

Marketing Schemes of the LuLaRoe Company:

Can We Take Good From The Bad?

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Abstract

The women's clothing company LuLaRoe grew into a booming success in a matter of years, profiting in the billions. The uniqueness of LuLaRoe was the overwhelming speed of its success in such a saturated market and because of this, it would be advantageous for advertising and public relations (Ad/PR) specialists to analyze how LuLaRoe did this. The goal of this research is to determine if LuLaRoe's success was due to the means of pyramid scheme-style marketing strategies and if so, is there anything beneficial that could still be taken from this occurrence happening. If LuLaRoe's Ad/PR methods are capable of being repeated by more wholesome companies, then at least there may be some good to be taken from the scandal. From the primary research, which was conducted through two focus groups with convenient, non-probability sampling, there were some potential marketing strategies found that could be repeatable by any company. The one hypothesis was that proved correct was that the comfortability of clothing is largely important and reviews are far more trusted than traditional advertising. In addition to this, reviews with photos are the highest selling point for customers shopping online, a word-of-mouth type of advertising. For this reason, the good that can be taken from LuLaRoe is that their social media business strategy benefited greatly their route to word-of-mouth advertising, and could be repeated by other companies by giving incentivized discounts to post reviews on their social media profiles of their products.

Keywords: LuLaRoe, pyramid scheme, advertising, public relations

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The company LuLaRoe has recently taken the stage as being an incredibly unethical and selfish enterprise, and this is because it has become largely known as a pyramid scheme. What can be taken from this situation is to look at the advertisement and public relations strategies and tactics that made LuLaRoe so popular in the first place, and then to see if those methods can potentially be reproduced or utilized by more wholesome companies.

The considerable question is: how did LuLaRoe become so popular so fast? And can their strategy be produced again? A few hypotheses to this question would be that LuLaRoe was directly aimed at their target audience with psychological advertising. Or, that LuLaRoe set their aim to consumers' wants and needs, stating that their company is the answer to feeling fulfilled. Now, this is a prominent strategy for nearly all business types because need-fulfillment is what is required for all consumers to see in a product. Even if that need is superficial, the consumer will require this information in order to see themselves with/in it. A null hypothesis in this sense would be that LuLaRoe is not doing anything differently or uniquely than other companies to promote their brand and company.

The target audience that LuLaRoe's products (leggings, dresses, etc) strived for was women. More specifically, women who are sociable moms, who want to be comfortable with their bodies, and who want to join a world of positivity and empowerment (Suddath, 2018). The clothes were incredibly soft, modest, and well designed, for women who wanted to look respectable and still feel attractive (Young, K., Zazzi, S., & Blevins, R., 2018). The LuLaRoe company started off as something that was incredibly loving, bubbly, and profitable and then

ended as a sour, painful, debt-causing business, in all of the eyes of the people that had touched it.

The reason why the company LuLaRoe was chosen for this research is because of its booming success in such a saturated market (clothing for women). Making over \$2.3 billion in sales between 2013 and 2017, LuLaRoe has made quite the name for itself (Peterson, 2018). This amount of sales volume in this time frame is incredibly large, which makes LuLaRoe appear to be an ideal example for advertisers and public relations strategists to look to in the future.

Literature Review

When attempting to do research, to answer the questions for this analysis, it was challenging to find the advertising/public relations (Ad/PR) methods that LuLaRoe put into place that was directly related to their products. This is where the possible problem could lie – that LuLaRoe strategized solely as a pyramid scheme would, and therefore would not have methods repeatable by more wholesome businesses. Luckily, behind the mask of LuLaRoe's bad press, there were some discernible Ad/PR strategies to be analyzed.

Search engines that were used to conduct this research included ones provided by the Grand Valley State University Library, such as its built-in search tools and Mergent Online (2019). A much more useful source was Google, due to LuLaRoe being a modern company. Another surprisingly helpful resource was Spotify, an audio streaming service, that has a podcast called "Sounds like MLM but ok," which has its first two episodes featuring the topic of LuLaRoe (Young, K., Zazzi, S., & Blevins, R., 2018). It should be highlighted again that LuLaRoe used a pyramid scheme marketing plan in its business strategies, so a large amount of the research came up as scandal-type news with apologies, outcries, informants, and such. And

because of this, it became required to read between the lines, so to speak, the experiences that had been spoken of after the scandal had occurred of situations before it occurred. There was little information to be found from before LuLaRoe was regarded as a pyramid scheme or a scam.

Research Questions

The research questions were designed to target the four main elements that were found in the secondary research. With these, insight will be provided by conducting primary research and will discern the potentiality of LuLaRoe's marketing schemes for other companies within the same industry. More specifically, other companies who are ethically wholesome.

