

Exploring business: under armour inc research paper examples

[Business](#), [Company](#)



An examination of the prevailing landscape of the international business market reveals that innovation and advancement has not been limited to technology and communication. In particular, innovation has become an increasingly critical element of conducting business within today's fiercely competitive business environment. As a result, new products and services are developed and introduced on seemingly a daily basis in an effort to provide consumers with the means to make their lives easier and more enjoyable. One industry that has increased in popularity in recent years is that of health and fitness. This increased popularity has sparked increased demand for health and fitness based products and services to support new health conscious lifestyles. As a result, a host of new firms have emerged to fill the void made by increasing demand within the health and fitness industry. Many of these firms held innovation as a core competency in order to provide consumers within their target market with unique yet effective solutions to meet their health and fitness needs. One firm that arose to meet the challenge of rising demand within the health and fitness industry is Under Armour, which is an apparel firm that develops and markets its own line of fitness clothing that is designed using innovative fabric technologies to enhance the individual fitness experience. The sections that follow will provide a detailed examination of Under Armour Inc. by exploring the firm's history and background, as well as the current status of the company within its market. The information gained from this analysis will then be utilized to develop accurate predictions regarding the company's future as it moves forward based on its current organizational goals and strategies.

Company History

Like many other firms, Under Armour Inc. had its origins in the identification of a real consumer need that had not yet been met. In particular, while playing football at the University of Maryland, Kevin Plank identified a problem that impeded his comfort and ability while playing football. He noticed that the t-shirt that was worn underneath his football padding and jersey was always soaked with sweat when he played, and as such, would get heavy and often give off an unpleasant odor. This problem irritated Plank so much, that he felt compelled to design a new garment that could be worn under football padding without getting soaked with sweat and heavy. Upon graduation from the University of Maryland, Kevin Plank began developing his prototype t-shirt, which he tested on his friends that had gone on to play professionally with the NFL. Once he and his friends were satisfied with the design and capabilities of the t-shirt, Kevin Plank established company headquarters in his grandmother's garage in Washington D. C., and in 1996, Under Armour was born.

The t-shirt that Plank had designed was highly innovative for its time. Its simplistic design consisted of microfiber fabric that whisked sweat away from the body to keep athlete's skin dry and cool while they played, even in the most unfavorable conditions, such as hot or wet weather. The first application of Plank's new shirt design was for football players to wear under their padding, and as such, the company's first target market was college level and professional football teams that provided uniforms to its players. As a result of these efforts, at the end of its first year in business, Under Armour made its first sale to Georgia Tech's football team. The t-shirts fared well in

their commercial debut as they performed above expectations in the immense heat and humidity of the Southern region of the United States. In addition, Georgia Tech players and other teams reveled at the revolutionary fabric of the Under Armour t-shirt as it enabled players to remain dry throughout the game. As a result, many Division 1 teams quickly scrambled to follow Georgia Tech's example in order to outfit their own players with the extraordinary new microfiber t-shirts. Once two dozen of the most prominent teams in the NFL jumped on the Under Armour band wagon, the firm knew that it had carved out a solid reputation within its primary target market. In order to ensure continued organizational success, the firm sought expansion beyond its revolutionary t-shirt that was narrowly designed for football players to wear under their padding. To demonstrate its resolve, Under Armour relocated its headquarters to South Baltimore, in 1998, which provided the firm with the proper venue to conduct research and development to innovate new revolutionary fitness based apparel that could be sold in other markets beyond football. It is at its new South Baltimore headquarters that Under Armour developed several lines of new fitness apparel, which it had dubbed HeatGear®, ColdGear®, and AllSeasonGear®. Additionally, in 1999 Under Armour was able to secure a contract with Warner Brothers to provide costumes for the motion picture "Any Given Sunday". The massive commercial exposure that Under Armour received following the opening of the motion picture of American audiences. By 2003, the firm's stature within the fitness community exploded with the broadcast of its first television commercial that relied heavily on celebrity and professional athlete endorsement with the now iconic slogan, "Protect this

House". In the decade that followed, Under Armour expanded its offerings to include footwear, athletic clothing, socks, jackets, and fitness accessories that can be found in gyms, fitness centers, athletic fields and even skating rinks throughout the United States and the world. In addition, Under Armour has grown in stature from a one person operation to a prominent firm with over 3000 full time employees by the company's 18th birthday.

Although the origins of the firm are primarily rooted in B2B, or business to business type operations as Under Armour sought to establish contracts with Division 1 and NFL teams, the firm's strategy changed significantly during its history as the organization's leadership looked for expansion opportunities. In particular, understanding that the business and franchise segment of the football team market was considerably limited, the firm's leadership felt it necessary to explore opportunities in new market niches. As a result of its innovation and market proven designs, Under Armour has been dubbed the pioneer firm of the fitness apparel/gear industry.

