

# The introduction of under armour inc marketing essay



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Our company, Under Armour, Inc., was founded in 1966 by former University of Maryland football player Kevin Plank. Under Armour is known as an advanced sportswear and casual apparel company and the original innovator of performance apparel. They are mainly focused in a market directed towards the general athletic community or individuals with a more active lifestyle. Under Armour is different from other competitors because they offer a more flamboyant approach to supplying athletic apparel. They are unique from their top competitors because they have a high performance line of athletic clothing that absorbs moisture from the away from the athlete's body to enhance their performance in hot or cold conditions.

Under Armour, Inc.'s mission statement is “ To make all athletes better through passion, science, and the relentless pursuit of innovation.”(xv)

Under Armour prides itself in doing something for all of its customers and helping making each them better through the use of their products.

## **Strengths**

Under Armour possesses has numerous strengths that are assisting them in the rise to the top. They offer superior quality and innovative products that are unlike anything other companies have created before. Although they are a newer company, they are already a trusted brand by many. They are established in the apparel field and are continuing to expand with average growth rate of 13. 3% per year. Under Armour's products are not only stylish and durable, but they are a professionally recognized brand with collegiate and national level sports teams. Under Armour offers a wide range of apparel from T-shirts to shoes and everything in between. They have excellent product placement in TV shows, movies, and even awards shows. They have

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excellent leadership in the company by CEO Kevin Plank and he explains that in order to have a successful business team, you have to have happy employees, so he does everything he can to keep it an exciting and happy environment. Under Armour even has a 'green' collection that is ecofriendly, which gives them a leg up over some of the competition. Their attractive logo and newly improved slogan are only a few of the things that are keeping this company headed towards top success.

## **Weaknesses**

Although Under Armour has countless strengths in their company, there are also some weaknesses to go hand-in-hand with them. First of all, Under Armour is not the most inexpensive company to purchase sports apparel from. The materials used in their products are not patented so generic labels are able to make similar products and sell them at a much cheaper price. They have a weak marketing strategy and rely on chain stores such as Dicks Sporting Goods and Sports Authority to sell most of their products. They have a somewhat limited product line because they started out targeting towards men or professional athletes, but are increasingly adding in more options geared towards women, teens, and kids. They are a new company of only 8 years old, so they have a lot of maturing to do in order to catch up to their top competitors and strong customer base like Nike and Adidas.

## **Opportunities**

Despite an economic recession, Under Armour finds ways to thrive and prosper. This can be credited to the company's ability to take advantage of sprouting opportunities. With the introduction of footwear to add to Under

Armour's product line, they have been able to appeal to another sector of <https://assignbuster.com/the-introduction-of-under-armour-inc-marketing-essay/>

their market. NFL's contract with Under Armour as their official footwear will supply a plethora of opportunities to sponsor more popular athletes. Also, as Under Armour becomes more desirable and in demand, they will have an opportunity to expand into foreign markets. Stretching into Europe and Asia will have a colossal impact on the growth of the company, as well as threatening Nike and Adidas as number one. Due to demand growth in Under Armour's products, they have the option to lower its prices to aid in attracting even more customers. In the long run, this will help sustain the company and grow. In order to attract the younger generation, Under Armour could host sporting camps for kids who are in high school and below. This can be a camp where high school students can show off their talents to college recruiters and act as a form of advertising for the company. Also, as the company grows they have the ability to build more outlet stores throughout the United States. This will make it easier for customers to be able to walk in and immediately get the effect that Under Armour has.

## **Threats**

Under Armour is a fairly new company paralleled to their competitors, Nike and Adidas; therefore, sales and profit margins are much higher for Under Armour's competitors. This makes it much more difficult to tap into the market. Competition in this market is lofty, meaning that only the best and innovative companies survive. Economic conditions are not assisting the aspiring company because the expensive clothing could turn loyal customers away from the brand. The fabric and material that is woven into Under Armour's materials are being duplicated by generic brand names and are

being sold at a much lower price. This could be detrimental to Under Armour's niche of people who buy their products.