- Could LuLaRoe's advertising and public relations (Ad/PR) methods be used by more wholesome companies?
 - Produce and advertise comfortable clothes
 - Make customers feel empowered (comfortable in their own skin)
 - Create a sense of exclusivity with limited products
 - Create a want for quantity/ collections
- And, do customers care about the "wholesomeness" of a company they purchase from?

Hypotheses

Below listed are possible explanations on consumer behavior that could have lead to LuLaRoe's success, and could lead other successes in the future. If there is any account that there is not mutual opinions across the board when it comes to clothing purchases, then the null hypothesis will be met. If there are mutual opinions, then the analysed Ad/PR strategies will prove a favorable result to the overall research question.

Hypotheses:

- Consumers prefer to purchase products from wholesome companies.
- Consumers prefer the clothes they buy to be comfortable.
- Consumers prefer the clothes they buy to be exclusive, or limited edition.

Null Hypothesis:

- Consumers have little to no preferences when it comes to clothing purchases.

Primary Research Method

Following the secondary research analysis, the marketing strategies that LuLaRoe used to effectively grow as a clothing brand are now being analyzed to determine if those would be effective for more upstanding and wholesome companies to use. What was found in the analysis was that LuLaRoe used four main points to sell: comfortability, empowerment, exclusivity, and collectability. For this reason, these points were used to conduct a focus group questionnaire of 25 questions that was brought to a convenient sample of 18-25-year-old college students.

When trying to determine the importance of “wholesomeness” within companies and how it affects customer behavior, this was translated into the “empowerment” of clothes because of how affective ethical business practices can be from a user/consumer point of view. Questions were written on if and how much the focus group members look into a company’s ethical practices before they purchase items. It was believed that in asking the focus group directly on the importance of ethical business practices, that many people would say “yes” automatically. By asking about past purchase behavior, and not ethics specifically, it will be differentiable to tell between what people say is important and what people act on as being important.

Using this non-probability method, the brand LuLaRoe itself was also not brought to the

group's attention because the purpose of the study was to discern LuLaRoe's points of marketing and their effectiveness for other brands, upstanding and wholesome brands. Two focus group studies were performed with the same set of questions, both having roughly 6-12 participants. The second focus group was more successful than the first as there were more students who bought into the "exclusivity" aspect of clothing and brands. Because of this, more answers will be referenced from the second focus group than the first.

Focus Group Findings

Comfortability

In a nearly unanimous shout-out, clothing being comfortable was a very important aspect of purchasing new clothes. Out of the two focus groups, very few participants sought out clothing made from specific materials (ie, cotton, spandex, rayon) but the few who did made evident that it was extremely important to them; the other larger majority of the participants based their opinion of feel and touch alone and for this reason shopping in-person was also a majority behavior. Throughout the discussion, cotton blends were found to be most favored over man-made materials such as polyester.

When asked about the best ways for companies to advertise their clothing's comfortability — word-of-mouth and reading online reviews was the predominant means of gaining a sense of how comfortable the clothes are. An example of the best review that was brought up, and agreed with by many, was reviews with photos as well as the height and weight of the person in the photo. As for online shopping, it was said that reviews with photos was a go-to element in purchasing clothes that they cannot touch and feel.

Empowerment

Many of the participants felt that they bought clothes to meet their own style, personality, and overall to express who they are. There was no mention of the “respectable yet attractive” type of modesty that LuLaRoe customers appreciated. But it was shared that the right fit and being flattering was primary aspect of new clothes. Some participants felt that if the fit was perfect enough, the cost mattered much less.

It was found that when our participants purchase items from businesses who claim to have benefits towards society, like corporate social responsibility (CSR), most of them look to see what the business is doing and how it is helping the world. The factors that were listed in the focus groups that made CSR valuable in a company were: the size of the business, how new the business is to the individual, and previous knowledge of CSR/scandals in the news. Some participants even shared that they have refused to return to stores with large amounts of bad press behind them, as it is not something they want to support.

Exclusivity

There were not many participants in the focus groups that had purchased exclusive or limited edition products. Of the few who had, it was expected that the higher price points of the products would correlate to it being of high quality, meaning made well and with sustainable materials; of those who had not, it was agreed that there is an expectation for high quality materials.

What was found to be attractive about the purchasing of limited edition items from clothing brands was the symbolic meaning that it connotatively conveys to the outside world. The brand Supreme was mentioned due to its notoriety for only selling exclusive products — one

of the focus group members said that because everyone knows Supreme clothes and accessories are very expensive, that anyone who wears it was able to afford it's exorbitant price.