Further, the success of Under Armour as a commercial fitness brand is evidenced by its performance compared to long standing competitors in the sports and fitness apparel markets, such as Nike and Adidas. In fact, Under Armour was able to effectively steel the top spot in the industry from Adidas by 2012, which was a very compelling feat considering Adidas has been a highly regarded and successful fitness and sports apparel firm within the US and global market for several decades. Based on this, it is clear to see that Under Armour was about to transform itself from a small fledgling business housed inside Kevin Flank's grandmother's garage to a multinational recognized fitness apparel giant with a solid reputation for providing

innovative clothing solutions to athletes and fitness enthusiasts from all backgrounds and sports category.

Current Status of Company

As of 2014, Under Armour Inc. has grown into a massive, multinational firm with a number of prominent subsidiaries within a variety of different areas of sports and fitness. Further, the firm has held true to its mission, which is to make all athletes better through passion, design and the relentless pursuit of innovation. By ensuring that the firm's strategic goals and objectives remain aligned with this fundamental organizational mission, Under Armour Inc. has been able to differentiate its brand as a world renowned innovator and distributor of branded performance wear, including footwear, clothing and fitness accessories for consumers 8 weeks to 80 years old, both women and men. In addition, the Under Armour brand has been able to establish strong a brand presence in North America, Asia, Middle East, Latin America and Africa.

Based on the company's illustrious background, which was reviewed in the preceding section, it is apparent that the firm has changed significantly in its short 18 year history. In particular, the product offerings bearing the Under Armour brand have grown significantly in number over the course of the firm's history, starting out with one specially designed t-shirt for football players to wear underneath their padding, and expanding to include a host of fitness based attire including Armourbite, Armourloft, Armour Fleece, Armourstorm, Armour39 and Armour Bra, which all tout the brand's trademark. In order to provide widespread availability and accessibility of its

many product offerings, Under Armour Inc. has developed an extensive distribution chain, that is comprised of various national and international elements, including wholesalers, regional and national sporting good retail chains, such as Foot Locker and Dick's Sporting Goods, independent and specialty good retailers, department stores, and the professional fitness and sports outlets, online retailers, and independent distributors. In addition, Under Armour makes all of its offerings available directly to customers through its full service website, as well as an integrated network of brand and factory outlet stores.

Despite the extensive change that has taken place within the Under Armour Company, its brand, and its organizational culture, there is one distinctive element that has remained constant. Specifically, Kevin Plank, now 41, remains the firm's CEO, President, and Chairman to this day, which has ensured strength, consistency and continuity of the organization's leadership from the day it was founded to present. In addition to its long time CEO Kevin Plank, who commands an annual salary of over \$2.4 million, the Under Armour strategic leadership and C-Suite team include Brad Dickerson, who serves as the company's CFO, Kip Fulks, company COO and President of Production, Henry Stafford, President of North American operations, and Byron Adams Jr., the oldest of the group at 61 and Senior Advisor to the Chairman and Directors.

Under Armour's financial success and competitive position within its industry effectively demonstrate the overall effectiveness of the firm's innovation driven business strategy and resilience within a ferociously competitive industry. There is a great deal of data that supports the finding that Under

Armour has been able to achieve success within the modern international business landscape. A review of the firm's financial performance data, for example, effectively demonstrates the firm's strong competitive position and stability. In particular, the firm's stock price stands at \$68.32 a share with a daily trading volume of 1,767,255 shares. Further, the 52 week high for Under Armour Inc. stock was \$73.42, while the firm has over 213 million shares outstanding. Data does indicate that Under Armour's ROI and ROE stand just below the industry average at \$14.46 and \$16.61 respectively. Despite this, overall financial performance has been enviable for the firm, which has been able to successfully and consistently achieve average growth rates of 56% since 2002. Further, in 2005 the firm's sales had exploded to over \$271 million. In response to this stellar growth, Under Armour decided it was time to go public, and as such, celebrated its IPO and debut of its stock on November 18th 2005. The firm's stock was so well received by eager investors that the initial stock price of \$13 per share was driven up to over \$30 a share in the very first day of trading. It is important to note that this extraordinary growth trend has continued throughout the years following its IPO and up to the present. In particular, Under Armour's financial reports boasted enviable sales growth in 2014 with 2nd quarter net revenue growth of 34% and 3rd quarter growth of 30%. Additionally, available data indicates that Under Armour has enjoyed 80% growth in annual profits last year with total profits of just over \$26 million. There have been predictions by industry experts and business pundits that a slowing growth trend will emerge within the fitness apparel industry in 2015, particularly regarding Under Armour's outdoor clothing that is specially designed to retain body heat. Despite this,

investors remain optimistic about Under Armour's sales and profit performance as the firm continues to pursue international growth, and innovative development of new apparel designs and capabilities.