## **Organizational Structure**

The organizational structure of Under Armour comprises of 20 main executives. The main three executives comprise of Kevin Plank, Brad Dickerson, and Kip Fulks. The CEO (Chief Executive Office) of Under Armour is Kevin Plank is the superior boss of the company. His mission is to provide financial results expected by the shareholders. The CFO (Chief Financial Officer) is Brad Dickerson; his mission is to provide the company with the right financial resources for its development. The COO (Chief Operating Officer) is Kip Fulks; his mission is to execute the strategy of the company or a part of the company under the leadership of the President or CEO. Although Kevin Plank is at the top of the executive pyramid, it is actually the Board of Directors who is responsible for many of the decision making opportunities associated with Under Armour.

## **Capabilities and Processes**

Some of Under Armour's capabilities and processes include the use of SAP enterprise systems, which is a well-known software program that many fortune 500 companies use to manage their company databases for financial, accounting, personnel, documents, and more. Under Armour specifically uses the SAP enterprise system for improving their sales projections, planning more in advance for inventory, and coordinating the supply more closely with the demand of their products. Under Armour chose SAP because it is one of their trusted business partners. Using SAP gives the company access to real-time data and master and transactional data. It also <https://assignbuster.com/the-introduction-of-under-armour-inc-marketing-essay/>

makes it easier for them to easily navigate and get detailed information of their company data. By using SAP, Under Armour has reduced inventory to 20%. They have increased forecast precision and improved cooperation among sales, planning, and operations. SAP helps to continuously improve Under Armour's planning and reporting functionality.

Under Armour has also integrated SAP with Microsoft SharePoint. The integration of this program helps to streamline the processes and improve their access to their current SAP data. Using this process helps to ease the abilities and access the company information more efficiently, in return saving the company millions of dollars in training and other costs. Using SharePoint has helped the Under Armour Company more successfully transfer job roles more easily, rather than having to retrain employees individually on certain jobs.

## **Industry Environment**

The principal competitors of Under Armour are Nike, Adidas, and Russell Athletic. Our competitors challenge us on a daily basis by being well known in our industry environment. The reason they are principal competitors is because; they bring many years of experience, and provide a trusted brand. A few of Nike strengths consist of, a strong research and development team and are very recognizable brand. They are a globally recognized company offering their products worldwide. They offer a wide range of products at a low price. A few of Adidas consist of, being one of the biggest sponsors of sporting events worldwide. Have been around since 1924 and they employee over 45, 000 people. Russell athletics strengths consist of, being supported by a strong parent company; Berkshire Hathaway. They are one of the <https://assignbuster.com/the-introduction-of-under-armour-inc-marketing-essay/>

largest producers of sports uniforms and accessories in the United States. Also have excellent brand visibility. Although this is a fierce market Under Armour brings much strength to the table, which motivates Under Armour to be innovative and progress in expanding their target market. In result Under Armour's strengths consist of, a wide range of apparel, which is very durable and reliable products, with excellent service, is a professionally recognized brand. Also have an excellent growth rate exceeding 133% per year. Most importantly Under Armour has an outstanding customer service team which keeps our loyal customers coming back, and also helps to expand our product line to different demographic markets.

## **Customers**

Under Armour engineered the company to supply and distribute hi-tech athletic gear not only to individuals, but athletic teams domestically and globally. The gear is aimed at a multitude of sports like football, basketball, soccer, baseball, etc. During their campaign to gain market share, Under Armour relied heavily on the 18-35 sport orientated male and less on females. Under Armour targeted a segmentation of the market that has wealth, active lifestyles, and a desire for a high quality product on a global scale. Competitive, ambitious, and fashionable people are likely to purchase Under Armour products. Serious athletes who want to gain an athletic edge on the field are common among Under Armour consumers. To drive up future market share, Under Armour has started to chase elusive youth athletes by exposing them to the product at an early age.

Early in the company's development female clothing lines were nearly

obsolete; males were the dominant focus to charge up the company. As of <https://assignbuster.com/the-introduction-of-under-armour-inc-marketing-essay/>

recent, Under Armour has started a full-on marketing campaign to entice females to start buying their products. Now because of massive development and marketing efforts, “ Women’s wear now represents 30 percent of Under Armour’s overall business, up from 20 percent three-and-a-half years ago, and our growth is eclipsing men’s” (Palmieri 1). Creating gear and apparel for athletes to wear under their equipment or jersey is Under Armour’s niche that has been unsatisfied by producers for years. Now as the company moves forward, they are broadening their product line to allure a more general market by producing items like sweatshirts, running shorts, and casual t-shirts. Customer attitude is oscillating from athlete only gear, to a more general consumer.