An incentive to purchase limited edition items that was brought to attention was just that: they are limited and therefore can only be purchased for a small window of time. And the few participants who have bought exclusive products in the past shared that there was also a factor of who was selling the item; for instance, when artists who never sell anything do have exclusive items for sale there is a larger feeling of urgency to purchase from that artist.

Collectability

As for the collectibility of limited edition products, there were no participants that both purchased and had more than a few products that fell under this category. Out of the roughly 24 focus group members, there was one person who nearly met this criteria by owning multiple pairs of exclusively made shoes. But this was not purposefully intended to start a shoe collection or consciously thought of as a collection.

Discussion of Findings

While the convenient sample of 18-25-year-old college students may not have been experienced in all of the elements that were touched on, the focus groups did shed light on what could be effective for college students — even though non-probability samples are difficult to project onto a larger audience. It would be safe to say that college students are not exactly the target demographic for high-end, high-priced limited edition items as most of them do not have the funds to purchase such things.

What can be successfully discernible from this campaign is that comfortability in clothing is paramount to a clothing brand's success. The target audience that LuLaRoe sought out was

also looking for modesty, and while the focus group members were focused more on the right “fit” of the clothes, both of which grades this on levels of attractiveness; which could lead to one feeling empowered. The questions on as to how businesses could best advertise clothing products’ comfortability, a few marketing strategies presented themselves from the focus group member’s opinions on reviews. Because it was said to be preferred when photo-reviews have the corresponding height and weight, this is something that could be suggested to clothing brands to consider for online stores. Having photos of products in online stores is a must but in addition to this, products worn by models and those models’ measurements listed, will help customers understand how the clothing item fits and can compare to numbers that are nearly universal. Another strategy to this effect, clothing brands could use discount incentives to gain a larger return in product reviews. This would be advantageous because, as the focus groups suggested, product reviews are the go-to place for many consumers. These incentivized reviews could also be word-of-mouth referral posts to social media; where the only cost in advertising comes down to customer credit. This is similar to what LuLaRoe conducted as all selling consultants only sold via social media and word-of-mouth advertising.

The lesser successful portion of the focus groups, on exclusive products and collecting them, was still informative: college students cannot generally afford overly expensive products when reasonably-priced ones are available to them, and for this reason, have yet to form collections of limited edition or costly products. What can be potential understood from this is that limited edition clothing collections should be sold at lower costs if they are directed toward college students; otherwise, older generations would be the more appropriate demographic for this purchasing behavior.

In trying to determine the importance of a company's moral standing, there was more of a negative reaction to wearing/purchasing clothing items from companies with bad press than there was any mention of a positive feeling when purchasing from a company that is actively pushing for CSR. It did make sense though that this was said to be further looked into with small businesses — larger corporations are more difficult to judge and small businesses are generally more transparent and forthcoming, and likely seen as more personable. Future surveys on this overall topic should include more closely questions on the importance of CSR and how much it affects consumer behavior, as this could be another means of making customers feel empowered.

Conclusions

Before we started this research paper, we had three main hypothesis points that we believed the customers would align with. The first of them being wholesome companies. We predicted that our focus groups were going to want high ethical standards and honesty from their companies. Comfortable clothing was another facet of this experiment that we thought would be popularized by consumers of clothing. There was also a belief that the consumer was going to want to be interested in limited edition items, or exclusive items that had a certain time span to be purchased. We stated that our Null was that consumers would not care or have standards for their clothing. So after examining LuLaRoe, we concluded that their set up can be mimicked even without a pyramid scheme. And after extensive research with our focus group, we found that the college students we talked to didn't have a preference towards limited edition apparel. If we had to make a suggestion to clothing businesses, we would encourage them to expand their demographic to who they survey, and target mainly older women. This would work considering

the majority of their consumers are older women.

Future Research (Survey)

Our team is planning on doing a survey through Google Forms. This is an online survey that allows anyone to take it, meaning all demographics can take it. Although, we want opinions from all people we really want to focus in more on older women. LuLaRoe's main target market is appealed to older women, hence wanting to get responses from that group. The surveys purpose is to collect data from a larger audience in order to receive a more accurate sense of peoples opinions on the topic. On the landing page of the survey respondents will fill out basic information before filling out the survey. Some of our questions will include matters on ethical standards, corporate social responsibility, and the impacts on consumer behavior. Our intentions with the survey is to learn how people, specifically older women, feel about companies with the same ethical standards that LuLaRoe follows. Additionally, we intend to learn if people prefer comfort over brand name when it comes to purchasing clothing items. Examples of questions that will appear on the survey include: Does scandal keep you away from a brand or entice you towards it? Please elaborate. Would you be willing to pay more money for clothes that were more comfortable? Would you be more likely to purchase an item if it was limited edition? Please elaborate.

