

Business strategy essay sample

[Business](#), [Branding](#)



How strong are the competitive forces confronting Under Armour, Nike, and The adidas Group? Provide a five-forces analysis to support your answer. The most powerful and widely used tool for assessing the strength of the industry's competitive forces is the five-forces model of competition. The five competitive forces include pressures stemming from buyer bargaining power, pressures coming from companies in other industries to win buyers over to substitute products, pressures stemming from supplier bargaining power, pressures associated with the threat of new entrants into the market, and pressures associated with rivalry among competing sellers to attract customers (the strongest of the five competitive forces). Currently the competitive forces confronting Under Armour, Nike and Adidas are strong and many. Under Armour faces competition from Nike and Adidas in terms of marketing strategies, growth strategy, distribution strategy, promotion, advertising, licensing, globalization, targeting, penetration rate, outsourcing, manufacturing, quality, efficiency, and inventory management.

Seller-buyer relationships represent a significant competitive force because some buyers have significant bargaining leverage to obtain price concessions. For example, Dicks Sporting Goods and other retail stores are huge buyers of Under Armour, Nike, and Adidas apparel so they can bargain for a cheaper price. In 2012, 29% of Under Armour's revenue was generated through direct-to-consumer sales. There is significant competition in terms of buyer bargaining power because Under Armour, Nike, and Adidas are all companies in which the buyers' cost of switching to competing brands or substitutes are relatively low. Competitive pressures continue to exist between the three companies because sellers can buy substitute products.

The three companies all provide the same types of products which make substitutes readily available and attractively priced. Many buyers view these substitutes as comparable and often better in terms of quality and performance. Also there are costs that buyers can incur in switching to the substitutes.

Under Armour has pricier items than Nike and Adidas so many consumers switch brands. Another competitive force revolves around the supplier bargaining power. Since the items being supplied are commodities that are readily available from many suppliers this increases competition. Many industry members switch their purchases from one supplier to another. The competitive force of potential new entrants continues to be a major source of competition for Under Armour, Nike, and Adidas. Athletic products are very popular today and every business is looking to make the next best thing. Existing industry members are often strong candidates to enter market segmentation or geographic areas where they currently do not have market presence. Lastly, the competitive force of rivalry among competing sellers exists between the companies. These three companies have been competing with each other for a long time. These companies continue to launch new items in order to boost their market share and business standing. Rivalry is also very strong because they are competing in industries where competitors are equal in size and capability.

Under Armour continues to face stiff competition in the industry today. Competitive rivalry within the industry, bargaining power of customers, and the threat of new entrants are the three key forces which have potential to

disrupt Under Armour's growth. The company relies on Dick's Sporting Goods and The Sports Authority for more than 20% of its revenues. Even though Nike and Adidas are major competitors, Under Armour could also see the competition go up from other companies because it doesn't have patents. The diverse supplier base limits their bargaining power. Wholesale customers such as Dick's Sporting Goods and The Sports Authority hold leverage. Existing sports apparel companies could enter the performance apparel market. However, demand for Under Armour's products is expected to continue.

What does a SWOT analysis reveal about the overall attractiveness of Under Armour's situation? The SWOT analysis is a tool used by many companies to determine the strengths, weaknesses, threats, and opportunities of a company. The company's early years started off slow but became very successful very fast. Over the years, the company's product lines continued to grow and expand into shirts, shorts, gloves, shoes, outerwear, innerwear, etc., and many other offerings. Under Armour's mission was "to make all athletes better through passion, design, and the relentless pursuit of innovation." The strengths of Under Armour include innovation, brand equity, sponsorship by college and professional athletes, distribution techniques, consumer awareness and loyalty, attractive logo, financially strong, high net income, and a wide range of apparel and sportswear. The weaknesses of Under Armour include pricing, advertising and promotion, narrow focus, very expensive, competing successful companies such as Nike and Adidas, ineffective marketing strategies compared to others, not reducing their costs

in the same way that their competitors do, limited product line, and it is more of a male product line.

The opportunities of Under Armour include emphasis on expanding their product line and creating variety, lower prices, branching out to different sports, creating alliances with different manufactures, expanding into other markets and increasing market share, looking at export opportunities, forming strategic alliances, and creating additional revenue. The threats of Under Armour include competing companies such as Nike and Adidas, economic recession, male dominant focus, changes in the way consumers shop, buyer and seller bargaining power, low price importers, stiff competition, substitute products available, cheaper prices, and financial burdens. Under Armour is trying to grow by continuing to broaden its product offerings, targeting additional consumer segments, increasing its penetration of the market for athletic footwear, securing additional distribution, expanding its sales, and growing global awareness. Currently there are 25 brand-name competitors. The overall attractiveness of Under Armour is strong. It is a brand that is continually trusted and used by consumers. Their products continue to be successful and meet consumer guidelines. Their sales continue to grow from year to year. However, competition is getting stronger so Under Armour will need to do something differently if it wants to stay ahead of the pack.