



COVER SHEET OF THE ASSIGNMENT

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Doctor of Business Administration

"I certify this work is the result of my own investigations, except where otherwise stated. All references have been duly cited"

A handwritten signature in black ink, appearing to be 'NG Fung Yu'.

Signed

NG FUNG YU

HKBM7016

Strategic Change and Organisations

Business Report

Under Armour

NG FUNG YU

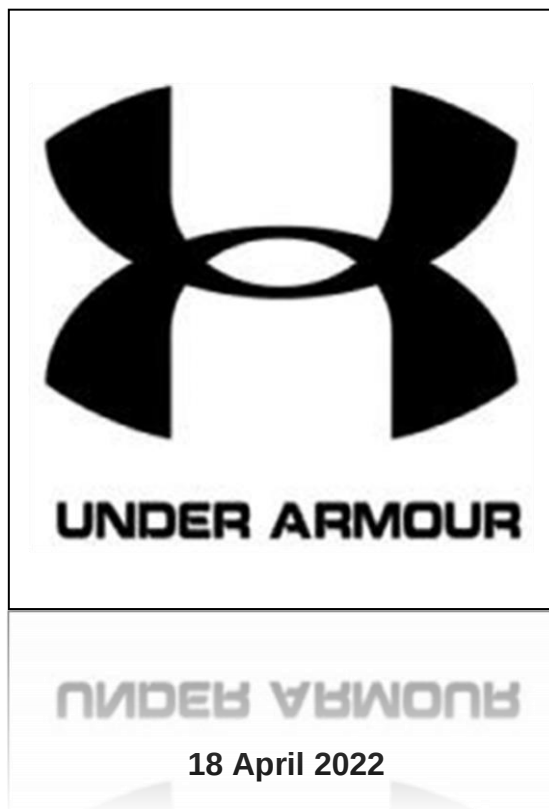


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1. Executive Summary

In 2014, the American sports brand Under Armour was one of the brands that successfully achieved a net income of over US\$3 billion in the shortest time, with a growth rate of 32%, which was higher than that of Nike and Adidas in the same period. For a while, Under Armour's products have been able to rank at the forefront of the sports industry and quickly become the second-largest sportswear company in the United States in a short period. At that time, it was estimated by the industry that by 2020, its global industry net income would exceed 180 billion U.S. dollars.

However, after rapid performance growth, the performance began to decline in 2007. Under the influence of the 2019 coronavirus disease (COVID-19) epidemic, Under Armour's version was even more severely tested. Net income in 2020 is Only \$4.46 billion. However, in 2021, Europe began to implement the policy of coexisting with the virus. Under Armour's performance in 2021, the net income rose by 27% to \$5.78 billion, and the commission has increased significantly. How does Under Armour's strategic management model reflect Change the situation and let it continue to develop the advantage?

The following will use the STEEP analysis model to analyze the environment where Under Armour is located, and use the Porter's Five Forces Model to analyze Under Armour's degree of competition in the industry and its advantages and disadvantages, and analyze How changes in environmental factors cause Under Armour to continue to develop, take a macro look at its pros and cons in strategic management.

Finally, after all, analytical understanding and evaluation, we know that products will continue to generate new demands with market changes, and these demands may be ignored by leaders and affect the sustainable development of their enterprises. Companies must maintain a balanced portfolio of products to achieve long-term business goals of sustainable growth and maintaining competitive advantage.

2. Introduction

The American sports brand Under Armour has been established 25 years, and it conducted its first public offering in 2005. Due to the driving force behind the product innovation and shaping the image of the professional athlete brand, its performance has increased explosively. The current sales target are mainly men, women, and young people; the product categories include excellent substitutes and traditional sports products; the types include clothing, footwear, accessories and connected fitness business, etc. The most popular product items are from the European American markets Sportswear. The Group strives to improve the quality and scope of products, increase market share and increase international visibility.



2.1 Founder of Under Armour

The founder of Under Armour is Kevin Plank. Plank was once the American football captain at the University of Maryland, but he did not achieve impressive results in his athletic career. His father died when he was 19 years old. It made him more independent, and he learned the rules of survival in the competition. After graduating from university when Kevin was 23 years old, he started making the first new jersey material in his grandmother's basement, which inspired his business idea.