Summary

Abstract:

-Our findings indicate that there's still a lot we need to learn about LuLaRoe to understand how they function as a company. This can be done by changing the way they market products and use surveys for their consumers

Exploration of the Topic:

-When we explored this topic, the following preceded to be what we thought would reign supreme for importance: comfortability, empowerment, limited edition, and the collectibility of the item.

Literature Review:

-There wasn't an extensive amount of research found through GVSU's library database, so we needed to use different outlets. Google was more reliable and another podcast that was found which interviewed former LuLaRoe consultants. It was hard running through the bad press to find the information we needed

Research Questions:

- Would LuLaRoe's pyramid schemes that made them successful be applicable to another company with higher ethical standards?
- Do consumers really care for wholesomeness and the ethical habits of the company?

Hypothesis:

-The hypothesis we stated before the focus group and null hypothesis were both correct after our research was done

Primary Method:

-Non-probability sample used during interview with college students.

Focus Group Findings:

-Fit, feel, and comfort were all the most important factors for consumers, not a limited edition product.

Discussion Findings:

-College students were not very concerned with the exclusive or limited edition products. The only exception to this would be if they were at cheaper prices.

Conclusion:

-Despite LuLaRoe's bad qualities as a company, they still have certain aspects that would be considered positive. This would include comfort, quality, style, fit, and limited edition products.

-College students didn't really fit this demographic well because they didn't align well with what LuLaRoe wanted.

Future Research:

-More questions are going to ask about CSR (Corporate Social Responsibility) and the importance of ethical standards of the business.

-Understanding consumer behavior more, finding the most effective methods of CSR

-An online survey that expands to a larger demographic

-Changing the target market to go after mainly older women

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Appendix A

LuLaRoe Moderator's Guide

Conducted at Grand Valley State University in 2019

Moderator's Guide for Focus Group Research**TOPICS TO EXPLORE**

1. Clothing, clothing brands
2. Clothing comfortability
3. Limited-edition clothing

Tips

- Conduct focus groups with college students
- Convenience Sample of 6 - 12 people
- Ensure that participants are in the age bracket of no more than 18-24 years
- Encourage participation from everyone
- Get 2-3 responses for every question
- Have one person facilitating the focus group and all other persons taking verbatim notes
(plus an interpreter, if needed)
- *For individual interviews: try to probe further on topics that cannot be discussed in detail in a focus group setting because of time limitations.*

Welcome & Introduction

- Thank you for coming – we are grateful for your time. We are really excited to be here with you and talk to you about your life as a college student.
- We would like to record these discussions to help us remember them and so that we do not miss any of the ideas you give us. The details of these discussions will not be shared with anyone else; your names will be kept confidential and no one else will know who said what during our conversation. So please feel free to express your opinions openly. If you are not comfortable with this arrangement you do not have to participate. Would you still like to participate in this discussion?
- Great! I first want to say that we invited all of you here, and so we would like to hear from everyone. Everyone's ideas, experiences, and opinions are important.

Welcome and Introductions

- 1) Let's start by introducing ourselves. Please tell us your name, your age, who lives with you in your home and what grade you are in? I will start and then we can go around the group.

General Questions	Probes
2) How do you feel about your clothing or clothing in general?	<ul style="list-style-type: none"> ● The fit? ● The style?
3) Are you likely to purchase a name brand or generic brand?	<ul style="list-style-type: none"> ● Name brands like Aeropostale ● Generic brands like from Walmart
4) Which do you prefer, shopping online or in-person?	<ul style="list-style-type: none"> ● And why? ● What factors make your choice seem more appealing?
5) When shopping for new clothes, where are the places that you like to go?	<ul style="list-style-type: none"> ● Everyday vs special occasion ● Re-Used for New
6) Why do you choose the stores that you enjoy to buy from?	<ul style="list-style-type: none"> ● What entices you about these stores ● What is the intended goal for these stores?
7) When shopping for new clothes, do you look to see what fabric it's made of?	<ul style="list-style-type: none"> ● Which do you prefer ● Ex: cotton, spandex, acrylic

Specific Questions	Probes
8) When shopping online, do you look at the “About Us” section?	<ul style="list-style-type: none"> ● Is the company’s mission statement important to you? ● Does the company’s media interest you?
9) Does their mission statement influence you to buy from them?	<ul style="list-style-type: none"> ● What company goals would impress you? ● What things have you seen to influence you?
10) Does the company’s media influence your likelihood to purchase their products?	<ul style="list-style-type: none"> ● Celebrity endorsements? ● Red Bull model
11) When online, do you read the reviews of other people who buy the product?	<ul style="list-style-type: none"> ● What do you look for? ● What things turn you off to a product?
12) Do you prefer to feel/ or try on clothes before purchasing them?	<ul style="list-style-type: none"> ● Such as Amazon’s online option to order then buy
13) In what ways does the company image effect which clothes you buy/wear?	<ul style="list-style-type: none"> ● Can you think of an example? ● Toms shoes?

