

Under Armour Marketing Project

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History

"It all started with an idea." Kevin Plank was the special team's captain for the University of Maryland's football team back in 1996. He saw sweat-filled cotton t-shirts for practice as a problem, as did many athletes at the time Plank felt the need to solve this problem and give consumers what they wanted, a quality moisture-wicking shirt. He sent several prototypes to contacts in the NFL, including a former Tennessee Titan tight end Frank Wycheck. As he traveled throughout the country, Under Armour raised approximately $17,000 dollars in sales in the first year alone. By 1997, Plank and Under Armour had created the ColdGear material, keeping athletes and customers warm and dry. By 1998, Plank developed his headquarters and warehouse in Baltimore, MD. 1999 was a huge year for Under Armour considering their experienced their first rise in sales and publicity. Plank landed a supply product deal to the hit movie "Any Given Sunday". Since then Under Armour has risen to one of the top brands in Athletic and Casual wear. In 2013, Under Armour completed their first mobile app including the new campaign "Protect this House. I Will." They have been fortunate enough to be represented by some of the most infamous names in sports including, Cam Newton, Jordan Spieth, Steph Curry, Bryce Harper, Clayton Kershaw, Michael Phelps and so on. As of today, Under Armour is brings in approximately 4 billion dollars a year, as well as for the year 2015 (UABiz n.d.).

Operating in the industry of athletic apparel, Under Armour is the third largest company in the market, behind Nike and Adidas. These companies have been neck in neck for years due to the intense marketing and quality of their products. However, Under Armour gives consumers many reasons to fall in love with the brand and the company itself. They see themselves as more of a product oriented company. They focus mainly on how well they can create a product and be better than what was previously released. Overall, they operate under the production philosophy

and focus on internal matters and efficiency (Levitt, Under Armour Strategic Analysis and Recommendation, 2011). Under Armour is always looking for new ways to be innovative, as well. Plank believes their exponential growth has been due to their leadership structure. The leadership is very vertical, meaning that every level has people reporting "up the ladder." Although his company has already reached significant growth, Plank refuses to simply lay back and let the company run its course. He and his employees are actively participating in the daily tasks the company has to offer.

The mission of the company is "To make all athletes better through passion, design and the relentless pursuit of innovation." Under Armour was founded on the following principles: Integrity, Innovation, Inspiration, and Reliability.



PRODUCT

Under Armour offers a wide variety of products. From focusing on sportswear to casual apparel. Under Armour attempts to reach as many markets as possible.

UA Product Portfolio Includes:
Tennis Shoes - Golf Shoes - Golf Shorts/ Pants
Technology - Jackets/Vests - Casual Shirts/Tanks
HeatGear - ColdGear products
Socks - Children's Clothing and Shoes - Bags/Backpacks
Below are a few examples of what the products look like:














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A few of the top sellers include Golf ColdGear, Storm Swackets, UA Tech Short Sleeve Shirts, Curry Two Shoes, BoxerJocks etc. Under Armour's products have a variety of clothing to meet specific needs for different events that people perform in. For example, some people prefer Under Armour's vented golf shorts because they are light and breathable. They also have a stretchable waistband that offers no discomfort during your golf swing, while others prefer the Tapered golf shorts which are loose and sucks up moisture to reduce sweat. Under Armour also meets the needs of people who perform in different temperatures. HEATGEAR products are engineered specifically to keep athletes cool, dry, and light throughout the course of a game, practice, or workout. HEATGEAR is made of light fabric that utilizes moisture transportation, meaning that it absorbs sweat away from the body, a compression fit that increases muscle efficiency, and a odor control making the apparel stay fresh during your workout.. HEATGEAR is the solution for most summer and spring activities. COLDGEAR, on the other hand, is made from a fabric that dries quickly in the case of rain and snow. It also is made from a thermo-conductive interior that retains body heat for athletes, runners, or even walking around campus in winter conditions (What, 2016). Under Armour has significance in the athletic shoe industry specifically the Curry's. Curry's value to Under Armour is roughly 14 billion (Bieler, 2015). Consumers love his shoes because of the look as well as the technology behind it. The new Curry three's have a Threadborne fabric technology comprised of braided thread that wraps around a larger, corded panel, delivering unparalleled strength and support (O'Shea, 2016).

