

The Analysis of the Reasons for the Success of the Under Armour Brand Based on “SWOT” and Porter’s Five Forces

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ABSTRACT

As a new brand, Under Armour has taken the world by storm, and is the first-line sports brand with Nike and Adidas. This article analyzes the reasons for UA's success from three aspects: UA's awareness of propaganda, differentiated competition and expansion of the sales market. Through used SWOT and porter's five forces analyzes to help understand the reasons for Under Armour’s success. Through research, this paper draws the following conclusions. Under Armour is a new company. They can expand into more markets than overseas. Under Armour is a sports brand that isn't safe enough. Nike and Adidas have high name recognition and buybacks, a high customer base and a lack of recognition compared to global brands. From the perspective of Porter's Five Forces, Under Armour is a newly established sports company, while traditional and more experienced companies will become a threat. For consumers, they will choose traditional brands and buy from more familiar brands. Suppliers will face more supply choices in the market. In the absence of supply capacity, suppliers will opt for more advantageous options, such as higher prices and better publicity, and traditional sports brands with a large customer base, higher technological prowess and wider recognition will be a threat to Under Armour.

Keywords: *Under Armour, SWOT, Porter’s five forces*

1. INTRODUCTION

Under Armour was founded in 1996 by former Maryland football star Kevin Plank. He founded Under Armour (NYSE UA) in Baltimore, Maryland, USA. UA's slogan is "Dry all cotton products". UA's sales in its first year were only \$15,000. Under Armour's sales in 2014 surpassed Adidas, sales increased by 32% over the previous year, reaching 3.08 billion U.S. dollars, and the company's market value reached 15 billion U.S. dollars[1]. This article uses SWOT (strengths, weaknesses, opportunities, threats) and Porter's five forces (threat of new entrants, bargaining power of buyers, the threat of substitute products or services, bargaining power of suppliers, rivalry among existing competitors) to analyze the success of Under Armour And help more people understand the necessary conditions for startups more comprehensively. Through the research process, it is concluded that the success of Under Armour benefits from its marketing methods and competitive strategies. Under Armour has reaped huge

profits from signing stars and expanded its direct sales and agency stores around the world. Under Armour is targeting second - and third-tier cities. That's something no other sports company has thought of, and it's given Under Armour a lot of publicity. Under Armour benefits from differentiated competition. Under Armour has focused on the invention of athletic tights. While other sports brands are fighting for sneakers, Under Armour is giving it room to survive.

2. UNDER ARMOUR'S STRATEGIES FOR SUCCESS

2.1. Advertisement

Advertising has always been one of the most crucial elements to the success of any brand. According to Russell H Colley, advertising has three main objectives, including to inform, to persuade, and to remind. In this section, I will illustrate how Under Armour achieved these purposes with sufficient evidence.

The most effective method this company employed to advertise their brand is by having many famous and trusted celebrities wearing their clothing lines willingly. To further enhance the public awareness of their brand, they also have collaborated with multiple organizations.

To begin with, Dwayne “The Rock” Johnson has been their spokesman since 2016 and he had personally started appearing in public places wearing this brand way earlier. With the impact of this famous actor, a co-branded rock sneaker put on sale in May 2018 has been sold out in merely 30 minutes. Obviously, this has effectively raised this company’s public awareness, in other words, by doing so informed the public of this upraising brand.

A more influential celebrity who also personally enjoys wearing Under Armour is Curry Steven, the basketball star known for three NBA championship (2014-2015 , 2016-2017 , 2017-2018) , two time NBA regular season MVP (2014-2015, 2015-2016)[2]. In 2015, Under Armour extended their contract with Curry

to 2024, and Curry’s new contract includes company shares, they had been collaborating long before 2015. [3]As early as 2015, Stephen Curry intended to sign with Nike, but Curry was dissatisfied with the \$2 million given by Nike, so he chose Under Armour’s \$4 million. It turns out that Under Armour’s contract is very cost-effective. Under Armour's sneaker sales in 15 years have increased by 754% compared to 14 years. After this contract extension had gone public, the stock worth has reached 103.56 dollars, not only is this the highest in history, the stock worth has also raised 4.74% from the previous day. He had said publicly, “the first day working with Under Armour, I felt as if I’m home. We have achieved so much in the two years we work together. I look forward to our collaborations, and I loved being a part of the story of this brand.” This has demonstrated to the public that Under Armour is a brand capable of aiding an exceptional basketball player to one of the peaks of his career, thus persuading them of the excellence of this brand.