Under Armour’s focus was to appeal to the athlete by offering tightly fitting clothing that is fashionably attractive and provided athletic excellence. To appeal to every facet of athletic clothing, Under Armour manufactures HEATGEAR to keep athletes cooler during activities, COLDGEAR to keep them warmer, RECOVERYGEAR to help reduces aches and pains after a workout, and ALLSEASONGEAR for the season round athlete. Footwear and general clothing have also been added to Under Armour’s repertoire of items consumers buy. The NFL has signed an agreement with Under Armour for it to become its official footwear dealer.

Customers purchase Under Armour because of the durable and quality products they have to offer. The “ Super-lightweight micro-pique fabric” assists in forming the shirt to the customer’s comfortably level. Customers value the innovative hi-tech clothing and equipment that is offered by Under Armour and the Brand ideology of dominance.

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To attract consumers, Under Armour uses professional athletes as a medium to market how their products look and feel. Popular athletes such as Devin Hester, Ray Lewis, AJ Hawk, Patrick Willis and many more all have endorsement deals with Under Armour to help boost customer awareness. Under Armour has also reached out to collegiate teams like Auburn, Texas Tech, and South Carolina in an attempt to show that Under Armour products are superior.

## **Context**

### **Industry**

Under Armour started out as a “ basement project (1),” with hopes of becoming an extremely well known and successful business and as a main competitor in the sports market. “ Today Under Armour is well known for introducing a different type of fabric and material to the market. The fabric and material is designed so that as the athlete wears the clothing it absorbs the sweat from the skin and transfers to the clothing apparel leaving the person dry and comfortable in wearing the apparel (2).” The industry that Under Armour is involved with is very competitive, with competing against companies such as Nike, or Adidas but customers want to have the highest quality apparel therefore they turn to Under Armour. Under Armour stays in the competition by having a high quality product, and also by signing endorsements deals with major athletes. By having major athletes represent Under Armour, means the company will be bringing in “ big money (1).”

## **Economic**

Under Armour, even during economic recession, has experienced significant growth rates. This can be credited to the innovation and management of the Under Armour Company. On December 31, 2012, Under Armour's net income was 33 million compared to the 23 million that was reported in the fourth quarter in 2010. Also, net revenues soared from 301 million in 2010 to 403 million in 2012. Under Armour reports a 38% net revenue increase from 2007. One of the primary reasons for the economic boost during strenuous times is Under Armour continually produces creative and exciting new products that tap into markets. The company also reports a 43% gain in footwear net revenue from the introduction of running shoes revenue of 22 million, to 31 million in one year. (BaltimoreSun. com)

Kevin Plank, CEO of Under Armour, doesn't address the issue of the current economy playing a role in his success. When referring to the economy Plank says, " We never refer to things as the current economy, there's just one economy and we live through it and fight it" (Bizjournals. com).

## **Technological**

Under Armour is known for making high quality athletic gear that helps keep the consumer warm but also comfortable. Stemming from their simple idea of T-shirts made of a special material that could keep you comfortable while staying active, Under Armour continues to progress in the technological field. They have implemented their original ideas into various types of clothes, shoes, gloves and various types of athletic gear. Technology for gloves and shoes include properties of increased grip, and also enhanced weather insulation for their clothes which are great for people in colder environments. <https://assignbuster.com/the-introduction-of-under-armour-inc-marketing-essay/>

Under Armour is known for coming out with the latest and greatest technological advancements. Under Armour has a product called the E39 Sensor, which is similar to a computer chip in a skin tight jersey. . It is able to measure the athletes' heart rate and acceleration and the data is able to be uploaded to a computer to be analyzed which can be great for professional athletes and strength training. They have also implemented locker tag technology which gets rid of annoying size tags on garments and gives a space where ID or unit numbers can be displayed for teams to keep track of jerseys. While rapidly coming up with the newest technologies, Under Armour is going to continue to stay ahead of their competitors.