Under Armour has two main competitors, Nike and Adidas. These three companies compete in a high volume market and are well-known for athletic apparel. While Nike focuses more on their brand image and loyalty, UA is focusing in on how to make their products better. They also spend a lot of time in the R&D section. Adidas is focused more on innovation, attempting to create new products, services, and processes in order to catch up with the competition (UABiz, 2016). Under Armour, compared to Nike and Adidas, has been more involved in a tech-savvy market. UA has developed three different fitness apps as well as its own wearable band, heart-rate monitor, and scale. MapMyFitness and MyFitnessPal are the main apps. MapMyRun keeps track of all your runs, hikes, bike rides etc. counting all the calories you burned, how far you traveled, and even customizing your own route. MyFitnessPal keeps track of your fitness goals and diet by counting all the calories you eat. Under Armour also just came out with a new pair of headphones last month that can track your heart rate. It gives you info and updates during your workout about your heart rate. Nike, in recent years, has toned down their wearable fitness involvement after discontinuing their Fuelband. They want to now focus on the fitness software like Under Armour has been doing. Nike claims only about one-fifth of users as Under Armour since the drop. Adidas has recently entered into the digital world by developing a running/health app, which includes an analytical and social element allowing runners to track their progress. (Richardson, 2016). In the long run, Under Armour is changing the mobile fitness perception which gives them a lead in the software competition.



Pricing

Under Armour follows the Value Based Pricing (VBP) approach. The company focuses on how they can create additional customer value and willingness to buy rather than attempting to raise prices. Customers of Under Armour are willing to pay the price for the products because they are appreciative of high quality. Because of this, a majority of the consumers of the UA brand are not very price sensitive. However, there are always the group of people that go particularly for the sales. Under Armour offers a wide variety of clearance items in stores however, if you notice, UA does not offer any "clearance" on its website. This doesn't mean items on their website are never marked down, but simply that there is not a specific place to go to look for the cheaper items. Under Armour can be seen as an elastic company in some ways because consumers view them as a luxury product with cheaper alternatives. Known as the 6th most innovative company, they possess such powerful value to consumers because they base everything off of their four pillars of greatness; Make a great product, Tell a great story, Provide a great service, and build a great team.



When it comes to prices of products, for a simple running/training legging:
Nike: $48
Adidas: $54
Under Armour: $44.99

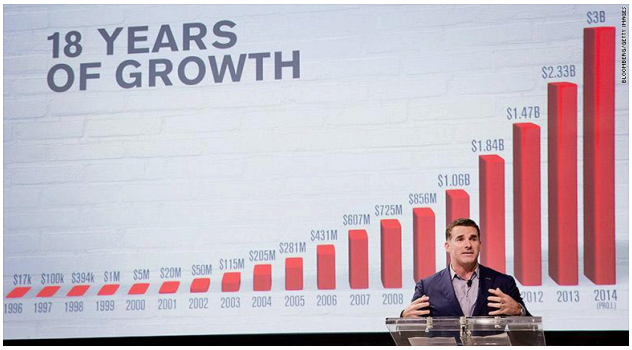
For a comparison of technology prices, each brand offers some type of wearable tech:
Nike: Apple Watch Nike+ - $369
Adidas: MICOACH Fit Smart - $130
Under Armour: UA Band - $120



Below is the Stock Price Change in UA from Aug 2016 to Nov 2016: (Google)



Under Armour's Growth From 1996-2014 (2014 Projected Numbers) (CNN)





Place

Today's modern day consumer is looking to purchase their products via brick and mortar stores, on mobile devices, and online stores. Under Armour understands today's modern day consumer because they sell their products in a combination of brick and mortar stores, online stores, the Under Armour website, the Under Armour app, and their Under Armour specific branded stores. Under Armour's brick and mortar portfolio consist of "Under Armour Brand Houses", "Under Armour Factory Houses", and "Under Armour Dealers". Under Armour uses their own website and their Under Armour stores to reach their consumers directly because Under Armour's direct distribution comes from their UA branded stores that make up less than 20% of Under Armour's sales.

The large percentage of Under Armour's sales come from Dicks, Finishline, Bink's, Bass Pros Shops, REI and other sporting goods stores. Under Armour screens out select dealers or sporting goods stores by using a form of distribution intensity called "selective distribution" which is "a form of distribution achieved by screening dealers to eliminate all but a few in any single area" (Supply Chain Ch. 13 PP). Under Armour uses these forms of distribution to reach their target market and to increase their sales potential.