2.2 Background of company

Former University of Maryland American football player Kevin. Kevin Plank founded Under Armour in 1996. The business mainly sports brand development, marketing and distribution of high-performance men's, women's and youth apparel and footwear. The product features a variety of designs and styles, providing customers with a variety of choices. The clothing design is almost suitable for wearing in various climatic conditions. In addition to selling traditional products, Under Armour also provides products with performance alternatives (Under Armour Annual Report ,2021).

Under Armour's products are spread worldwide, and the target group ranges from the general public to athletes at all levels, amateur to professional, and customers who actively pursue a quality lifestyle. Under Armour's products are sold to North America through independent, professional wholesalers and distributors, including the United States and Canada, Europe, the Middle East, Africa, Asia Pacific and Latin America. Still, most of the products are sold in North America. In addition to selling sports products, Under Armour also develops e-commerce websites. Customers can receive health information and follow up and understand their health status through Connected Fitness subscription and health management apps. (Under Armour Annual Report, 2021).

2.3 Values of company

Former football player Kevin Plank, although born humble, with excellent quality, unique design, and attention to customers, can rise from the basement to compete with industry big brothers Nike and Adidas, all thanks to his vision and mission statement And under the guidance of core values, it can develop so rapidly.

Under Armour has a strong belief in connecting every employee, customer, athlete, and teammate. Its core values revolve around five categories : Love Athletes ; Celebrate the Wins ; Stand for Equality ; Act Sustainably and Fight on Together.

Through bold innovation and fearlessness, Under Armour uses wisdom to break the framework of traditional sportswear and innovate products, allowing an amateur to professional athletes to show their skills in training, competition, and recovery so that they can create their legends every day (About UA, 2021).



2.4 Vision and Mission

Under Armour's brand style is connected with high-end professional sports equipment. "Professional" is synonymous with Under Armour. Under Armour's products follow the professional route and are exquisitely crafted. Although the prices are slightly higher than those of the same industry, they are among the top sports equipment brands. The tights underneath are the most famous products, especially since the beginning of college football in the United States, occupying a lofty position in the minds of young people.

"Cotton is our enemy" is the Under Armour brand slogan. They emphasized that all products are made of nylon and polyester. Moreover, each tight-fitting sportswear has its unique technological content: breathable, quick-drying, comfortable, reducing friction and helping muscle strength. Among them, Heat Gear and Cold Gear are the two leading technologies of the brand. The product's features will keep warm when cold, with the ambient temperature; ventilate when hot, and the style design is relatively simple (Watkins, 2016).

2.4.1 Under Armour Vision Statement

Under Armour's vision statement is: "Use performance solutions to inspire you. You never know what you need, and you cannot imagine life without it." (Comparably, 2021) Its vision stems from the source of innovation. Under Armour is the first sports company in the industry to launch functional clothing. Its brand-new concept broke the traditional concept of using inherent materials in sportswear and maximized the comfort and performance of sportswear. This create was an innovation unmatched in the industry at that time.

2.4.2 Under Armour Mission Statement

The purpose of establishing a mission statement is to explain the purpose of the company's existence and the reason for the company to keep operating. Under Armour's mission statement is "to make all athletes better through passion, design and the relentless pursuit of innovation." (Comparably, 2021)

2.4.2.1 "Build all athletes"

Under Armour emphasized in its mission statement that regardless of gender, sports population, or even sports habits, it can provide athletes with the best solutions.

2.4.2.2 "Better Through Passion"

Maintaining passion is an important part of Under Armour's continuous development, which allows the brand to maintain its freshness and provide motivation for problem-solving solutions.

2.4.2.3 "Design"

Product design is also another essential part of Under Armour. It is Under Armour's way of survival that it can continue to improve the design of sportswear and equipment. The comfort brought by sportswear can make athletes full of confidence. Give full play to the best state and skills.

2.4.2.4 “Relentless pursuit of innovation”

Since its establishment in 1996, Under Armour has always been aiming to provide customers with the best product choices to enjoy not only the maximum performance but also comfortable sports products.

