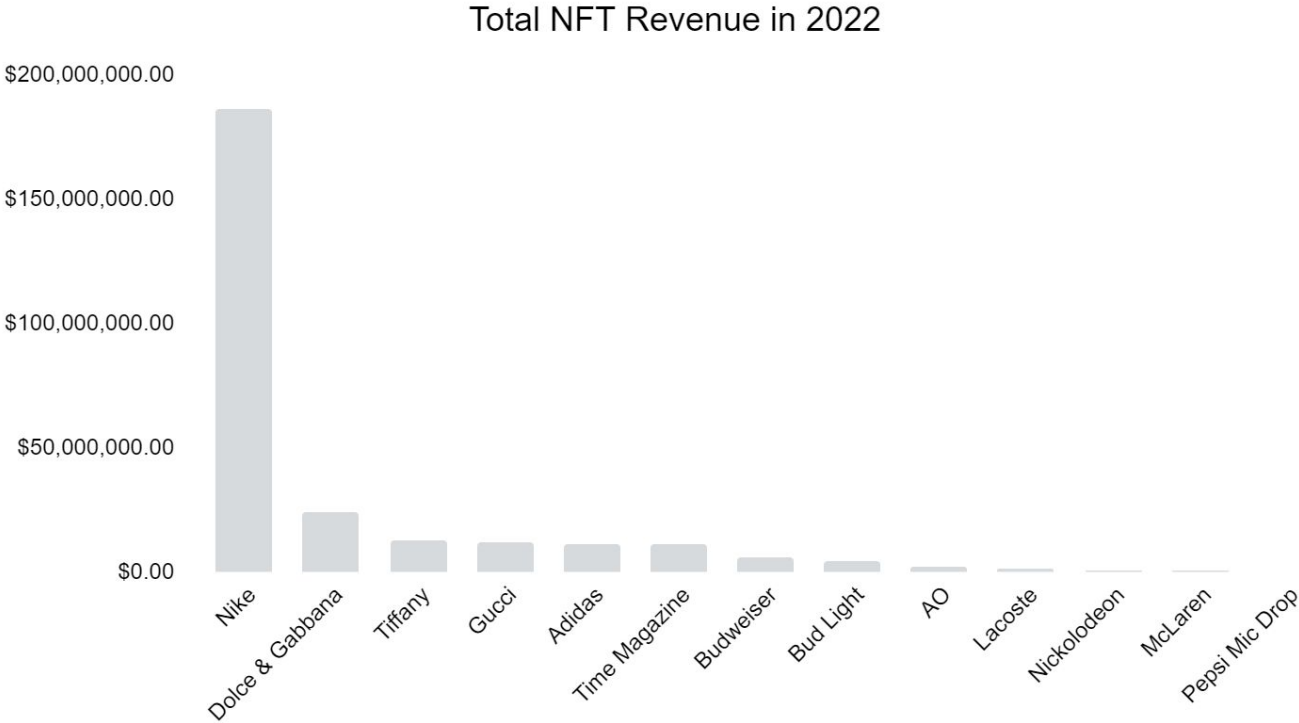
Appendix

Misc notes

Metaverse strategy solves a few pain points for Lululemon

Pain Points	Description	How Metaverse Solves Pain Point
High seasonality	44% of revenue comes from Q4, which reflects a high dependence on holiday sales	Increase the number of customer acquisition channels for sales in Q1-3
Consumer tiredness	Interviews reveal fatigue with weekly drops and wardrobe saturation	Establish an interactive experience centered around community building
Need to maintain lead	Lululemon constantly faces new competition, especially in China	Complement existing online and offline community strategies to widen the lead
Need to create new base	Lululemon collabs are done on a small scale that limits customer base crossovers	Expand customer base through metaverse product launches

Lululemon should not pursue the NFT market, which is better suited for luxury brands or brands that have a secondary collectibles market



We are (I am) the thought leader(s) in the industry - selected examples

Association

Event

Role

Meet the consultant



NFT Workshop Day
2022 (local)

A Gentle Crash Course on
NFTs



Queretaverso 2022
(national)

The Future of Gaming in
the Post-Pandemic World



Tech Immersion
Program (national)

Mentor for VR startup
Rumine corporation



TEDxNewton 2022
(national)

If you understand memes,
you understand Web3



Jackie Tan Yen

Aspiring
consultant, with
expertise in AI and
web3

- **2x founder, 2x exit**, currently Head of Product in a local web3 company
- **PhD** in applied machine learning
- Raised money for startups through **VC and ICO**
- **Lectures on AI** in Nanyang Technological University
- **CTO-in-residence** in Singapore University of Social Sciences

Lululemon intends to enter the metaverse with patent applications

USPTO application

uspto

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Downloadable virtual reality software for providing metaverse experiences; downloadable software for providing access to an online multimedia virtual environment; downloadable virtual reality immersion software; downloadable software for experiencing interactive entertainment and virtual reality content; downloadable virtual goods, namely, computer programs featuring avatars, clothing, footwear, headwear, yoga and athletic equipment, bags, pets, emotes, and gestures for use in online worlds and virtual environments; downloadable computer game software; downloadable computer graphics software; downloadable software for processing digital images, videos, sounds, graphics and text; downloadable software in the nature of an application for use by individuals participating in metaverse-based exercise classes, physical training, and exercise instruction for detecting, storing and reporting daily human energy expenditure and physical activity level, for developing and monitoring personal activity and exercise plans, training goals and for giving feedback on the achieved results; downloadable software and mobile applications for use as a cryptocurrency wallet; downloadable software for providing access to crypto-collectibles, crypto-art and application tokens; downloadable software and mobile applications for use in electronically trading, storing, sending, receiving, accepting and transmitting digital currency, and managing digital currency payment and exchange transactions; downloadable software and mobile applications for managing cryptocurrency transactions using blockchain technology; downloadable software and mobile applications for providing access to crypto-collectibles; downloadable computer programs for

IDENTIFICATION

The different metaverse platforms have varying feel

