

## **Introduction**

Starting in 1996 by Kevin Plank, a former football player at the University of Maryland, Under Armour supplies superior athletic clothing, footwear, and accessories to consumers around the world. In his early days, as KP Sports, Plank started with a single moisture-wicking shirt made with polyester-blend fabrics. He would sell his product in person by visiting local schools and training camps. It wasn't long before he grew his company into what it is today. This analysis of Under Armour's internal and external environment will highlight the good and bad points within their strategy. Recommendations will be expressed along with an implementation plan to achieve their desired goals.

## **Internal**

The two biggest strength areas in Under Armour's internal environment are their value chain and organizational resources. Under Armour continuously pumps out high quality products for a wide range of uses. This comes not only because of their high end fabrics, but also a very focused marketing system that takes advantage of a store in store concept to sell products. They currently lease two distribution centers in Baltimore, and work with 3rd party logistics companies to ship their product all over the world. A special Make-Up Shop is also located in a distribution facility to assemble and distribute items in a timely manner to high profile clients. Under Armour does a great job taking advantage of licensing. They license a number of accessories to firms who both produce and market the products for Under Armour. A weakness to be noted is their inventory management. Under Armour has expressed concern with increasing inventory levels from 2009 to 2011. This is due to a long lead time with some of their manufactured goods as well as decreased demand for seasonal items.

With strong resources and value chains comes a strong technological capabilities. As mentioned above, Under Armour is very efficient in keeping up with new advancements in fabrics from 3rd party companies. Consumers also have the ability to purchase their goods through a very professional company website. One of their newest products, the Armour 39 system incorporates fitness tracking in easily wearable products. Under Armour also has various intangible strengths. One of these being contracts with athlete endorsements and as team suppliers. For example they supply to all sports teams at the University of Maryland, Boston College, Texas Tech University, and many others. As a brand, they have strong recognition with their logo and image. Although a strength, it's brand is a weakness compared to Nike's swoosh and Addidas's image over seas.

The human function of Under Armour has a great strength in the fact that the owner is a former football player at the University of Maryland. This gives a huge advantage for the company to understand their customer base. It also allows management to aim the company into the right direction.

Under Armour's financials show that the company is in good standing. Net revenues are increasing every year, from \$725,244 in 2008 to \$1,834,921 in 2012. Their current ratio increased from 11.83 to 18.7 from 2011 to 2012, showing that they have great ability to pay off current debts. Inventory turnover increased these same years from 2.34 to 2.99 showing that they are pushing out more products. This inventory indicator translates into their increased net income, which did just that going from \$96,919 to \$128,778. Although their finances are very strong, compared to Nike and Adidas, Under Armour is considerably smaller. While Under Armour posted revenues of \$1,834,921 in 2013, Nike and Adidas posted revenues of \$20 million and €14 million respectively. Under Armour has to do a better job at taking away some of their competitor's market.

## **External**

There are many opportunities for Under Armour regarding their external environment. Their network of 3rd party suppliers gives them opportunities to create the high tech clothing they are known for. High quality athletic clothing also poses an opportunity in the growing health lifestyle in America. As people continue to work out, they will see fit to purchase Under Armour's gear. The media is another opportunity for Under Armour to gain from. Their strong ad campaigns of "We Will" and "Protect This House" have increased brand recognition very much, and can continue to do so. They also have an opportunity to connect with the community through their social media accounts that they have started. Under Armour also does very well with patenting their technologies with federal governments. Lastly, as mentioned above, the company is in very good financial standings. This gives them a great chance at getting loans for future growth.

The athletic apparel business also poses some major threats to Under Armour, the strongest being their competitors. Nike and Adidas are much larger companies directly competing with Under Armour. Factoring in the numerous substitutes in clothing such as cotton t shirts, casual shoes, and cargo shorts, it is clear that this is a highly competitive environment. It's also somewhat easy for another clothing company to start up in it. This high competition doesn't give Under Armour a good positioning with buyers as they have multiple places to get the same type of product. On top of the competition, Under Armour's cost of goods deeply depends on the highly fluctuating price of crude oil around the world. They are also threatened by unethical outsourcing practices that are performed in other countries. This can result in very negative media exposure.

### **Strategic Direction**

Under Armour should continue their mission to make athletes better through innovation. On top of this, they should include people that enjoy a healthy lifestyle as that is a growing market. Their current vision of empowering athletes everywhere shouldn't focus solely on athletes either. Their vision should also reflect their passion to better

people's lives, and include their commitment toward physical activity for a healthy lifestyle. Their list of values seem spot on, as they believe in helping others, staying humble, and putting the team before yourself.

### **Recommendations**

Looking forward, Under Armour should continue their strategy of differentiation with advanced material and a broad offering of products. Differentiation fits in very well with their high quality and wide range of products. With their continuation of these strategies, they can be a leader in the high quality athletic wear market. After all, Under Armour has done very well financially with these strategies and can continue to grow with them.

The strategic moves that Under Armour should take advantage of is being more offensive in foreign markets. With the decrease in foreign sales in recent years, an offensive marketing strategy can bring those numbers back up and increase brand reputation in other countries. Another move they should consider is merging with a foreign athletic brand. This would increase their assets in foreign countries as well as having a recognizable brand over there to increase foreign sales. As long as the strategy addresses their diminishing foreign sales, they should carefully consider it.

### **Implementation Plan**

In order to grow foreign sales, Under Armour will need to implement key strategies to their functional areas. Human resources needs to ensure employees know the cultural differences in each market, so they may better help customers within these cultures. The Information Technology area must work on language translation on products and the website. It is hard to sell a product if its marketing material isn't in the desired language. The marketing function has the biggest change out of them all. They need to establish a good marketing campaign that will be picked up by foreign countries. They must ensure that it is respectful to their culture, as well as conveying the message in

their native language. If they can bring these elements together, Under Armour will have a good year in foreign sales.

As for the finance and operations functions, there aren't any necessary changes they will need to go through. The finance department should continue to keep the records they are keeping, and the operations department should produce products in the same efficient way they are now. The only difference is that the distribution centers will hopefully ship out more items over seas. The same goes for research and development. They should continue their focus on innovative fabrics for their products. Although one improvement that can be suggested is to develop some cultural clothing products if the research presents an opportunity.

### **Conclusion**

There is no doubt that Under Armour has grown into a very large, successful company in a relatively short time. Incorporating these recommendations into their strategy can aid in their mission to increase sales globally, as well as expand their market reach. This will also help them overtake their biggest rivals who have a strong foothold in these areas. With Under Armour's strong finances and resources, the sky is the limit.