2.5 4 Pillars of Greatness

- Make Great *Product*
- Tell a Great *Story*
- Provide Great *Service*
- Build a Great *Team* (Watkins, R., 2016)



2.6 Our Wills

- *Act* like a global citizen
- *Think* like an entrepreneur
- *Create* like an innovator
- *Perform* like a teammate (Watkins, R., 2016)

2.6.1 Act like a global citizen

With multiculturalism and global cohesion, the brand spans time zones. Let customers take action with an international mindset and enthusiasm no matter where they are, and pass this information to athletes worldwide. (Watkins, R., 2016)

2.6.2 Think like an entrepreneur

Under Armour assumes responsibility for success and failure, ensuring that the organizational chart or office location does not affect it. Always maintain a humble and eager attitude until all tasks are completed. (Watkins, R., 2016)

2.6.3 Create like an innovator

In order to pursue excellence, Under Armour is willing to take risks and failures so that one day will be able to guide us to create representative products that define them truly. Be prepared to make adjustments and promote changes at any time, and ensure that the core brand culture is maintained (Watkins, R., 2016).

2.6.4 Perform like a teammate

In order to maintain the fast pace of the brand, it is understandable that this is not suitable for everyone, which makes our products unique. We uphold respect, integrity and transparency, and as the requirements of our goals are achieved, we are empowered, supported, challenged and motivated to become great teammates (Watkins, R., 2016).

2.7 Code of Conduct

The core values of the enterprise define the code of conduct of Under Armour employees. Leaders hope that employees can comply with the standards that Under Armour achieves Under Armour's vision, mission and values through business practices. On October 14, 2019, their updated code of conduct was to:

- Require team members to make the right decision in everything.
- Be able to speak freely on essential things.
- Provide information to report ethical problems People (About UA, 2021).

3. Situation Analysis and Evaluation

3.1 STEEP Analysis Model

The STEEP Analysis Model can effectively macro the external environment and identify all impacts that have a shocking effect on the industry. The method can follow five directions to detect factors affecting the external environment. They are social factors (Social), technical factors (Technological), economic factors (Economic); ecological factors (Ecological); and political-legal factors (political-legal). Kasper scholars once said that the purpose of contextual analysis is to show the company the location of the organization and products and the company's overall survival in the environment (Kasper, et. al. 2006).

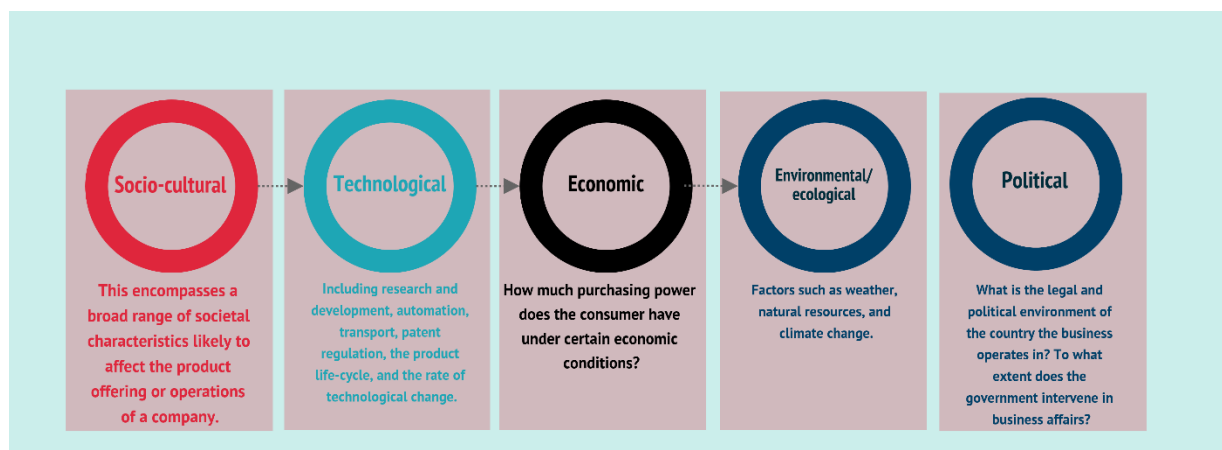


Figure 3.1 3.1 STEEP Analysis Model (Kasper, et. al. 2006)

