

BUSINESS NEWS

Lululemon Pulls Legging That Drew Complaints

Some customers said Breezethrough seam lines were unflattering

By ALYSSA LUKPAT

Lululemon Athletica pulled a new legging from the market that some buyers said made their stomachs and back sides look too big. The legging, called Breezethrough, appeared to have been removed from the company’s website in recent days after getting poor reviews. Some Lululemon customers have complained on social media that the Breezethrough fabric is thin and the V-shaped seam lines are asymmetrical and unflattering. Lululemon, an athletic-apparel maker, said it would incorporate customer feedback into future designs. A spokeswoman didn’t respond to a question about when Lululemon paused Breezethrough sales. “We have made the decision to pause on sales for now to make any adjustments necessary to deliver the best possible product experience,” the company said. One Breezethrough buyer on Reddit said: “All I could see was a whale tail/giant arrow pointing to my butt crack.” The customer didn’t return a request for comment Tuesday. Other Breezethrough owners said the leggings could accentuate their stomach or make their back sides look flat. However, other people said they were comfortable and didn’t roll down like other leggings. Lululemon advertised the Breezethrough collection, which also includes shorts, in early July as a “cool innovation.” In a marketing email

viewed by The Wall Street Journal, Lululemon touted the Breezethrough’s fast-drying fabric, which a yoga instructor and brand ambassador modeled in photos. The leggings, which were designed for hot yoga, and to “hug every movement and curve,” retailed for under \$100. This isn’t the first time Lululemon, founded in Canada in 1998, has faced quality-control issues. In 2013, the company stopped selling pants that looked too see-through when wearers bent over. Lululemon’s stock fell, and its top productive executive stepped down in the wake of the debacle. The company has a devoted following for its pricey apparel offerings. Lululemon has faced growing competition from athletic-apparel makers including Vuori and Alo Yoga. Lululemon’s stock has lost roughly half its value this year, and recently traded at its lowest since 2020. Investors have grown concerned that the company won’t be able to maintain its strong growth rates, particularly in an increasingly crowded apparel market. More brands are selling athleisure, a market which Lululemon pioneered, with many similar items at cheaper prices. In an earnings call last month, Lululemon Chief Executive Calvin McDonald touted the company’s “upcoming product launches and innovation” that he said would help sales growth accelerate in the second half of the year. Lululemon has tried to appeal across generations by creating functional items for all age groups. The V-shaped seam line in the Breezethrough collection looks similar to a leggings design that has been popular on TikTok.

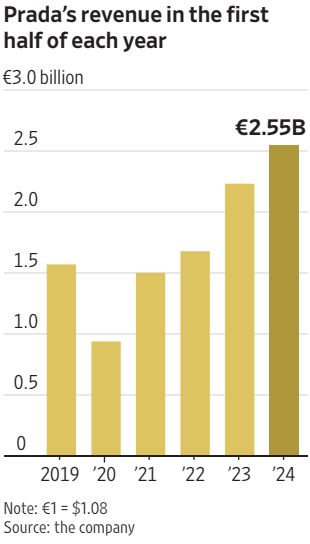


The Italian luxury-fashion giant said net revenue rose 17% to the equivalent of \$2.76 billion.

Prada Posts Increase in Revenue Despite Luxury-Industry Cooling

By ANDREA FIGUERAS

Prada reported a rise in first-half revenue despite a challenging environment for the broader luxury sector, which is grappling with a slowdown in sales growth and lower demand in China. The Italian luxury-fashion giant said it had double-digit growth in most regions, helped by the growing popularity of its Miu Miu brand. Net revenue was 2.55 billion euros, equivalent to \$2.76 billion, up 17% at constant exchange rates compared with the prior-year period. Growth was strongest in Japan, where retail net sales rose 55%, supported by domestic demand and tourist shopping. The company’s namesake brand posted growth of 5.5% in retail net sales, while Miu Miu—Prada’s luxury brand



aimed at younger clientele—jumped nearly 93% on the year. “Miu Miu continues to strongly resonate with consumers worldwide,” Bernstein

analyst Luca Solca said in a research note. Prada’s results are the latest sign of a divide in the luxury industry. Its performance contrasts with that of some of its peers, which flagged declines in Asia Pacific due to waning demand in the all-important Chinese market. After splurging on high-end bags and pricey clothes for years, Chinese consumers are now saving money due to a difficult economic environment. Last week, luxury bellwether LVMH posted first-half results below analysts’ forecasts and signaled a sharp decline in sales from Asia outside of Japan. Gucci owner Kering continued to face a challenging environment and said it expected profit to keep falling in the second half as it continues with its revamp

