

Ua case study

Business



The beginning of 2009 meant a new beginning for Under Armour. This new beginning brought the Under Armour product line full circle with the addition of a line of running shoes. Under Armour had set on becoming the world's No.

1 performance brand and running is a part of that," said Steve Battista, senior vice president of brand at Under Armour (A. P. , 2009).

Under Armour had the following to say in a press release dated December 8, 2008: "AU Run footwear launches at retail on January 31, 2009 and includes four road shoes: the AU Proportional, CIA Illusion, AU Reverent, and AU Specter, and two trail shoes: the AU Chalmers and AU Mirage. Each shoe is specifically engineered to maximize the performance of today's generation of professional, collegiate, high school and amateur athletes who are running as a sport or incorporating running as an essential component in their training regimen" (biz. Mom, 2008).

Under Armour wants to provide a superior running shoe for all athletes that aligns with the current brand positioning of USA other products which is performance and authenticity. The foundation of Under Armour's first-ever running footwear collection is the company's new proprietary technology called Cartilage. "The independent suspension system serves as the "connective tissue" between a runner and his environment to enhance performance and provide an exceptionally stable and smooth ride. (biz. Com, 2009) The marketing campaign for the new running shoe highlights the performance of the running shoes and attempts to show superiority to other brands along the usual authenticity that comes with all Under Armour offerings.

The performance of the new running shoe is the major trench that the marketing campaign will focus on. Under Armor 3 Under Armor will be competing with Nike, Adidas, Reebok, Puma, and other running shoe manufacturers.

The challenges that Under Armor and all of its competitors face are staff competition from one another and very high expectations from current and potential customers. In order for Under Armor to continue its success with the new running shoe line and to rise above the competition in a new product line, it must plan and execute an effective MIMIC plan. Company Overview “ Founded in 1996 by former University of Maryland football player Kevin Plank, Under Armor is the originator of performance apparel – gear engineered to keep athletes cool, dry and light throughout the course of a game, practice or workout.

The technology behind Under Armor’s diverse product assortment for men, women and when it’s hot, when it’s cold, and between the extremes.

Under Armor’s mission is to provide the world with technically advanced products engineered with our superior fabric construction, exclusive moisture management, and proven innovation. Every Under Armor product is doing something for you; it’s making you better” (abuzz. Com, 2009). The Under Armor brand is positioned as the highest quality and best available.

Under Armor is advertised as higher quality thus demanding higher price points. The running shoe line will be marketed to adhere to the Under Armor brand position of quality and innovation.

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Under Armor founder and CEO Kevin Plank says “ Athletes do Run” and “ We will make the athletes better runners” (Plank, K. , 2009). This is the foundation for the marketing plan for the running shoe line. Under Armor 4 The target customer for Under Armor is first and foremost any athlete.

But, of course, the running shoe campaign target will be athletes who run. These athletes will want to buy the new running shoe line because of the reputation of Under Armor providing innovative and high quality products.

These athletes are further segmented by sex, age, and type of sport played, all of whom can or do benefit from running, or more succinctly, running with a pair of Under Armor running shoes. They are athletes who want the benefit of the Under Armor product they are using and who do not mind paying extra for it.

This segmentation strategy is a huge strength of Under Armor and helps each marketing campaign focus on a core group of athletes. With recent marketing campaigns such as “ Click Clack”, “ Protect This House”, “ Bombs-TAP” and the most recent “ Athletes Run”, Under Armor is targeting all athletes (2009). Under Armor then further segments athletes into categories. The “ Click Clack” campaign and the “ Protect this House” campaign are speaking directly to football players while the Bombs-TAP campaign segmented and targeted female athletes on sports.

The “ Athletes Run” campaign is segmenting and targeting all runners and all athletes who run. Under Armor has also been able to form many successful partnerships with other impasse and organizations. Some of these organizations include the Ronald McDonald Foundation, the V-Foundation, <https://assignbuster.com/ua-case-study/>

the Conservation Fund, and other foundations (biz. Com, 2009). “ These partnerships help to offer financial support for an organization, person, or activity in exchange for brand publicity and association.