3.1.1 The Global sportswear retail industry of industry analysis

As of the first quarter of 2021, the population of the 27 European Union member states is approximately 447 million, and the total population is second only to China and India. Since the European Union has 27 member states, which account for 27 sports goods markets globally, they each have different local characteristics, language differences, life and consumption habits, and trade systems. Under Armour also has 17 in the euro area. Different retail prices. Therefore, it is relatively easy to analyze the sports market in the United States, Canada or China.

3.1.1.1 Social

More and more people pay attention to health in today's cities, and sports activities are becoming more extensive. The five kinds of sea, land, and air sports have their exciting features, allowing the sports industry to continue to develop, such as yoga, fencing, dancing, Boxing, Etc., which are often welcomed by the public. More and more women have participated in fitness resistance bands, ropes and outdoor sports, such as rock climbing, mountain climbing, and rowing, Which cause has increased the female market share and promoted sports—sales of equipment and sporting goods.

3.1.1.2 Technological

Nowadays, technology is changing the mode and quality of human life. With the popularization of the Internet, people's shopping patterns have gradually changed. With the development of e-commerce, people can purchase their favourite products through online shopping platforms more quickly and conveniently.

In addition, high-tech products have brought different changes to the sportswear retail industry in recent years. For example, functional sportswear, automatic lace-up sneakers, innovative clothing selection systems and the latest fitness and sports electronic products can all stimulate Those high consumers who like to be on the cutting edge of trends.

In the age of advanced science and technology, people's requirements for products have increased relatively, and their values have also changed. Most consumers put quality as the priority to purchase, followed by price. Therefore, the market has a demand for technologically innovative sportswear and products.

3.1.1.3 Economic

Organizing events is no longer just about players competing in the same field, but the purpose of tourism, economy and city marketing behind sports events(教育部體育署, 2015) has gradually highlighted its importance. In addition, the most middle class in emerging countries and the middle class who yearn for material life are willing to spend on sports products worn by idols.

As the sportswear retail industry is booming (Pac, 2016), it can also promote the development of the surrounding sports industry and stimulate economic activities. If the birth of new products can improve the quality of life, it will also change people's living habits and consumption patterns.

Europe often hosts various large-scale sports events, such as winter sports, team sports, the World Cup, the European Football Championship or the Olympics. In addition to being the world's No. 1 sport of football, the five major leagues in Europe already have the best players in the world. Based on the prosperous lineup of fans, it is not difficult to stimulate sales growth of sporting goods.

3.1.1.4 Environmental / Ecological

In most countries in Europe, there are many lawns, and outdoor sports can be performed all year round, such as basketball, rugby, and football. Therefore, sports have been popularized, and sports goods are naturally in great demand.

Outdoor sports in Europe are developing rapidly, and people are keen on outdoor sports and fitness. The number of people participating in mountain sports is increasing.

3.1.1.5 Political-legal

The opening up of international trade has provided the sportswear industry with more business opportunities for development and the resulting trade benefits. Reduced trade protectionism and local brands, Etc., have greatly helped the development of the sportswear industry (法新社, 2016).

In addition, many countries have established sports as one of their national policies. For example, Japan passed the Basic Sports Law in 2011 (教育部體育署, 2015), emphasizing the pursuit of becoming Sports are advanced countries and hope to bring national dignity and public health through sports. (教育部體育署, 2015).

In 2012, the Singapore government also proposed a vision for 2030 (教育部體育署, 2015). The focus is on sports to unite the centripetal force of the society, promote sports lifestyle "Sport Singapore", and call for sports to promote the cultivation of personal character and ethnic groups. Integration and national identity, Etc.