Comfort Questions	Probes
<p>14) What do you enjoy about the clothes you own?</p>	<ul style="list-style-type: none"> ● Brands? ● Styles?
<p>15) When buying new clothing, is comfort or cost more important to you?</p>	<ul style="list-style-type: none"> ● Where do lie your preferences? ● Do you fall for expense clothes
<p>16) Would you be likely to purchase expensive clothing if you found it to be comfortable?</p>	<ul style="list-style-type: none"> ● Is comfort the only factor you'd be attracted to? ● What brands do you think of when you picture "expensive comfort?"
<p>17) When brands advertise that their clothing is comfortable, does that speak to you?</p>	<ul style="list-style-type: none"> ● What about it speaks to you? ● What kind of feeling is it trying to sell you? ● What type of advertisement would work best for you?
<p>18) Are you more likely to purchase clothing from a brand if they use higher quality fabrics?</p>	<ul style="list-style-type: none"> ● If no, why is this? ● If yes, why is this?
<p>19) Does comfort matter over a well-known brand name?</p>	<ul style="list-style-type: none"> ● Such as brands like Lululemon or Vineyard Vines

	<ul style="list-style-type: none"> • Or Nike and Adidas
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Exclusivity Questions	Probes
<p>20) Do you own any limited edition clothes?</p>	<ul style="list-style-type: none"> • If yes, how do you feel about them being limited edition? • If no, why haven't you bought any?
<p>21) Are you likely to purchase limited-edition apparel when it comes out?</p>	<ul style="list-style-type: none"> • If no, why is this? • If yes, why is this? • What type of advertising works best for you for companies to express their limited edition clothing?
<p>22) Do you expect the quality of the item to move up with the cost?</p>	<ul style="list-style-type: none"> • Or, is the higher price because of its limited-edition aspect and the quality of the product does not have to go up?
<p>23) Do the limited edition qualities of the product give personal value?</p>	<ul style="list-style-type: none"> • How? • Name an example
<p>24) Are there any other qualities that limited edition clothes have that you</p>	<ul style="list-style-type: none"> • What would you change? • Would you say the qualities that you

like or dislike?	did like are worth buying them for?
<p>25) Do you or have you collected any limited edition clothes, and what makes you want to keep the collection?</p>	<ul style="list-style-type: none"> ● Like leggings, shirts ● Like hats, scarves
<p>26) Do you follow clothing “hype” culture? Are there any brands advertising that call out to you specifically?</p>	<ul style="list-style-type: none"> ● What are your thoughts on brands like Supreme? ● Who is your favorite advertiser right now?

Closing
<p>Thank you. Your answers and discussion have been very helpful and informative. Let us briefly review what has been covered today. Would you agree this is what we discussed? Is there anything else you’d like to discuss further?</p> <ul style="list-style-type: none"> ● Do you have any additional questions? (allow further discussion as needed) ● Again, we are very grateful for the information you have provided. Have a wonderful day.

Appendix B

Future Survey Questions

- 1) Are you likely to purchase a name brand or generic brand?
- 2) Which do you prefer, shopping online or in-person?
- 3) Does the company's media influence your likelihood to purchase their products? Please elaborate?
- 4) When buying new clothing, is comfort or cost more important to you?
- 5) Are you partial or preferential to any material when shopping for clothes?
- 6) Would you be more likely to purchase an item if it was limited edition? Please elaborate?
- 7) Would you be willing to pay more money for clothes that were more comfortable?
- 8) Would you be more willing to pay more money for clothes that were branded with a popular name?
- 9) Do celebrity endorsements draw you towards certain products? Can you name an example?
- 10) Do you prefer to wear clothes with or without labels on the front?
- 11) Does scandal keep you away from a brand or entice you towards it? Please elaborate?
- 12) What brand is your favorite advertiser right now? What about their advertisements draw you in?
- 13) In your opinion is cost more closely associated with brand name or quality?
- 14) What is one thing you are looking for in new clothing?
- 15) What is one thing you hate about your clothing right now?
- 16) Please leave any additional comments below:

