

Marketing Case Analysis: Under Armour



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Executive Summary

“We are relentless in our pursuit to better leverage the Under Armour brand across broader categories such as footwear and deeper into international markets” stated Under Armour CEO Kevin A. Plank in a 2010 press release (Business Case Journal, 2012). Despite such aspirations at the turn of the decade, Under Armour has yet to fully penetrate the footwear market successfully. Since the company’s founding in 1996, Under Armour has established a reputation within the athletic sportswear and equipment fields, particularly specializing in the production of synthetic moisture wicking fabrics and compression shorts (Business Case Journal, 2012). When footwear merchandise did not sell as well as apparel, Under Armour was faced with the challenge of mediating the balance of profitability from all of its product sectors.

With the profitability of Nike and Adidas, Under Armour has continuously struggled to compete in the footwear market. These companies are the top two producers of athletic footwear year after year, collectively controlling over 63% of the market (Van Riper, 2013). If Under Armour fails to seamlessly add footwear to their collections, they will overtime completely disappear from the market and loss relevance. Additionally, other brands are providing cheaper alternatives to apparel and footwear that appeal to consumers during times of economic hardship, further hindering Under Armour’s sales. By assessing the threats and opportunities in the environment in which the company exists and understanding the strengths and weaknesses of their business strategies, Under Armour can move towards establishing themselves equally across all realms of their merchandise. Following these assessments, the company can segment the market into groups according to common needs and uses of products, therefore facilitating the positioning and targeting of merchandise to yield higher profits.

Macroeconomic Environment

Under Armour has dominated the performance apparel industry since its inception, as it was the first company to specialize in high quality clothing tailored towards athletes. Throughout the company's history it has continued its dedication to innovative technology, and has expanded to include clothing for nearly all sports and weather conditions.

Recently, the social pressure to create green products has led Under Armour to create a new initiative called "Under Armour Green" (Under Armour, 2013). Under Armour's newfound dedication to being an environmentally conscious company stems from the social and political pressures for companies to produce products with the smallest possible environmental footprint. By adhering to higher environmental standards, Under Armour will be able to attract more eco-conscious consumers.

Under Armour is a leader in the performance apparel industry, but has been unable to expand its success into the international and footwear industries. Under Armour has not yet successfully broken into international markets, and is looking for new ways to market their products around the world. Currently, Nike and Adidas are dominating the market for athletic footwear, leaving little room for Under Armour (Van Riper, 2013). Nike and Adidas are Under Armour's main competitors, and act as its main threat. If Under Armour is unable to break into the international and footwear markets, it will no longer be able to compete with its competitors.

Additionally, the United States' economy has been hurting Under Armour's sales throughout the last few years. In 2009, "Under Armour's sales growth dipped below 20 percent [because of] the Great Recession [that] whacked the economy (Yahoo Finance, 2013). Furthermore, the high wages in the US have forced Under Armour to outsource its manufacturing (Business Case Journal, 2012). Many of Under Armour's factories are located in Asia and Latin America. All apparel, footwear, and accessories are designed in the US, but the

company is unable to manufacture its products in the US for a reasonable price. In addition to the struggling economy, Under Armour's low footwear sales have hurt its stock price. The decline in the stock price led the company suspend the planned expansion of its footwear line.

Microeconomic Environment

The Under Armour brand is a strong presence in the sportswear market in the United States. Under Armour currently holds the largest market share in performance apparel, and was a pioneer in the industry (Business Case Journal, 2012). Under Armour strives to be a leader in the international market, and is focused on improving its footwear sales both domestically and internationally. Under Armour's research and development team focuses nearly entirely on how to grow Under Armour's presence in the athletic footwear industry. Under Armour targets men, women, and children from middle class and upper class backgrounds. A typical Under Armour customer is athletic and health conscious. The company's high quality lines of performance apparel, athletic footwear, and sporting accessories appeal to a wide range of demographics.

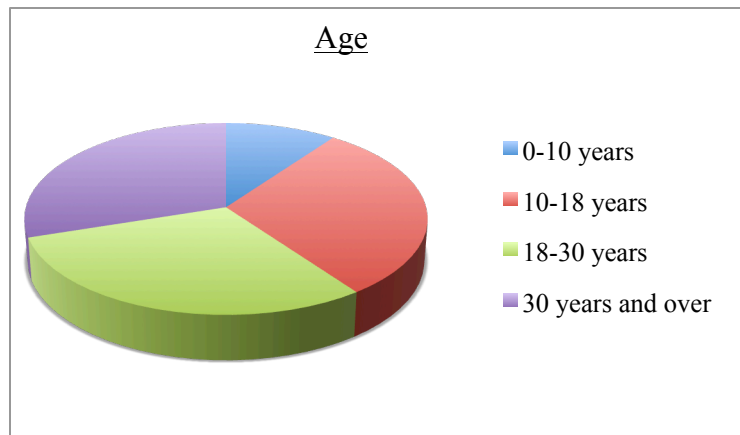
Under Armour sells its apparel, footwear, and accessories at a competitive price compared to its competitors. For example, a pair of Under Armour men's football cleats would cost a consumer \$119.99 (Business Case Journal, 2012). Nike cleats, however, would cost \$129.99 and Adidas cleats \$99.99 (Business Case Journal, 2012). Typical Under Armour pricing places in in-between Nike and Adidas, but unlike its competitors, Under Armour rarely discounts its items and tends to be sold at a slightly higher price. Under Armour's products are sold on their website as well as in large department stores such as Sears, and in sporting goods stores such as The Sports Authority. Under Armour footwear can also be found at Finish Line and Foot Locker.

Under Armour relies on print, digital, and television advertisements in addition to sponsored college athletic teams and professional athletes to promote the Under Armour brand. Under Armour's advertisements are typically aimed at athletic males, but incorporate youth friendly images as well. Under Armour models are often portrayed in skintight clothing, giving them the illusion of being a superhero. Furthermore, the company's youngest customers idolize many of the sponsored professional athletes, establishing their permanent interest in the brand. Finally, Under Armour has recently developed a new marketing campaign aimed at women, which promotes active lifestyles and a healthy body image among the average young female consumer.

SWOT Analysis

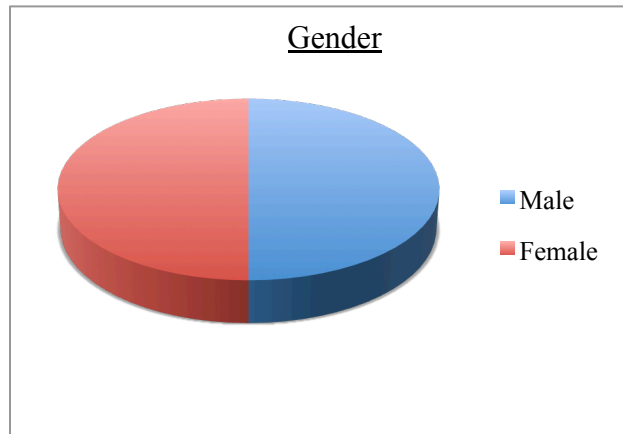
<h3>Strengths</h3> <ul style="list-style-type: none">• Pioneer in the industry• Advanced technology• Appeals to multiple demographics• Structure their ad campaigns to target specific market segments• Competitive pricing• Largest market share in performance apparel• Duopoly with Nike• Visible brand	<h3>Weaknesses</h3> <ul style="list-style-type: none">• Low shoe sales• Not a major player in the international market• No discounted pricing• Most advertisements are targeted at men• Narrow range of products
<h3>Opportunities</h3> <ul style="list-style-type: none">• Lots of room for international growth• Working to improve footwear sales• Growing market segment of young, athletic women• Create pricing tiers• Expand beyond sports• Emphasize other sports	<h3>Threats</h3> <ul style="list-style-type: none">• Nike and Adidas dominate the footwear industry• US Economy is suffering• Champion is gaining power in the industry• Less expensive substitutes in the market

Segmentation and Segmentation Pie Graphs



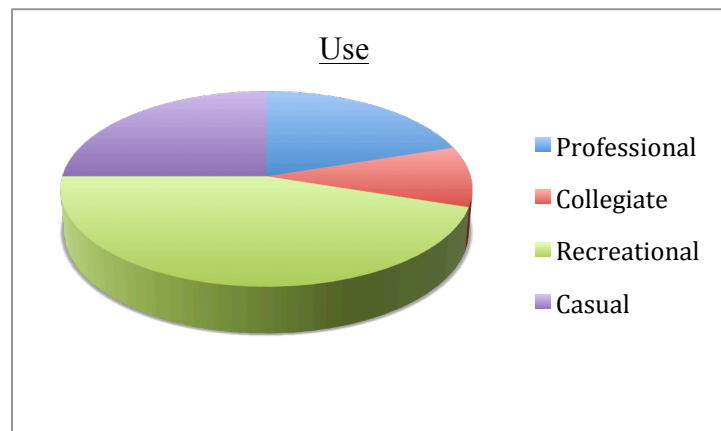
Under Armour's first major market segmentation group is the age of their customers. Different aged people demand different products and Under Armour has produced certain merchandise to appeal to each category. The age group of 0-10 only consumes 10% of the company's goods because of their young age and rare participation in athletics that would require the apparel. Under Armour caters to this niche by producing colorful and fun printed goods at a lower price, sports equipment for beginners, and creating an image through commercials and advertisements that children of this age group aspire to be. For the second age group of 10-18 years, the company sponsors sports camps in order to promote their products that correlate to this segment such as sports equipment and recreational clothing and also begin pricing their items parallel to the quality at this segment. In the 18-30 age segment, college athletes and active young adults are included who consume high quality athletic apparel and accessories regularly to support a healthy lifestyle. To appeal to this group, Under Armour sponsors collegiate teams and sell their products at competitive prices at college bookstores and athletic apparel stores that are accessible to this group. Finally, individuals over the age of 30 do not require as specialized segmentation as the other age groups. People of these ages are already active, brand loyal, and

willing to pay for Under Armour product, allowing the company to forego heavy advertising expenses towards this category.



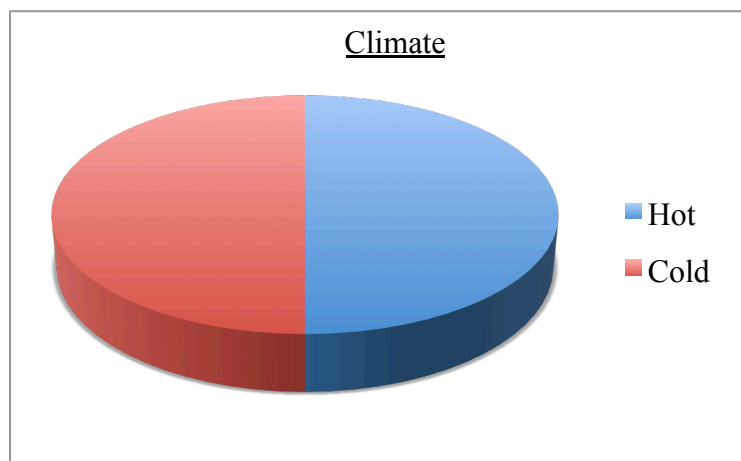
After segmenting consumers according to age, Under Armour then divides the market by gender. In our opinion, both females and males respectively make up roughly 50% of the market. For females, the company produces apparel in fun colors that are considered fashion forward and pricing these garments in alignment with other fashionable athletic wear. In addition, women tend to wear athletic apparel more casually than men, so Under Armour produces yoga pants and other clothes that can be worn actively and for everyday purposes. In order for these items to appeal towards women, Under Armour has launched a “Power in Pink” campaign to promote their products and support breast cancer survivors (Under Armour, 2013). For men, the company had established its brand differently to appeal towards this group. Products catered towards men have a more masculine vibe – tight fitting, durable, and resistant to wear-and-tear. They have also produced cleats and specialty footwear to further establish the brand as a well-rounded and reliable athletic company. To promote this merchandise, Under Armour uses very toned and

muscular models, including mannequins that provide a visual for what consumers can aspire to be.



The next step of Under Armour's market segmentation includes the range of uses that consumers have for the products. One of the ways in which Under Armour has acquired national recognition is through its sponsorship of professional athletes such as Tom Brady and Lindsey Vonn (Wagner, 2013). Although there is no price on these products, Under Armour is able to promote their products towards other segments of the market, including fans of the athletes sponsored. Similarly, Under Armour endorses collegiate teams such as the Auburn University Tigers and University of Notre Dame Fighting Irish (Under Armour, 2013). By putting its name and emblem on uniforms and gear, the company is able to promote its brand and products. The collegiate use is a smaller portion of the market compared to professional use because consumers typically follow professional athletes more than collegiate athletes therefore Under Armour allocates its resources accordingly. The largest use of the company's products, whether apparel, footwear or accessories, is the recreational segment of the market. Recreational use includes all individuals who participate in mild to rigorous athletic activity on a consistent and regular basis. Almost all of Under Armour's moisture wicking and specialty products are targeted to this use

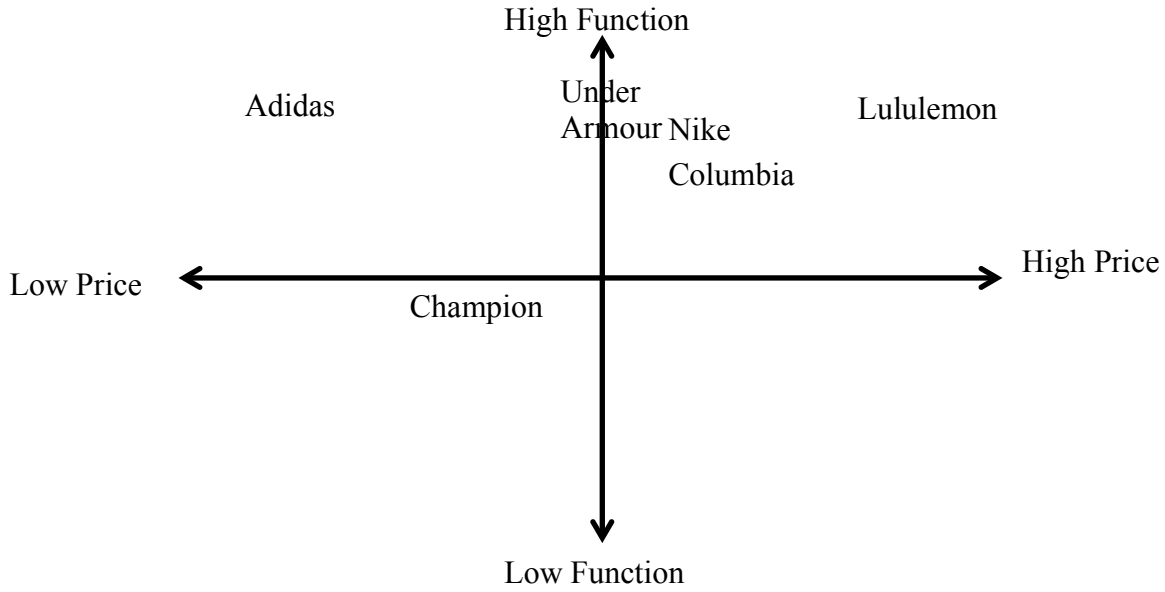
and the company uses the recognition from the professional and collegiate promotions to appeal to this sector. The remaining uses of Under Armour products are allotted to casual, everyday wear. These products are created to be more comfortable and versatile, and priced slightly lower to reflect the absence of high quality and specialized athletic material in the goods. A majority of these unspecialized products are promoted through Under Armour's website and in stores, who convince consumers to try these goods.



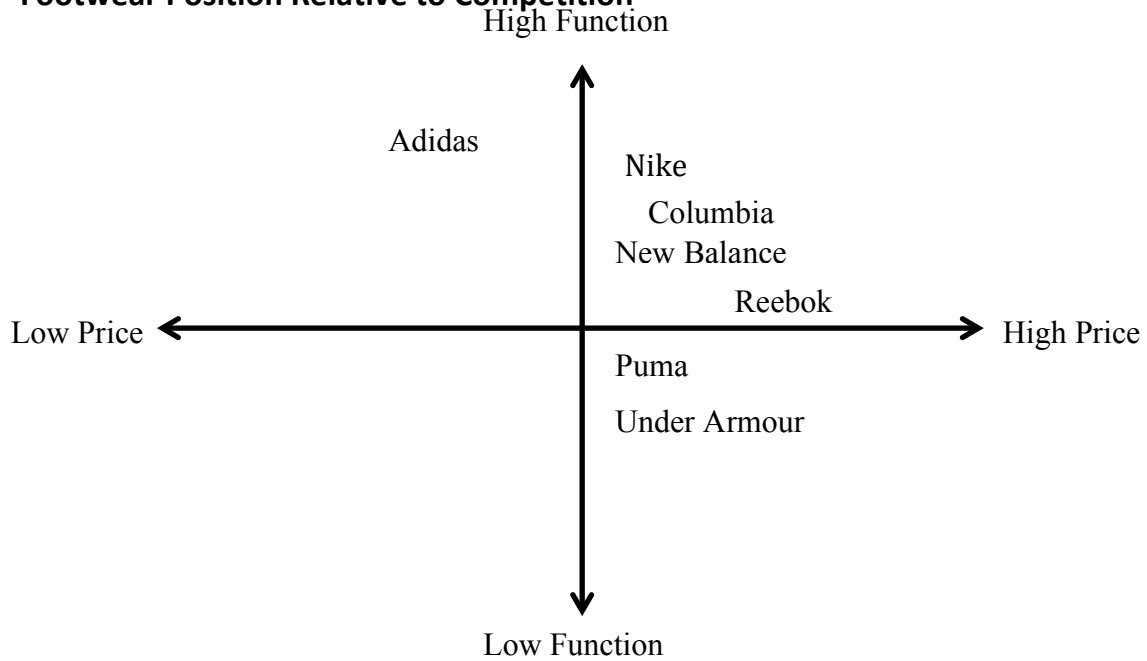
The final segment that Under Armour considers is the climate that the products are utilized in. The company's product lines are devoted to regulating body temperature in either hot or cold climates. Under Armour originally designed a moisture wicking fabric known "HeatGear" that worked to regulate sweat and body temperature when active in hot climates (CASE). Because of this technology, the price for these products using these materials is higher in comparison to competitors but still popular because of their established reputation. Following the success of the "HeatGear" line of apparel, Under Armour worked to create a line that had a similar function but in colder and more severe climates. These products are promoted similarly to the moisture wicking line to target consumers who are participating in different activities and have consequently made the company appear as a well-rounded brand

Positioning Maps Relative to Competition

Apparel Position Relative to Competition



Footwear Position Relative to Competition



Under Armour is positioned where it is relative to competition in the apparel sector because of its high sales and success. The products are high function, yet moderately priced which makes the brand a force to be reckoned with in the athletic apparel industry. In terms of footwear, Under Armour is positioned lower in terms of function and priced slightly higher. The positioning of Under Armour relative to competitors for the footwear industry highlights where the company is lacking in sales and ultimately, demonstrates where it can improve.

Advising and Recommendations for Future

Under Armour, as a young firm has thus far proved to be successful. The company's managers have been able to appropriately handle the pressure that such an important developing business requires. There are, however, some aspects that could be improved and some alternatives that can be considered in order to stimulate future growth within the cooperation.

One of Under Armour's biggest mistakes was trying to enter the footwear market in 2009. Laura Ries, a marketing expert, explains that: "Under Armour are the words that represent the category of performance apparel. So putting Under Armour brand name on another category is not going to guarantee success, especially if that category has little to do with performance clothing" (Reis, 2009). In order to generate similar successes as they have with athletic apparel, Under Armour must be as innovative as they were in the realm of moisture whisking fabric. The company must revolutionize the footwear market entirely. If Under Armour fails to stand out against other footwear competitors such Nike and Adidas, they should consider completely removing themselves from the footwear market. Although this could potentially be considered a dramatic step, this would allow the company to focus all of their efforts and resources on the most lucrative group of their products: performance athletic apparel.

A second alternative that could be considered would be to target Under Armour's products towards older demographics. Currently, Under Armour is a brand associated with college athletes, children and young adults. People over the age of thirty have no incentive to buy Under Armour unless they have already established their brand loyalty towards the company at a younger age. This lack of attention towards a significant segment of Under Armour's market must change before the company risks losing millions of potential customers.

Most sales made by Under Armour are through Dick's Sporting Goods and The Sports Authority. The firm relies enormously on other stores that sale their products. People go to these stores seeking to buy athletic apparel and, once they get there, they face many different alternatives from different brands. Nike and Adidas have realized this and to increase their sales, they have implemented their own retail stores. Under Armour cannot stay behind. The brand has reached a point in which people desire their products and go to stores to buy them exclusively. For a consumer the temptation of looking for a similar and cheaper product in a store such as Dick's is huge. If Under Armour begins to establish more flagship stores around the world this temptation would be subsided and the company would appeal to a consumer for all athletic needs, not solely apparel.

Finally, the European market for athletic apparel has recently shown vulnerability. Adidas, one of UA's top competitor and the largest athletic products company in Europe, has faced the two toughest years in its lifetime. Under Armour has always been cautious about expanding to new markets and the few steps they have taken have not been significant enough to establish themselves internationally. Under Armour, however, has reached a point in which it cannot grow much more in a single market. The obvious solution then would be to explore new frontiers. One of the issues that Under Armour presents is that, other than in the United States,

they are almost completely unknown. In fact, the United States makes up 94% of the company's sales. (Fool, 2011) It is imperative that Under Armour becomes a household name in countries around the world in order for the company to continue to grow and succeed.

The vulnerability of the European market might be the perfect opportunity to take the decision of expanding the firm across the Atlantic. This expansion cannot be too rapid. It is not about opening thousands of stores all around the world. That is not what Under Armour stands for. Behind Under Armour there is a much more complex and clever methodology; CEO and founder Kevin Plank repeatedly says that the firm's success is in being able to identify its customers. (Business Case Journal, 2012) That is the strategy that the firm will have to follow. Other companies have failed completely when they try to expand quickly, a firm like Under Armour cannot make that same mistake. If Under Armour were to expand to other markets they would have to follow the right approach.

When it comes to sports, soccer is almost everything to Europeans. They are not baseball fans; they do not watch football on Sundays and have no conception of collegiate level sports. Under Armour has to become more involved in the soccer world in order to establish itself in this market. Picking the right sponsorship and finding well-known endorsers, as they have done in the United States, is key. Nike and Adidas are well aware of this and are represented by important soccer team and celebrities such as Barcelona, Cristiano Ronaldo, Bayern Munich and Lionel Messi. As they have done with NASCAR, Under Armour could sponsor Formula 1, the second most prestigious soccer tournament following the World Cup. Each step the company takes towards expansion will slowly start to input Under Armour into the forefront of people's minds. This aspect of the European market resembles the South American market, which means

that considering expanding Under Armour to South America, as they are already trying to do, could revolutionize the future of this company.

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