Under Armour also increases their sales potential by offering international distributions. They have both direct and indirect channels worldwide. They have "Under Armour Brand Houses" in the United Kingdom, China, and Mexico. Having these worldwide distribution channels allows them to reach their consumers. Worldwide distribution also shows that Under

Armour has grown to become an international brand and that there is demand for their product all around the world.

To meet the product demands of customers all around the Under Armour strives to have a quality supply chain management. Under Armour's products are developed by third parties and the fabric that Under Armour uses to manufacture their products is made by pre-approved suppliers to ensure that they use the best fabric for their products. Under Armour makes sure that "All manufacturers are evaluated for quality systems, social compliance, and financial strength by our quality assurance team prior to being selected on an ongoing basis" (Who Makes Our Products). This ensures that they are heavily integrated into the supply chain process. To speed up the supply chain Under Armour has developed a Special Make-Up distribution facility in Glen Burnie, MD. This facility is catered to high-profile athletes, leagues, and teams who are in need of a quick turnaround for their product.

With over 173 stores Under Armour worldwide they are playing catching up to their top competition Nike which has over 858 retail stores worldwide. To compete with Nike, they are planning on opening "200 stores by 2016" (Sozzi 2016). Nike has a portfolio comparable to Under Armour's with their "Retailers", the "Nike Online Store", and "Niketown Retail Outlets". Under Armours products are manufactured in Asia, Central and South America, and Mexico. Nike has products are manufactured in China, Indonesia, Vietnam, the Phillipines, Taiwan, and South Korea. Looking at Nike's production scale in comparison to Under Armour, it is easier for Nike to fill product demand needs in multiple countries. Under Armour will more than likely increase the production over time but they have a long way to go.





Promotion

Under Armour's main target geographic segments are North America, which includes Canada and the U.S., ("EMEA") this stands for Europe, the Middle East and Africa, Asia-Pacific, which are countries in Asia and the Pacific Rim, and Latin America, which includes Chile, Mexico, and Brazil. According to (Under Armour's Annual report, 2016 p. 3). The main marketplaces where consumers go shopping are 30 global e-commerce websites, Under Armour Speciality Stores, Under Armour Outlets, Sporting Goods Stores, department stores, Amazon, and the Shop Mobile App. In March of this year, Under Armour signed a deal with Kohl's in order to attract more female customers (Wahba, 2016). This added 1,160 stores that the product will be sold in. According to Plank (2016), "Kohl's was selected because it is one of the most popular retailers among suburban, middle-class members, and the most loyal customers shop there 18 times a year on average". Consumers tend to shop more during the last two-quarters of the year, which spikes sales in fall but are ready to buy whenever products are sold according to UABiz.com (2016).

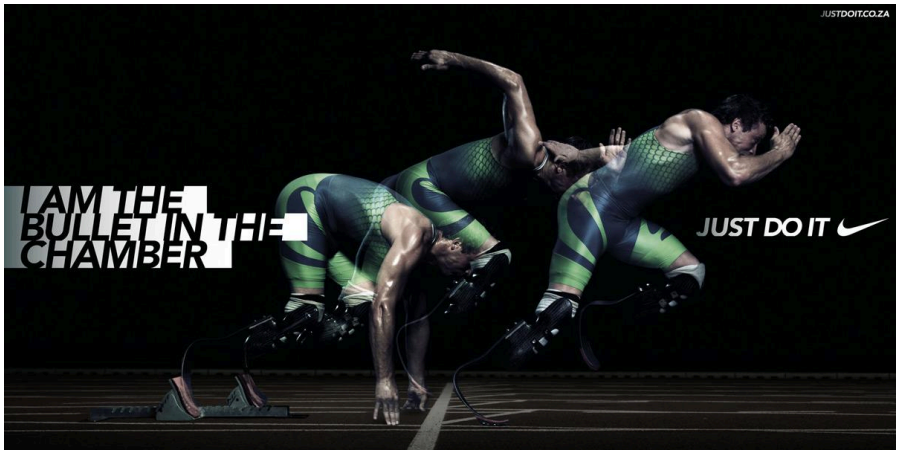
The company aims to meet customers on their terms, where and when they want to buy. The majority of sales are generated through wholesale channels. This includes sporting good chains, independent and specialty retailers, institutional athletic departments, leagues, and teams. Other channels that are practiced include independent distributors, TV, Web, social media, and Grassroots (E. McGovern, personal communication, October 23, 2016). Under Armour has recently been using a game with Cam Newton on Snapchat. Marketers have placed ten-second ads to appear in the sports related discover page of Snapchat. The ad is of Cam Newton's "Prince of a Thousand Enemies" footage that leads the user to an invitation of playing the game. "The reason behind the ad campaign is to help demonstrate the power of footwork and the power of the products that we create around them," says Jim Mollica. On the game, you play as Cam Newton and try to dodge obstacles using your fingers. You then take a screenshot of your high score and send it to your friends so they can play as well.The goal of this game is to attract the target of fourteen through twenty-two year-old high school and college athletes to the brand Monllos (2016).