## **Societal**

Under Armour is an inspiring and innovative business/company in the sports apparel industry. They have been producing and will continue producing some of the world's highest quality products. They aspire and put effort into making our apparel to be able to improve the users experience while participating in an active lifestyle and keeping the user comfortable at the same time. Over the past decade Under Armour has substantially grown to become one of the biggest competitors in the sports market/industry. With a strong belief in creating the best product for the customer/user will then with a doubt inspire that person to becoming a loyal Under Armour customer. “

Under Armour's passion for service extends into each of the communities we inhabit. Under Armour is interested in what is best for our community and are deeply engaged in a variety of community service organizations. Under Armour “ GiveBack” stands behind its 4 Pillars of Giving, Legacy Partners, and 911 Disaster Relief efforts with our people, products, and spirit (1).” We

make it easy for our employees to get involved with their communities, as well as participating in programs that are devoted to finding a cure for breast cancer, decreasing the environmental impact, supporting our military and law enforcement, and supporting young athletes. Therefore, Under Armour developed their “ GiveBack” program to increase awareness and leave a lasting impact on the community.

## **Legal**

Under Armour was founded on four core values: reliability, innovation, inspiration, and integrity. They seek to do business with their subcontractors and suppliers that conform to those practices and follow enacted work place processes that comply with their code of conduct. “ Under Armour suppliers’ and their subcontractors’ must deal with their employees in a legal, ethical and equitable manner. Any violation of these laws or the code of conduct may be viewed as a breach of the Manufacturing Agreement and could lead to the termination of the business relationship between Under Armour and the supplier.” They have many rules and regulations that deal with forced labor, child labor, harassment or abuse, nondiscrimination, health and safety, wages and benefits, hours of work, overtime compensation, the environment, and legal/ethical business practices. At Under Armour, obeying legality issues is the foundation for their ethical standards.

## **Competitors**

### **Nike**

Nike, Inc. is a major publicly traded company known for their footwear, clothing, sportswear, and equipment line of products. Phil Knight and Bill

Bowerman co-founded the company in Beaverton, Oregon in 1964. At this time, the company was known as Blue Ribbon Sports until 1978 when it officially became Nike, Inc. They are the main competitor for Under Armour as they are the world's leading supplier of apparel and athletic shoes, as well as a major manufacturer of sporting equipment. Nike sponsors many high-profile athletes as well as sports teams around the world. Their swoosh logo and "just do it" slogan are highly recognized.

## **Adidas**

Adidas is a publicly traded German company known for their footwear and apparel line. They also produce bags, watches, eyewear, and other clothing and sports related products. Adolf Dassler founded the company in 1948 in Herzogenaurach, Germany. In Europe, they are the largest manufacturer of sportswear, and second in the world next to Nike. Adidas is known for their famous "three stripes" brand logo.

## **Russell Athletic**

Athletic is the main brand of the Russell Brands that specialize in producing uniforms for numerous sports such as football, baseball, basketball, volleyball, and softball. The company has sponsored a number of professional football, baseball, and basketball teams, as well as many college football programs. It was founded in 1902 by Benjamin Russell in Alexander City, Alabama and is currently headquartered in Bowling Green, Kentucky. In 2006, a deal was set up and the gigantic American holding company, Berkshire Hathaway purchased 100% of Russell.

## **Nike SWOT Analysis**

### **STRENGTHS**

- Very professionally competitive organization
- Phil Knight is an excellent leader
- Strong research and development team
- Extensive product line
- High quality products at very low prices
- Globally recognized company & offer their products worldwide
- Offices in 45 different -countries
- Employer of over 30, 000 employees
- Very strong marketing team to increase brand familiarity
- Very recognizable logo (Nike Swoosh)
- No physical factories, so production can be moved to a more cost effective location if/when necessary
- Fortune 500 company

### **WEAKNESSES**

- Most income comes from selling into retailers& profits are very dependent on the footwear line

- Company has a history of violations of overtime laws/ minimum wage (sweatshops in foreign countries)
- Poor working conditions (in foreign countries)
- Anti-globalization groups are constantly criticizing them

## **OPPORTUNITIES**

- Product development
- International development (China, India, etc.)
- “ greener” product development
- Attempting to reduce controversy that surrounds their production/ trade practices