Under Armour's pursuits of growth and expansion have been extensive in recent years, which is evidenced by the firm's tremendous growth in such a relatively short period of time. One expansionary opportunity the firm pursued was to open stores in China at the end of 2012, which represents the single largest emerging market in the world. Further, rigorous economic development in China resulting from relaxed trade policies has made China a far more attractive target for business expansion. As such, Under Armour's entrance into this new market emphasizes the firm's ambition and emphasis on pursuing continued organizational and brand growth. Under Armour has also taken action to expand its brand presence by developing agreements with brand licensees who manufacture a host of Under Armour branded products, such as socks, team uniforms, eyewear, infant and youth apparel, and custom molded mouth pieces. In addition, Under Armour moved to acquire MapMyFitness in November of 2013 for a reported \$150 million. MapMyFitness, headquartered in Austin Texas and employing 101 full time workers, represents a suite of web sites and application, such as MapMyRun.com, that provides fitness enthusiasts with virtual tools to track and store daily workout data metrics, such as running, walking, cycling, and swimming activities. As the latest acquisition of Under Armour, MapMyFitness provides the firm's customers with fitness support to increase their ability to meet fitness goals.

Future of Under Armour

The wealth of information that has been listed in the preceding two sections, which include the company background and current company standing for Under Armour Inc., provides an extraordinarily detailed picture of Under Armour as an organization, innovator, and fierce competitor within the fitness apparel industry. In addition, the comprehensive company data that has been presented above provides a strong supporting foundation by which to effectively develop accurate predictions about the firm and its performance in the coming years.

In this section, that is precisely what will be done as the company information reviewed previously in this report will be subjected to additional scrutiny in order to facilitate concise forecasts regarding Under Armour's organizational performance over the next five years. In particular, the predictions that will be made regarding Under Armour's future will include forecasts relating to organizational growth, sales growth or decline, market expansion, and financial performance. Further, the information that has been amassed within the preceding sections will be directly used to support the predictions that are made. By the end of this section, compelling evidence should exist to support predictions of Under Armour's future within the markets it currently services.

Based on available data, the first prediction that will be made regarding Under Armour Inc.'s future is that it will continue to expand into the international marketplace by designing and developing new apparel to meet consumer needs from all climates engaging in all activities, including swimming, surfing, rock climbing, skiing, Cricket and other sports that are

popular throughout the world. A review of Under Armour's company history revealed that the firm has a long standing reputation of innovation and expansion, as the firm began with just one simple shirt design for football players and has now exploded into a multinational apparel corporation. Ultimately, in order to facilitate continued growth, Under Armour will continue to leverage its critical core competency of innovation to fuel the development of new apparel solutions within the realm of fitness, sports, and recreation and leisure. In addition, Under Armour will need to continue expanding into new foreign markets in order to effectively maintain sales growth rates, otherwise revenues and profits would stagnate. As a firm that has more than proven its prowess for strategic planning, there is little doubt that Under Armour will include innovation and continuous market expansion in its future organizational strategic goals. As such, within the next five years, it is anticipated that Under Armour will have successfully entered 10 additional foreign markets through the establishment of brick and mortar retail locations or through established retail chain stores. In addition, it is predicted that in the next five years, Under Armour will have successfully innovated products for 10 new market or product categories that the firm does not currently service.

Another key prediction regarding Under Armour's future is that it will continue to enjoy considerable sales growth, albeit at a slightly lower rate than the firm has enjoyed in past years. As indicated previously, prevailing market trends suggest cooling demand towards several of Under Armour's key product lines. The rationale given for this expected drop in demand involves increased competition as a result of the availability of comparable

or substitute products. In particular, Under Armour's most prominent competitors, including Nike, Adidas, and Rebok, have designed and developed their own line of fitness apparel that boasts the same benefits as the products Under Armour offers. It is important to note, however, that Under Armour has been able to establish a large loyal following among athletes, sport enthusiasts and younger market demographics due to its heavy use of celebrity endorsements, which primarily feature professional athletes. As a result, it is expected that the substitute and comparable products offered by Under Armour's competitors will have undoubtedly impact the firm's sales in the coming years. The true extent of the impact wielded by the availability of substitute products from Under Armour's competitors may be somewhat difficult to predict, yet enough information regarding sales performance and trends exists to enable a reasonably accurate estimation. Specifically, based on the considerable levels of sales growth that Under Armour has enjoyed in recent years, which is evidenced by a three year average sales growth rate of 80%, there is little doubt that the firm will continue to experience sales growth in the next few years. As competitors are able to develop and market comparable products, Under Armour will likely experience a slight drop in demand for its products as some consumers will seek alternative products from one or more of the firm's competitors. The extent of this drop in demand will primarily hinge on the pricing of the available alternatives as similar apparel offered at a reduced price would draw a great deal more consumers away from Under Armour than would alternative products that were higher or comparable in price. Nike, Adidas and Rebok are all considered premium brands, and as

such, tend to assign a premium price tag to its products. This suggests that the alternative products offered by these competitors would be priced comparably, or likely higher, than the prevailing Under Armour brand. As such, it is ultimately predicted that over the next five years, Under Armour will realize a slight decrease in sales growth as a result of cooling demand towards several of its fitness apparel lines. This slight decrease can be quantified as a three year average growth rate of 68% per year, which is rather liberal given the firm's history of financial success and growth.

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