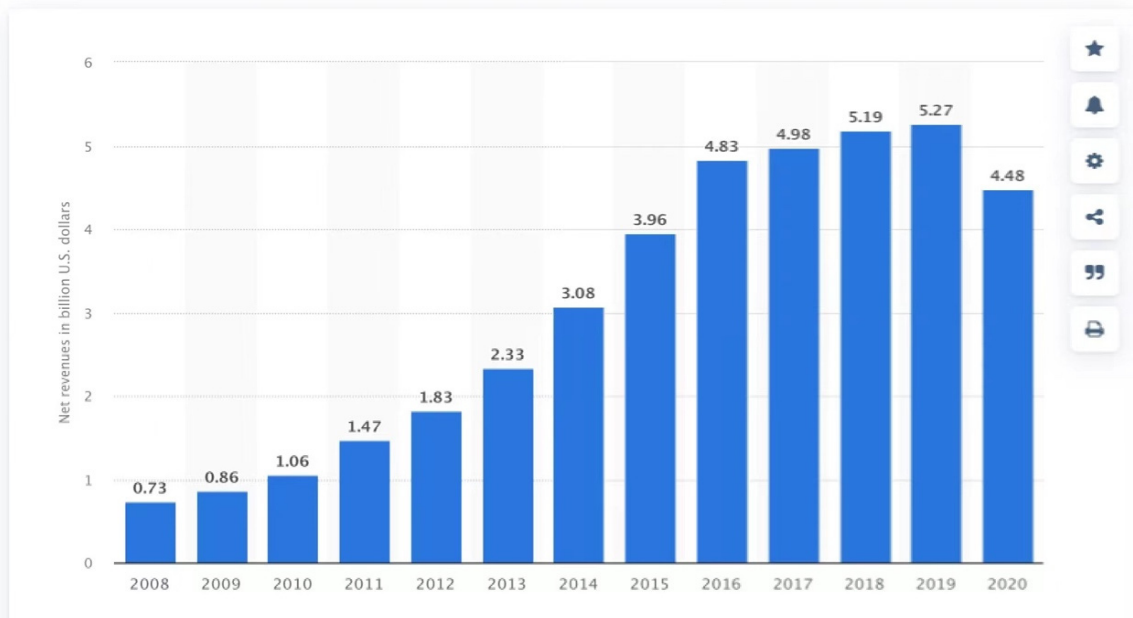


Figure 1 Net revenue of Under Armour worldwide from 2008 to 2020

2.2 Differentiation

Differentiation refers to the products provided by the enterprise and the things that are unique in the whole industry. Enterprises design their own products, services and brands to distinguish them from competitors. In order to improve market competitiveness, it differentiates competition and chooses one or more characteristics that many users value, and gives it a unique position to meet customer requirements. Differentiated competition brings special advantages for enterprises. Under Armour applies differentiated competition to the development of the brand. Facts have proved that this is correct. Next, we will analyze the special advantages and methods that UA obtains through differentiated competition.