Sponsorships differentiate and add value to brands; they also develop associations which reinforce the image of the brand” (WV, MIMIC, Lesson 8). Under Armor is worn by countless professional and amateur athletes and is also the official Under Armor 5 outfitter of the University of Maryland, Auburn University, and the University of South (SEC, 2008). Financial Data In 2008, Under Armor saw net revenue grow to just over \$725 million which is almost three times as much as net revenues in 2004 which were just a little over \$205 million (Plank & Dickerson, 2008).

CIA CEO Kevin Plank and SCOFF Brad Dickerson said the following about the financial situation at Under Armor in the 2008 filings with the Security & Exchange Commission, “ We believe that our growth in net revenues has been driven by a growing interest in performance products and the strength of the Under Armor brand in the marketplace relative to our competitors, as evidenced by the increases in our sales of apparel, footwear and accessories. We plan to continue to increase our net revenues by building upon our relationships with existing customers, expanding our product offerings, offering new products, building our direct to consumer sales channel and building our brand internationally’ (SEC, 2008).

However, the increase in net revenue has been mirrored by an increase in costs of goods sold which includes all marketing expenditures and was \$109 million in 2004 and just over \$370 million in 2008 (SEC, 2008). Historically,

our marketing investments have been within the range of 10% to 12% of net revenues.

For the full year 2008, we planned our investments in marketing to be at the high-end of the range of 12% to 13% of net revenues, and our actual investments in marketing for 2008 were 13.1% of net revenues which is \$23.7 million (Plank & Dickerson, 2008). Marketing costs consist primarily of commercials, print ads, league, team and player sponsorships, amortization of footwear promotional rights, depreciation expense paticipating in our in-store fixture program and marketing related payroll (Plank & Dickerson, 2008).

Under Armor 6 The following link is an attachment to press release from Under Armor dated January 29, 2009. This press release succinctly explains Under Armor's financial position at the end of fiscal year 2008 and provides an income statement and balance sheet for 2008. Industry Overview The major players in the running shoe and athletic apparel business include Nike, Adidas, Reebok, and others. Competitors face the same weaknesses as Under Armor with a high unemployment rate and negative growth in spending.

We believe that we have been able to compete successfully because of our brand image and recognition, the performance and quality of our products and our selective distribution policies.

We also believe that our focused gear-line merchandising strategy differentiates us from our competition. In the future we expect to compete for consumer preferences and expect that we may face greater competition on pricing

(Plank & Dickerson, 2008). The current economy is weak and there are few signs of a recovery in sight.

Consumer spending will continue to be effected, and Under Armor needs to alee of the brand. Building brand equity will be the focus of all marketing communications.

The unemployment rate which is creeping up to 10% in the United States and high in most every civilized country will continue to slow sales. While the brand equity of Under Armor is certainly very strong, no company is completely immune to social factors that impact sales. So Under Armor will try and reduce its marketing expenditures in 2009 down to between and 12% of net revenue.

This decrease in marketing expenditures along with the rolls of the running shoe line in early 2009 puts some added pressure on marketers at Under Armor. Under Armor 7 Marketing Challenge Under Armor is faced with a tough marketing challenge and that is entering the running shoes business.

The running shoe category is dominated by the likes of Nike, Reebok, Adidas, and others. These are the same competitors that Under Armor faces and competes with successfully in all of the other categories in the athletic apparel and gear market.

Marketing Questions This marketing challenge creates several important questions that need to be answered to ensure continued success at Under Armor. Questions such as: What marketing communications objectives should be created and executed effectively to ensure the successful launch

of the new running shoe line? What impact will a shrinking marketing budget and a slowing economy in 2009 have on the marketing plan and strategy for Under Armor? And, how will MIMIC principles and tactics continue to be the driving forces that enable Under Armor to be successful marketing for the running shoe rolls and in the future?

Under Armor 8 MAC Objectives What marketing communications objectives should be created and executed effectively to ensure the successful launch of the new running shoe line? With a shrinking marketing budget and a new product launch, Under Armor must create and execute effective marketing communications objectives that reach out to its target audience and get them to realize and experience the benefit of the new running shoe line. MAC Objective 1 To convince 50% of target audience that Under Armor running shoes are now available and are of the highest quality and performance available within 3 months.

Strategy 1 Use PR to promote new running shoe line. Tactics 1 Continue to promote partnerships with partners such as the V Foundation and Ronald McDonald House charities and use these partnerships as a sign of strength. Continue to use athletes as spokespeople as long as their actions and values align with Under Armor. Create new spokespeople who will be promoted as being famous, but will just be MAC Objective 2 Under Armor 9 To convert 25% of target audience to make initial purchase of Under Armor running shoes within 6 months.

