

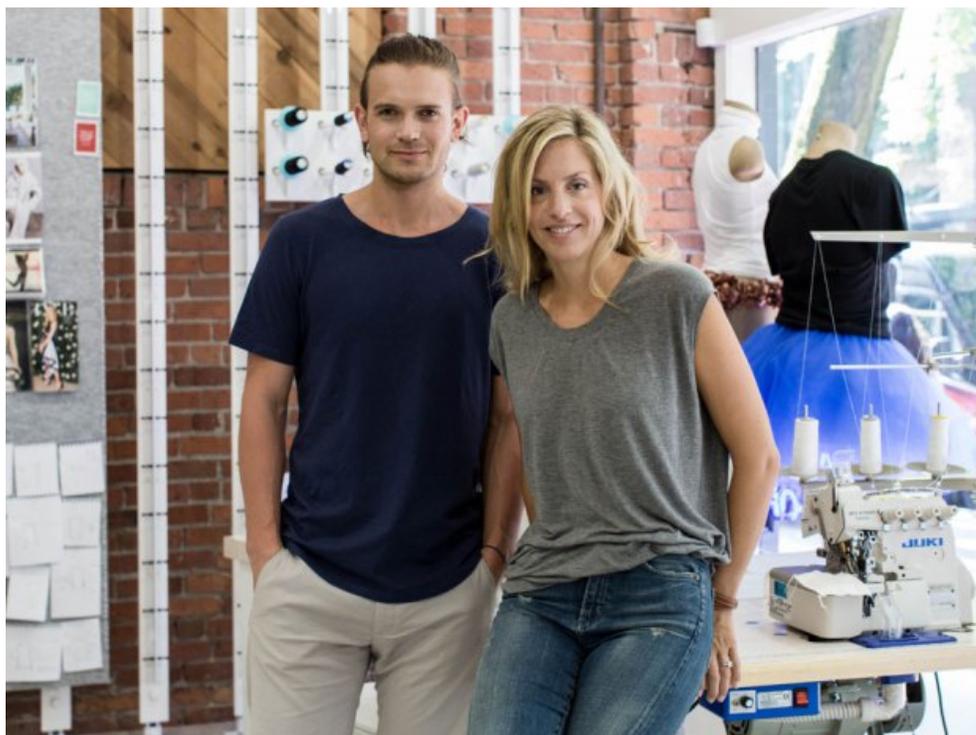
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As Lululemon seeks to recover, founder Chip Wilson's family bets on casual luxury with Kit and Ace venture



SOLARINA HO AND JULIE GORDON, REUTERS | October 28, 2014 5:36 PM ET
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Former Lululemon lead designer (and wife of the yogawear retailer's founder Chip Wilson) Shannon Wilson and son JJ Wilson started a new streetwear venture, Kit and Ace. Postmedia News

TORONTO/VANCOUVER — Sewing machines hum inside a spacious clothing boutique where the wife and son of Lululemon Athletica Inc's founder hope to capture the retail magic that turned the yogawear maker into a stock market darling.

Meet Kit and Ace, the brainchild of billionaire Chip Wilson's wife, former Lululemon lead designer Shannon Wilson, who started the new streetwear venture with his son J.J.

Backed entirely by Wilson family money, Kit and Ace has started with one store in the heart of Vancouver's artsy Gastown neighborhood. The shop, which drew a handful of shoppers on a recent rainy weekday, specializes in "technical" luxury: cashmere-blend casual wear that is pre-shrunk, washable and durable.

It remains to be seen whether Kit and Ace's simple line of basic black, white, navy and gray t-shirts can gain the same traction as Lululemon's products.

"Where Lululemon was very successful was that they identified a new trend," said Darren Dahl, a marketing professor at the Sauder School of Business. "With this new brand, it's not quite as clear that they have pinpointed an identifiable market."

Lululemon founder Chip Wilson agrees not to wage proxy war, will sell half of his stake to private equity firm



Lululemon Athletica Inc founder Chip Wilson will sell half of his 27% stake in the yoga apparel maker to private equity firm

Lululemon itself has faced significant problems in the last 18 months, including a high-profile recall of overly sheer yoga pants and a tense board scuffle involving founder Chip Wilson.

Kit and Ace, which opened in July, plans five new shops across North America in November, at least 100 there by 2019, and a presence in Australia, Asia and Europe after that.

Advent International for US\$845 million, as part of a deal in which Wilson agreed not to wage a proxy contest.

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The Kit and Ace store in Gastown in Vancouver.

Steve Bosch/Postmedia News



Kit and Ace was in "no way" interested in competing with Lululemon, says the retailer's founder Shannon Wilson. Screen grab/Kit and Ace Wilson.

The global push could come sooner if the right partner comes along, said Shannon Wilson, who searched the world for a luxury fabric with the properties of sportswear. Failing to find it, she developed her proprietary blend of cashmere, viscose and elastane fabric, formulated in Italy and trademarked "technical cashmere."

“We do have a very aggressive growth plan because we want to be first to market in this,” she told Reuters.



Pop-up style outlets, like Lululemon’s temporary showrooms, are set to open in coming months in six cities, including Toronto, New York and San Francisco. Kit and Ace wants to use these to enter markets quickly while scouting for permanent locations.

THE NEXT LULULEMON?

The company started with just four employees seven months ago and now has about 130.

At least two dozen once worked at Lululemon, according to their LinkedIn profiles. A half-dozen employees, including a senior product developer and designers, came directly from there this year.

Bringing in experienced talent is important if Kit and Ace decides to seek investors who want evidence it can be another Lululemon, said James Smerdon, head of retail consulting at Colliers International.

A noticeable absence is Chip Wilson, who remains on Lululemon’s board. His wife says he is not involved in day-to-day operations, but is a mentor and guide.



Lululemon founder and billionaire Chip Wilson.

THE CANADIAN PRESS/Darryl Dyck

“There’s no conflict of interest,” she said. “It’s been cleared through the board and through the company that he can be in conversation with J.J. and I about Kit and Ace.”

An outside spokeswoman for Lululemon could not immediately comment.

Wilson, who was behind some of Lululemon’s more famous designs during her tenure between 1999 and 2003, said the venture was in “no way” interested in competing with Lululemon, which has been expanding into streetwear with apparel that can be worn from yoga to a night out.

The companies share other similarities, like the manifestos adorning their shopping bags, and complementary “muses,” fictional characters that embody their ideal customer. Kit and Ace are athletic and creative, while Lululemon uses a successful thirty-something couple named Duke and Ocean.

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Kit and Ace's Vancouver store opened shortly after Chip Wilson publicly accused some Lululemon board members of focusing too much on short-term growth. He eventually agreed to sell half of his 27% stake and refrain from waging a proxy contest. Lululemon grew from one Vancouver store in 1998 to 270 locations worldwide, and pulls in US\$1.6 billion in annual sales, but it has struggled since the March 2013 recall.

While Kit and Ace is still in its infancy, it will probably appeal to a core segment of Lululemon consumers, said Liz Dunn, who heads brand strategy at Talmage Advisors.

"Worrying about it as a big competitive threat initially seems a little premature," she said. "At the same time, Chip Wilson, obviously, and his family have a lot of money.

"So to the extent that they want to grow this brand aggressively, they certainly could."

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Chip could have solved that problem without ever opening his big mouth, simply by launching a line of yoga wear for the larger ladies and calling it -

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stupid people spend too much money on clothes....addiction to shopping, spending!!!

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that is her SON!?! God he looks older than her.