The customer base of Under Armour sports equipment has never been sports enthusiasts. Their customers are athletes, so their tights are the most professional in the field. Tights and professionalism are the hallmarks of their success. "Cotton is the enemy" is the slogan of Under Armour. At that time, sports fabrics had not yet received research and support. People wear cotton products to exercise more. The breathability of long-fiber fabrics has not been solved, so UA developed the first generation of tights. Clothing "hot tools" have been welcomed by the market, and this invention has brought huge advantages to the early development of UA. When UA launched its first sports leggings, there were no such products on the market. It is light/dry and meets the needs of sports enthusiasts. Nike and Adidas don't pay much

attention to this. The launch of Under Armour tights occupies 70% of the sports tights market. When Nike and Adidas competed for the sports shoe market, it happened to provide UA with a living space. UA's strategy to enter the market is to create a new category. The advantage of doing so is to avoid competing with other brands while gaining more profits. Brands that enter the market segment first can impress consumers and strengthen their position.

2.3. Consumer Groups

Under Armour consumers include professional athletes, amateur athletes, fitness enthusiasts and so on. Under Armour products meet the basic needs of sports enthusiasts and athletes to wear sportswear when playing sports, practicing or competing.

It can also meet the athletes' psychological needs to prove that they are real athletes by putting on professional sports clothes to show their muscle strength and beauty. Under Armour's products with different features help improve athletes' performance and enable them to perform at their best. Under Armour has strong recognition in the 12-24 category. For high school students, Under Armour is a seal of approval: I'm really an athlete. Under Armour initially targeted men and only started to market women's sports in 2007.

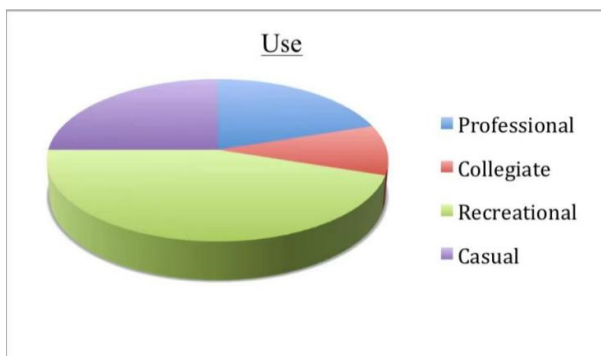


Figure 2 Distribution of main user groups under Armour

2.4. Expand Sales Scope

Expanding the scope of sales is one of the necessary conditions for all listed sports companies, and Under Armour is no exception. In 2014, Under Armour had 1,100 stores worldwide and will add 1,500 stores in the next five years. Nike and Adidas have also established stores all over the world. The difference is that Nike Adidas does not pay enough attention to second-tier cities, so UA began to expand the market in second-and third-tier cities, which greatly increased UA's sales and popularity. It was also at this time that UA's commercial landscape expanded to the world. On the other hand, Under Armour stores are divided into direct stores and franchised stores, and the method of franchising stores is

adopted globally, using citizens to join Under Armour to open stores in the local area, and they will pay Under Armour franchise fees every month. And to take profits, Under Armour not only increased brand awareness through franchising stores but also earned profits and franchise fees. Under Armour's sales scope has expanded to the world, which is also one of the important factors for their success.

2.5. Technology Companies Rather Than Clothing Companies

Differentiation comes not only from professional brand building but also from products with a sense of science and technology. As a result, some people directly define Under Armour as a technology company rather than a pure sports product company.

If people want to make T-shirts and shoes to get better sweat absorption and air permeability, its fabrics must be made of chemical fiber materials. However, in the previous fabric industry, although chemical fiber products are light, they are often difficult to form advantages in terms of thickness, softness, anti-static and other indicators. They are either too thick, not flexible enough, or soft enough to generate static electricity. However, under Armour has made great progress in the wearing experience of chemical fiber fabrics through long-term and dedicated research and development cooperation. Its products are breathable, lightweight and free of static electricity, making them ideal for sticking to the skin as tights. Its classic, innovative fabrics include the HeatGear hot pack and the ColdGear cold pack, which are lightweight and non-burdensome, allowing sweat to evaporate quickly, allowing athletes to work in extreme heat while staying dry and light. Although this fabric product is not original factory manufacturing under armour, it is by attention to focus on the user's demand, taken from the consumer demand pushed the management idea of raw materials production, are involved in the research and development of raw material part, really adapted to the specific product-specific consumer demand, to win the favor of consumers and specialization, cognitive science and technology. Technological product positioning, and really from consumer demand, is the clearest portrayal of the future C2B business model.