Under Armour is most notable for their pro athlete sponsors. A few of these sponsors include; Michael Phelps, Cam Newton, Steph Curry, Jordan Spieth, Tom Brady, Clayton Kershaw, Gisele Bundchen, Bryce Harper and much more, (Under Armour, 2016). Under Armour uses these athletes to promote on all major social network sites. Advertisements are seen around the globe, thanks to viral Youtube videos, such as the Michael Phelps "Rule Yourself" having eleven million views.

Example of a recent UA advertisement:



Example of a recent Nike advertisement:



Example of a recent Adidas advertisement:





Target Marketing/Segmentation Analysis

Under Armour uses the selective distribution strategy. They chose to put their products in stores specifically for people looking for athletic and outdoor wear. These stores include Dick's Sporting Goods, Sports Authority, Academy Sports, Foot Locker, Gander Mountain, and so on. This would be the result in most of Under Armour's sales. On the contrary, UA also has a second selective distribution strategy. Stores such as Belk, Kohls, Macy's, and Dillards have also taken interest and are selling Under Armour products (Wahba, 2016).

Consumers will be looking at certain characteristics when buying Under Armour products such as a flexible price, a size that fits the consumer, and comfortable material. The fact that Under Armour offers different deals and promotions to athletic organizations enhances the likelihood of a positive consumer buying behavior (Loyola). Under Armour's competitive advantage is the inability for competitors to imitate their products as well as the power of having the upper hand of the bidding war of the top athletes each year. Under Armour markets to similar markets as their competitors, however, we have in detail the individual markets of the competitors. Nike focuses directly on three types of consumers; Women, Athletes, and Runners (Lutz, 2015). Nike's innovations, products, and services seek to develop athletic potential. The women's training segment of Nike is growing faster than the men's training products. Adidas' gear is more targeted to 20-29-year-old athletes who are passionate about sports. Adidas believes this demographic is the most successful target.

Under Armour has been known primarily for athletic apparel. Trends include the healthy and fit lifestyle as well as the athletic lifestyle. As of 2016, Under Armour has been pushing the

technology trend and informing the consumers on the benefits of their UA Band, Health Box, and technologically advanced fabrics in the apparel (NASDAQ).

Age

Under Armour's first segmented group is based on the consumer's age. Consumers of different ages purchase different products, and Under Armor has created products to appeal to each of the consumer's different needs. The age group ranging from 0-10 years old is of a young age and do not heavily participate in sports requiring Under Armour apparel. Under Armour produces specific products to reach this small segment of the market; Low prices, starter sports equipment, colorful and fun (Trefis Team, 2015). For the 10-18-year-old segment, Under Armour caters to consumers through company sponsorships, specifically a number of sports camps that promote Under Armour's products that fall in line with the segment. Sports equipment and lower priced sports apparel with quality. In the 18-30 year old segment, active young adults and college athletes make up the majority and are most likely to purchase high-quality apparel along with accessories to support their healthy lifestyle. Under Armour is known to sponsor college sports teams, and use this platform to sell their products to this age range. Their products are placed in college bookstores at a discounted price to combat other competitive brands (Under Armour Inc., 2014).

Consumers over the age of 30 are usually active, loyal and consistent with the brands they purchase and are willing to pay for high quality apparel (Fernandes, 2015).

Gender

Under Armour's market segment creates a divide of 50% male and 50% female when using gender. For females, Under Armour creates bright colors that are considered to be trendy and fashionable while maintaining the athletic feel. Females are also more likely to wear Under Armour's sportswear in a casual manner, so the company created yoga pants and other items that can be worn regularly (Under Armour Inc., 2014).