Strategy 2 Use direct marketing to reach target audience and create awareness and generate buzz about new running shoes. Tactic 2 Involve

customers in interactive activities allowing them to try on new running shoes and to provide feedback on their like and dislikes (similar to 2007/2008 Super Bowl).

Create Faceable fan page allowing Faceable users to promote running with AU shoes. Place Banner Ad on top ten running and sports related web sites such as esp.. Com and reenrolled. Mom Create Faceable ad utilizing key words that relate to target such as fitness, running, athletic, etc.

Shrinking Marketing Budget and 2009 Economic Situation What impact will a shrinking marketing budget in 2009 have on the marketing plan and strategy for Under Armor? In a recent press release dated January 29, 2009 Kevin Plank, Chairman and CEO of Under Armor, Inc. , stated, “ In a retail environment marked by heavy promotional levels, we have preserved our brand and pricing integrity and continue to be one of the top performing brands in our distribution.

As a thought leader in the performance category, our Job remains to Under Armor 10 drive consumer excitement through product innovation and great story-telling. As a company, our challenge is to continue to drive these efforts while planning our business more prudently and managing costs effectively (biz. Mom, 2009).

So while the economic situation is not ideal and consumer spending is down, Under Armor will continue to rely on providing its customers with highest quality and performance available.

A shrinking marketing budget only means that marketing plans must have higher impacts on current and potential customers. The marketing plan will continue to highlight the superior quality in all CIA products and pricing structures will not be altered during this economic downturn. This chart shows how consumers plan to spend their money in a tough economy for 2009. 54% those surveyed plan to spend less on apparel in 2009 which means the running shoe launch is up against stiff resistance from consumers.

This elevates the need for a continued MIMIC approach for Under Armor in order to understand and satisfy the fickle 2009 consumer. Under Armor 1 1 The Role of MIMIC at Under Armor Under Armor will continue to create brand messages that foster customer interactivity and satisfaction and continue to segment its customer base and speak at Under Armor because, as the week 2 lesson points out, product choices, consumers, and media choices are more diverse than ever (MIMIC, WE'VE, Lesson 2). Under Armor realizes that every message to and from the customer matters and brand equity and loyalty.

In a recent interview on December 12, 2008, UP of Marketing, Steve Battista, has this to say about the media plan for the rolls of the new running shoes, " For starters, we'll be rolling out a major television campaign right after the ball drops on New Year's starring all kinds of athletes. There will be three 30-second spots including a women's only version.

Heather Mitts, Olympic soccer player, Brandon Jacobs, the punishing running back from the Super Bowl Champion New York Giants, and a slew of others

showing how all “ Athletes Run”. Our core consumer lives online and speaks through testing so we’ll be connecting with them on all platforms.

In store will be huge for us to tell our technical story, same with our website, [www. Underarm. Com](http://www.Underarm.Com).

In print you’ll see us everywhere. ” (Deer, L. , 2008). One example of Under Armor successfully using MIMIC principles to roll out the new running shoe line came during the 2009 Super Bowl. Of course, the CIA target audience was prevalent at and around all of the festivities involving the “ big game”.

And Under Armor was there with the new running shoe line and ready to interact with customers, show off the new line, and solicit feedback from these customers.

According to an article in the Washington Times dated February 5, 2009, “ This year, Under Armor stayed out of the television ad game Under Armor 12 but did have a strong presence in Tampa during Super Bowl festivities. The running shoe launch was definitely more hand-to-hand combat, senior vice president Steve Battista said. “ We had thousands and thousands of kids, adults, athletes come through our combines and let them run on the treadmill and try them out and then direct[De] them to retailers in Tampa where they could buy right there. (Lempel, T. 2009).

One core principle of MIMIC is that it is easier and more cost effective to keep current customers than to create new ones. So adding the running shoe line itself is an MIMIC tactic by offering current CIA customers, who want higher quality and performance and are willing to pay for it, another option

to complete their athletic apparel ensemble. Of course, Under Armor will welcome any and all new customers as a result of this product launch. But the running shoe line is geared towards current customers who can now literally wear AU from head to toe when running or being athletes because “Athletes Run”.