plan for its core label. Kering warned of slowing demand in China, fueling concerns after smaller peers Burberry, Swatch and Hugo Boss pointed to the difficult situation in the country. Cartier owner Richemont also took a hit from subdued demand in China. Lower spending among Chinese customers, who drove growth for years, comes on top of the slowdown in luxury-goods sales in other regions such as the U.S. After the postpandemic euphoria, inflation and high interest rates have squeezed consumers, especially those considered less affluent. Consequently, companies exposed to these shoppers are dealing with a more complicated environment than those targeting wealthier consumers who show greater resilience.

Diageo Expects Slowdown In Alcohol Sales to Linger

By ANDREA FIGUERAS

Spirits maker **Diageo** expects demand to remain soft after consumers in North and Latin America pulled back spending on alcohol in its last fiscal year, weighing on sales. The U.K. company, which counts Johnnie Walker, Guinness and Smirnoff among its brands, booked net sales of \$20.27 billion for the year ended June 30, down 1.4% on year. Analysts had forecast sales of \$20.24 billion, according to a poll compiled by Visible Alpha. Diageo said organic net sales in North America fell 2.5% due to weak demand and the negative effect of inventory replenishment the previous year. Like rivals, Diageo is grappling with more-subdued demand for alcohol after a surge in sales during

the pandemic led to high inventories, particularly in the U.S. “North America is experiencing consumer weakness, which is not an isolated issue but rather one observed across several countries,” said Chris Beckett, head of equity research at Quilter Cheviot. Diageo said it also was facing fast-changing consumer sentiment and high inventory levels in the Latin American and Caribbean region. In China, another key market for beverage companies, net sales grew 12%, boosted by strong growth in baijiu, also known as Chinese white spirit. Diageo’s operating profit in fiscal 2024 climbed 8% year over year to \$6 billion, though net profit fell to \$3.87 billion from \$4.45 billion. Shares in London declined 5% to 2,418 pence.

Now into its new fiscal year, Diageo said the consumer environment continues to be challenging. The company aims to get back into its medium-term guidance range of organic net sales growth between 5% and 7% but expects negative pressure on its organic operating margin to persist into fiscal 2025. RBC Capital Markets analysts said there seems to be little sign of expected improvement next year, which isn’t reassuring, given remarks from other companies that U.S. consumer confidence is under pressure. “Guidance remains vague and doesn’t provide much optimism for a swift turnaround,” Quilter Cheviot’s Beckett said, though the long-term outlook for the industry remains positive.

‘CBS Evening News’ Anchor to Step Down

By JOE FLINT
AND ISABELLA SIMONETTI

Norah O’Donnell said she would step down as anchor of the “CBS Evening News” after the presidential election. O’Donnell will remain with the company as a senior correspondent for CBS News. In an email to staff, she said she would conduct interviews with newsmakers across various platforms at CBS News and parent company Paramount Global. A successor to O’Donnell wasn’t named. O’Donnell, who has been in the anchor chair at CBS News for 12 years including several as co-anchor of “CBS This Morning,” has anchored the evening newscast since 2019. Before joining CBS, she held several on-air positions at NBC News and MSNBC. In her note, O’Donnell said after being “tied to a daily broadcast and the rigors of a relentless news cycle,” it was time to do something different. Her departure is the latest shake-up at CBS News. Earlier this month, CBS News President Ingrid Ciprian-Matthews said



Norah O’Donnell, who has anchored the evening newscast since 2019, said she would take on a new role at the company.

she was resigning and suggested in a memo to staff that a primary reason was expected budget cuts at the unit. “We all know our industry and company are going through a transformation and a number of short- and long-term decisions need to be made,” she said, adding, “I do not want to be disingenuous with any of you about who should drive those decisions. I’ve always leaned into my integrity and my values and I felt

it was important to be transparent at this juncture about my plans.” Ciprian-Matthews, who is staying on in an advisory role through the presidential election, had only been news president since August of 2023. She was promoted after a restructuring of CBS News that put the unit under Wendy McMahon, who is chief executive of both news and the CBS local TV station group.

Who’s Who of Distinguished Leaders: 2024 Honorees

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