For men, Under Armour maintained a masculine vibe to appeal to men. The sportswear is form fitting, durable, and resistant to heavy wear and tear. Under Armour also produced cleats and footwear designed specifically for certain sports. Under Armour placed toned, muscular male models and mannequins to provide a motivational visual for consumers (Fernandes, 2015).

Use

The next market segment is divided by how consumers use Under Armour's products. Under Armour sponsors professional athletes and is able to promote their products to other segments that include fans of the sponsored athletes. The company sponsors college teams and places their brand name on uniforms and gear to promote its products (Chen, 2015).

Under Armour's products are less likely to be used for a collegiate purpose and more likely to be

used for professional use. Consumers usually follow professional athletes more than they would college athletes (Trefis Team, 2015).

The largest use of Under Armour's products is for recreational use. This includes consumers that take part in mild to intense athletic activity on a consistent basis.
The remaining of Under Armour's products are used in a casual manner. Products that are used casually are created to be more comfortable and priced lower to show the lack of high quality (Under Armour Inc., 2014).
When it comes to the behaviors of the consumers, they are most likely to weigh the cost and benefits in their decision. Consumers will also determine whether the quality of the product will fit their need. This comes up mainly between Nike because consumers see qualities the same. Many consumers, mostly the millennial generation and younger, will look at who is representing the company. Are they super prestige athletes?

Marketing Recommendation

Under Armour has been known for years as the underdog to Nike, but that doesn't have to be the case anymore. Offered below are both product and marketing recommendations that could benefit the company in a significant way.

Adding a casual line would improve Under Armour's perception. The brand is seen as more athletic apparel than urban apparel.. Most teenagers now a days love to be trendy. This could improve their sales and brand perspective to everyday people who don't just want to be in workout clothes. This new product line would be targeted to 15-25 year olds who want to dress in trendy casual clothes. This line should be out by at least summer of 2017.

Under Armour could begin by providing women's athletic and casual swimwear. They could begin this by doing research and development as well as marketing their product to more olympic athletes including swimmers, gymnasts, and tumblers. Expanding this product line would increase awareness in women's swimwear and draw that target market in. This would also increase sales overall and raise stock prices. This would be targeted directly towards olympic athletes primarily but also to young competitors who aren't yet professionals. Olympic athletes are in need of a huge sponsorship from a leading competitor and with the Olympics just ending, they could work on sponsorships leading up to the next Olympics. Projecting the launch to be right before the next Olympics in 2020, this would give time to develop significant research.

Under Armour should also start a golf equipment line. They already have a strong image of golf apparel and Nike just released they were terminating the production of any more golf equipment as of August of this year (Rovell, 2016). This is the ideal opportunity to persuade consumers to switch loyalty to their brand over to Under Armour. So many consumers are very loyal to the UA golf apparel brand and adding the product line can increase sales and persuade potential consumers. Having the equipment would attract more millennials because college-aged golfers look up to young professionals such as Jordan Spieth. For example, Spieth won the Masters with a record-tying score of 18 under par in 2014. When that happened, online sales of golf apparel went up nearly 100 percent. Many of the styles he wore during the tournament, including the navy shirt and white pants in the final round, sold out (Ember, 2016). This shows what equipment could do for Under Armour in the future. The equipment should be available in May of 2018.

Under Armour should also advertise more in depth to younger athletes on TV and social media sites with their high profile athletes. Due to so many kids and parents watching as well as

engaging in sporting events, this is a way to prove brand loyalty. Some of the ways they could do so would be to increase Instagram ads, get involved with Snapchat ads, and look into getting more college students involved. You could have brand ambassadors on campus' that wear their brand and pass out additional advertisements.

Under Armour could focus more on celebrity endorsements versus just professional athletes. Incorporating more collaboration, similar to what they are currently doing with the Rock and the "Project Rock" campaign. Celebrities such as Taylor Swift, Chance the Rapper, and Beyonce would be ideal individuals because they are not looked at as vogue, but more original in their style. Using commercials, social media advertisements, sports and entertainment events, and celebrity hosted events would all be beneficial to expanding the brand. Entertainment events such as the VMA's, CMA's, and AMA's can be sponsored by Under Armour, in order to reposition the name as the top dog.

Example Celebrity Endorsements:





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