3.2 Michael Porter's Five Forces Model

Michael. Porter (Michael Porter) proposed the Porter Five Forces Analysis Model in the early 1980s, also known as the Porter Competitiveness Model, which is a tool to analyze the advantages and disadvantages of customers in a competitive environment. The five forces are Bargaining Power of Suppliers; Bargaining Power of Buyers; Threat of New Entrants; Substitutes and peers The degree of competition of competitors (Rivalry). The stronger the five forces, the more significant the negative impact on the industry's business operations (Porter, 2008).

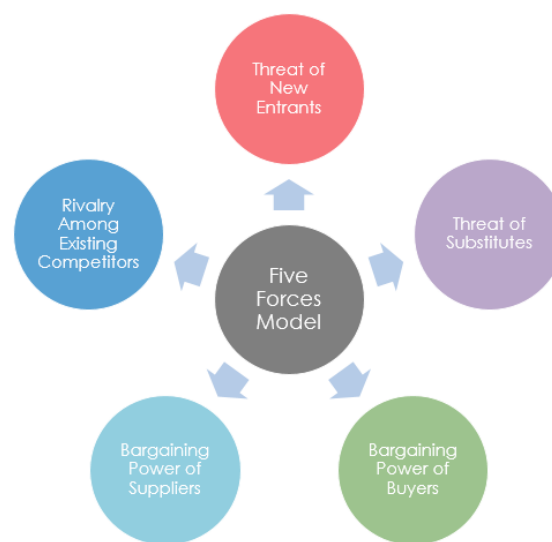


Figure 3.2.1 Five Forces Analysis Model (Porter, 1980)

Competition in the sports industry is fierce. Large enterprises have relatively high bargaining power for materials due to their high production volume. Low switching costs have led to fierce competition in the industry. However, due to the low production volume and low purchase volume, high-tech materials are naturally higher in cost than general materials, and their selling prices are also considerably higher.

Because they pay attention to their health and build a healthy image, customers focus on quality and design. Sports brands have become a symbol of customer personality and unique image. Therefore, the bargaining power is lower.

Sports products are diversified, and there are many brands, and competition is fierce. To avoid being threatened by sales. Products must be brand new and technologically developed to obtain exclusive rights to patents and functions to be difficult to be replaced. The differentiation of low-quality products will increase competitiveness; the threat of new potential competitors is moderate to high.

Due to the low entry into the sports industry, the focus is on technology generalization and brand transformation. However, big brands and high-profile image products have increased entry into the industry.

4. SWOT Matrix Analysis

SWOT analysis is an overall evaluation of the company's strengths, weaknesses, opportunities and threats. It is a way to monitor the external and internal marketing environment (Kotler & Keller, 2012).

SWOT ANALYSIS



SWOT Matrix Analysis Model (Kotler and Keller, 2012)

4.1 SWOT Matrix Analysis for Under Armour

The SWOT analysis is a structure utilized to estimate a company's competitive stance by identifying internal strategic factors like strengths and weaknesses and external strategic factors like opportunities and threats. Precisely, Under Armour's (UA's) SWOT analysis is a niche evaluation model that assesses the internal and external factors and their impacts on its micro and macro environment (Kotler and Keller, 2012).

Under Armour is an American sports brand company that manufactures sporting goods such as athletic and casual apparel, footwear and accessories. The primary geographic operations are North America, Europe, the Middle East, Africa, Asia Pacific and Latin America.

Fourth-quarter 2021 revenue contributions were 66% (sports and casual apparel), 21% (footwear), 9% (accessories), 2% (Licensing) and 2% (Connected Fitness). (Under Armour Annual Report, 2021)

Sports and leisure apparel is Under Armour's core business, and its competitive advantage is high-quality fabrics that keep athletes dry, light and comfortable even in extreme weather conditions.

High-quality apparel, innovative marketing strategies, a broad product portfolio, multiple distribution channels, exponential revenue growth, and a rising stock price are all key strengths of Under Armour. Its core competencies have helped Under Armour gain a competitive edge over its competitors in the apparel and footwear industries. Acquisitions of digital nutrition and fitness apps make Under Armour the world's foremost digital health and fitness company (Under Armour Annual Report, 2021).