On the other hand, under Armour has been aggressively entering the sports technology field since 2013. Having bought digital fitness technology company MapMyFitness for \$150 million in November 2013, and two fitness app developers MyFitnessPal and Endomondo for \$560 million in early 2015, it moved into food, nutrition and fitness tracking, And the European fitness APP market. Through these acquisitions, Under Armour has successfully surpassed Nike to become the world's largest digital fitness application + community enterprise. Through the massive data uploaded by users

during exercise, Under Armour conducts big data analysis to further identify users' demands during exercise, so as to carry out research and development and production in accordance with them.

3. THE ANALYSIS OF UNDER ARMOUR BASED ON "SWOT"

3.1. Under Armour's advantage

1. A new type of company has great potential to expand into other sports territories
2. The brand is committed to continuous innovation.
3. Have a certain expansion project for the application App Myfitnesspal and make acquisitions to diversify the company's income.

3.2. Under Armour's Disadvantages

As a sports brand, the safety of sports is not enough. The US Consumer Products Council recalled the Under Armour water cup because the sports broke and caused poisoning.

3.3. Under Armour's Opportunities

1. Under Armour's continuous innovation and extension of the product line enable Under Armour to attract consumers to enjoy consumption.
2. Under Armour is a new company, the overseas expansion of the market is not sufficient, they can expand into more markets.

3.4. Threatenings

1. Nike and Adidas have high visibility and repurchase with a high customer base.
2. Compared with global brands, lack of awareness.

4. THE ANALYSIS OF UNDER ARMOUR BASED ON PORTER'S FIVE FORCES

4.1. Threat of New Entrants

For new entrants, most of the potential threats are companies that also focus on this area. Take the yoga brand lululemon as an example. It also has a tights market and they are highly professional. This will carve Under Armour's market and take away their customers, which will become one of the threats to UA.

4.2. Bargaining Power of Buyers

Buyers face more choices in the market, and buyers will choose better products to purchase, which will generate competition in the market, and consumers will

choose more mature and familiar brands. And other brands will divide UA's customers, this will also be a threat to Under Armour.

4.3. Bargaining Power of Suppliers

Suppliers will face more supply choices in the market. In the case of insufficient supply capacity, suppliers will choose more favorable options, such as higher prices and better publicity, such as Nike. This will become one of the threats to UA.

4.4. Threat of Substitutes

Traditional sports brand companies have a huge customer base, higher technological strength, and broader recognition, which will become a threat to Under Armour.

4.5. Degree of Rivalry

Traditional sports brand companies have a huge customer base, such as Nike and Adidas. Higher technological strength and wider recognition will become a threat to Under Armour.

5. CONCLUSION

This article studies the reasons for Under Armour's success, from Under Armour's advertising awareness, UA's differentiated competitive strategy and expanded sales. In the process of research, the method of Porter's Five Forces and SWOT was used to study Under Armour, and the advantages and disadvantages of Under Armour in the market were analyzed, and the threats Under Armour might be received at the same time. Through the research process, it is concluded that Under Armour's success benefited from its marketing methods and competitive strategies. Under Armour's marketing methods are reflected in their signed stars, and they have made huge profits after signing Under Armour. Under Armour has expanded direct sales and agency stores around the world. Under Armour puts the market in the second and third-tier cities. This is something other sports companies have not thought of, and it has broadly enhanced Under Armour's popularity. Under Armour benefited from their differentiated competition. Under Armour focused on the invention of sports tights. When other sports brands were fighting for sports shoes, Under Armour gave Under Armour space to survive. Under Armour took the opportunity and became a business empire.

This part of the conclusion has not been cautious enough in Under Armour's market research and needs to be studied.

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