## **THREATS**

- Buy & sell products in different currencies (costs & margins not stable over long periods)
- Shoe & apparel market is very competitive
- Competitors are creating high quality products that are tapping into their profits
- The current state of the economy
- Keeping up with an eco-friendly reputation
- Threat of counterfeit products

## **Adidas SWOT Analysis**

### **STRENGTHS**

- One of the biggest sponsors of sporting events
- Sponsors the Olympics and many high-profile athletes
- Financially stable organization
- Excellent marketing strategies
- Strong brand with a highly recognizable logo
- Huge online presence
- Globally recognized company
- Very competitive pricing
- Company has been around for over eight decades
- Employer of over 45, 000 people

### **WEAKNESSES**

- Somewhat limited product line
- Online customer service is lacking
- Tend to overprice some products (due to innovative technologies)
- High cost structure
- Third party manufacturing dependent

## **OPPORTUNITIES**

- Entering into new markets
- Expanding their customer base
- Product Development
- Diversify their market
- Technological innovations
- Change in consumers lifestyles
- Improving efficiency
- Producing more stylish designs
- Setting up sport camps to increase brand recognition

## **THREATS**

- Very competitive market
- Growing power of customers and suppliers ability to set the price
- Current state of the economy
- New competitors entering into the market who produce products cheaper
- Taxation hikes
- Foreign market competition
- Threat of counterfeit products

## **Russell Athletics SWOT Analysis**

### **STRENGTHS**

- Very strong brand for American sports
- Berkshire Hathaway is the parent company which helps to make it a well stabilized brand (BH is one of the largest conglomerate holding companies in the world)
- Hold contracts with numerous sports teams across the U. S.
- Largest producer of sports uniforms & accessories in the U. S.
- Manufacturing is outsourced outside the U. S. which maintains economies of scale
- Excellent brand visibility
- Strong interactions with university's & high schools

### **WEAKNESSES**

- Difficulties in expanding outside of the U. S. market
- Difficulties sustaining its own retail fronts
- Lacking cost control system
- Distribution system is not the greatest

### **OPPORTUNITIES**

- Product development

- Entering into foreign markets
- Increase marketing upon college campuses

## **THREATS**

- Intense market competition (Nike/Adidas)
- Threat of counterfeit products (knock-off designs)
- Current state of the economy
- Rising cotton prices
- Price hikes from suppliers

## **Competitive Analysis**

### **Nike**

Innovation is the key aspect to Nike's competitive advantage. According to an article posted in Chicago Now, Nike President Charlie Denson said, " Our ability to be authentic, stay connected, and remain distinctive through innovating across all areas of our business is a definitive competitive advantage." The Nike Corporation prides itself in being a leader in their industry because of their innovation, and protecting these ideas with patents. Nike currently has over 3, 700 patents to this date, which annihilates Adidas', Russell Athletics, and Under Armour's patent count.

### **Adidas**

Adidas prides itself in innovation as well, but it cannot stack up to the sheer size of Nike. An article in Knoji states, " While technological superiority of its

products is the primary factor of market penetration for Adidas, intense and targeted marketing promotion is the second most important ingredient of its recipe for success.” A huge source of competitive advantage for Adidas is promoting its products through sports idols and popular celebrities. This marketing strategy generates a reliable source of income and sales for the company. Consumers tend to appreciate the quality of Adidas’ products more when they associate the company with influential individuals. Another source of competitive advantage is the matter that Adidas’ customer support team is highly involved in the company and they listen to their customer’s feedback. This strategy helps them to stay ahead of competitors and to maintain long-term relationships with its customers.

## **Russell Athletics**

Russell Athletics key to its competitive advantage is their intense marketing efforts as sports apparel demand increases. The company completely restructured in 1998 into six strategic business units that transformed the company from a highly manufacturing driven organization to a consumer-oriented marketing corporation. According to an article in Apparel magazine, “ Russell Athletics recent push under new ownership is sharpening its brand image through new marketing initiatives, the launch of high-tech apparel products and aggressively pursued licensing agreements with sports leagues and teams.” They are intensifying their marketing emphasis in order to let the consumer know exactly what they are made up of. Russell Athletics are marketing offerings that integrate qualities of performance with comfortable attributes, as demand increases for sporting apparel with technical advantages.