Unlike its biggest competitors (Nike, Adidas, etc.), Under Armour's fundamental weaknesses are few stores and a limited presence in a diverse market. The company is highly dependent on the U.S. market for revenue. Under Armour's other disadvantages are a lack of product customization, high product pricing that limits potential buyers, and the brand's lack of many female subscribers.

Expansion of diversified markets, extension to other sports, further innovation to add product lines, development of target markets from men and women to children, trending demand for healthier lifestyles, and expected growth in the sports apparel market are some of the critical opportunities Under Armour can help achieve sustainable development.

Under Armour's star product, its high-quality sweat-resistant sportswear became easy to imitate. Competitors with higher brand recognition launched similar products, affecting the company's sales and making a considerable contribution to Under Armour's profits threat.

4.2 Indicated actions for Under Armour may take

Internal – Strengths and Weaknesses for Under Armour	
Strengths	● Broad and diverse product portfolio covering sports and digital services such as sports and leisure apparel, footwear and accessories ● A distribution network covering many different regions ● Continued strong revenue growth over the years ● Marketing and promotion strategies that allow access to consumers
Weaknesses	● Limited geographic diversity ● A significant portion of sales comes from large wholesale customers.

External – Opportunities and Threats for Under Armour	
Opportunities	● Growing market in the Asia Pacific ● Ability to enter fast-growing industries ● The popularity of E-commerce and mobile commerce ● The US sports shoe market is promising ● Women are an untapped segment in the sportswear market ● Collaborate with Virgin Galactic to design spacesuits
Threats	● Threats from increasing peer competition ● The impact of rising wages on workers ● The effect of Covid-19 and other epidemics on supply chains

Strengths

- **Broad and diverse product portfolio covering sports and digital services such as sports and leisure apparel, footwear and accessories**

Under Armour offers a wide variety of products in its original apparel line, covering a broad sports and casual apparel portfolio. It now provides services beyond apparel, footwear, accessories, e-commerce and mobile commerce. In the fourth quarter of 2021, apparel, footwear and accessories sales will account for 68%, 22% and 8% of net revenue, respectively. Licensing arrangements and income from the Connected Fitness business accounted for the remaining 2% of net revenue. The broad product range minimizes the risk of relying on specific product categories. Third-party companies work with product development teams to manufacture these products. This approach helps

them guide product development, adaptation, climate and end-use (Under Armour Annual Report, 2021).

- **A distribution network covering many different regions**

Under Armour has several distribution networks through which it can sell its products. The bulk of sales is made through wholesale channels, including national and regional sporting goods chains, department store chains, institutional sports divisions, leagues and teams, and independent and specialty retailers. Under Armour sells products directly to consumers through its global brands, factory stores and e-commerce sites. In fiscal 2021, revenue from wholesale, direct-to-consumer, and licensed channels accounted for 57%, 41%, and 2% of net revenue. In countries where Under Armour does not operate, they sell their products under license. Multiple distribution networks help companies expand their market presence (Under Armour Annual Report, 2021).

- **Continued strong revenue growth over the years**

Over the past few years, under Armour has reflected strong growth and solid investor returns in its annual reports. From 2015 to 2021, Under Armour's revenue has grown from \$3.96 billion to \$5.68 billion in six years. Under Armour restructured the company around category management in 2020 to streamline operations to continue growth. This integrated global model will lead to shared responsibility across categories, regions and functions to rebalance their cost base to improve profitability. The impact of the Covid-19 pandemic will impact Under Armour's fiscal 2022 revenue. (Under Armour Annual Report, 2021)

- **Marketing and promotion strategies that allow access to consumers**

Under Armour supplies and sells products to high-performance athletes and teams at the high school, collegiate and professional levels as part of its marketing and promotional strategies. They offer and sell their products through professional, individual athletes, equipment agreements, club and sponsored colleges, influencer agreements, and directly to team equipment managers. Under Armour is the official outfitter of several high-profile collegiate conference sports teams. Under Armour, for

example, is the official supplier of footwear and gloves to the NFL and a partner of the NBA, which enables it to sell NBA athlete game uniforms associated with their products, including basketball shoes. As a result, high-level athletes are regularly seen wearing Under Armour products by various consumer audiences through the television, Internet, magazines and live sporting events. This engagement with consumers helps Under Armour build on-site authenticity.