## **Key Ratios (2011)**

### **Under Armour**

### **Nike**

### **Adidas**

### **Profit Margin**

7.00

10.00

5.00

### **Return on Assets**

11.00

14.00

6.00

### **Return on Equity**

15.00

22.00

13.00

### **Current Ratio**

3.76

2.85

1. 50

### **Cash Ratio**

0. 96

0. 49

0. 21

### **Inventory Turnover**

2. 34

4. 18

2. 82

### **Days' Sales in Inventory**

155. 85

87. 28

129. 43

### **Receivables Turnover**

10. 99

6. 65

10. 12

### **Days' Sales in Receivables**

33. 21

54. 90

36. 07

### **Net Working Capital**

506. 10

7339. 00

2789. 20

### **Fixed Asset Turnover**

9. 26

4. 25

13. 86

### **Total Asset Turnover**

1. 60

1. 39

1. 17

### **Total Debt Ratio**

0. 31

0. 34

0. 53

## **Debt-to-Equity**

0. 44

0. 52

1. 14

## **Long-term Debt**

0. 10

0. 03

0. 16

## **Times Interest Earned**

74. 71

0. 00

0. 00

## **Cash Coverage**

92. 00

0. 00

0. 00

## **Earnings Per Share**

1. 05

4. 56

4. 15

## **Price Per Share**

35. 90

96. 37

52. 59

## **Key Ratios (2010)**

### **Under Armour**

### **Nike**

### **Adidas**

## **Profit Margin**

6. 00

10. 00

5. 00

## **Return on Assets**

10. 00

13. 00

5. 00

## **Return on Equity**

14. 00

20. 00

12. 00

### **Current Ratio**

3. 73

3. 26

1. 51

### **Cash Ratio**

1. 37

0. 92

0. 30

### **Inventory Turnover**

2. 48

5. 01

2. 95

### **Days' Sales in Inventory**

147. 42

72. 93

123. 56

## **Receivables Turnover**

10. 43

7. 18

9. 53

## **Days' Sales in Receivables**

35. 00

50. 86

38. 30

## **Net Working Capital**

406. 80

7595. 00

2613. 30

## **Fixed Asset Turnover**

13. 98

4. 33

14. 02

## **Total Asset Turnover**

1. 58

1. 32

1. 13

### **Total Debt Ratio**

0. 26

0. 32

0. 57

### **Debt-to-Equity**

0. 36

0. 48

1. 30

### **Long-term Debt**

0. 02

0. 04

0. 22

### **Times Interest Earned**

90. 75

0. 00

0. 00

### **Cash Coverage**

116. 83

0. 00

0. 00

### **Earnings Per Share**

0. 76

3. 94

3. 60

### **Price Per Share**

27. 42

85. 42

51. 55

### **Key Ratios (2009)**

#### **Under Armour**

#### **Nike**

#### **Adidas**

### **Profit Margin**

6. 00

8. 00

2. 00

## **Return on Assets**

9.00

11.00

3.00

## **Return on Equity**

12.00

17.00

7.00

## **Current Ratio**

3.73

2.97

1.58

## **Cash Ratio**

1.56

0.70

0.27

## **Inventory Turnover**

2.99

4.49

3. 85

### **Days' Sales in Inventory**

122. 20

81. 38

94. 71

### **Receivables Turnover**

10. 79

6. 65

10. 41

### **Days' Sales in Receivables**

33. 84

54. 90

35. 06

### **Net Working Capital**

67. 10

6457. 00

2363. 30

### **Fixed Asset Turnover**

11. 75

4. 51

14. 36

### **Total Asset Turnover**

1. 57

1. 45

1. 17

### **Total Debt Ratio**

0. 27

0. 34

0. 58

### **Debt-to-Equity**

0. 36

0. 52

1. 35

### **Long-term Debt**

0. 03

0. 05

0. 29

**Times Interest Earned**

164. 80

0. 00

0. 00

**Cash Coverage**

221. 20

0. 00

0. 00

**Earnings Per Share**

0. 53

3. 06

1. 68

**Price Per Share**

13. 64

66. 07

39. 30

Many strengths and weaknesses of Under Armour are analyzed when compared to their top competitors- Nike and Adidas. Under Armour's strengths consist of the c