Weaknesses

- **Limited geographic diversity**

About 67%, or about \$3.8 billion, of Under Armour's fiscal 2021 revenue comes from North America, and most of its sales depend on North America. Therefore, Under Armour needs to expand to other parts of the world to reduce its over-dependence on North America. Under Armour, in particular, has limited market experience in the Asia Pacific region, as its business scope has not changed much since its inception in 1996 (Under Armour Annual Report, 2021).

Most of Under Armour's sales come from large wholesale customers. In 2021, sales through wholesale channels will account for about 57% of its net revenue. Under Armour provides credit to wholesale customers based on assessing the customer's financial situation. Since wholesale customers usually do not need collateral. Therefore, when dealing with financially weak customers or struggling with economic uncertainty, Under Armour is exposed to the risk of reducing or cancelling orders.

In a weak economy, especially in 2021, customers may be more cautious about their orders due to Covid-19 or may slow down the investment needed to maintain a high-quality in-store experience for consumers, leading to their Product sales falling. In addition, due to the global economic downturn, city closures, business closures and other factors, the economic slowdown in the sports market or the continuous decline in consumer purchases of sports goods may have adverse financial conditions for Under Armour's wholesale customers.

Opportunities

- **Growing market in the Asia Pacific and ability to enter fast-growing industries**

According to Global Industry Analysts, Inc. sports and fitness clothing industry will reach \$231 billion by 2024, driven by increased awareness for a healthy lifestyle and increased participation in sports activities. As per the reports, the Asia-Pacific region will experience the fastest growth at a CAGR of 6.9% during the forecasted period. UA's presence in the Asia-Pacific region is not significant, and there is a need to cater to the needs of this growing market. China is an important potential market in the area, which is expected to grow fast given the regulatory initiatives undertaken by the government. The Chinese cabinet in 2016 approved a blueprint for developing a 5 trillion Yuan domestic sports industry by 2025, which is significantly the size of the market as of 2016. It can be a billion-dollar opportunity for UA. India is another fast-growing market with increasing economic growth and disposable income, which aid brands such as UA.

- **The popularity of E-commerce and mobile commerce**

As the internet penetration increases across regions worldwide, there is an increase in e-commerce sales. The retail sector is undergoing a significant transformation, with e-commerce and direct-to-consumer channels becoming prominent. UA needs to target E-commerce and M-commerce channels as it will provide tremendous opportunity and be the key driver of revenues in the long term. E-commerce sales represented 12% of UA's net sales of \$622.8 million in 2018. By 2023, the company expects digital sales will account for 15% of total sales.

- **The US sports shoe market is promising**

As per the latest industry research, the U.S. athletic footwear market is valued at \$15.3 billion as of 2020 and is expected to grow at a CAGR of 3.7% from 2020 through 2025. The increase in demand for basketball and running shoes has led to the growth of the athletic footwear market. UA has a strong presence in the U.S. athletic footwear market. With the U.S. athletic footwear market poised to grow in the coming years, UA is in a position to reap profits from this market.

Women's significantly untapped segment in the activewear marketplace: Women are also leading the athleisure movement, transforming how many consumers think about athleticwear and how retailers design their products. While athletics retailers in the past haven't entirely ignored women, sportswear was traditionally a men's market. However, the trend is shifting, and women's activewear segment presents a significant opportunity. The worldwide women's activewear market, valued at approximately U.S. \$119 billion in 2017, will reach US 217 billion dollars by 2025. According to The NPD Group, the top three sportswear brands, Nike, Adidas, and UA were also the top three men's activewear brands in 2018. However, in women's activewear category UA is behind Nike, Lululemon and Victoria's Secret and has significant growth potential.

Threats

- **Threats from increasing peer competition**

Sports apparel industry is highly competitive due to significant players such as Nike, Adidas, etc. These competitors buy bulk quantities from suppliers and hence have higher control on prices of raw material. Competitors like Puma, Nike, and Adidas have higher brand weight as they have built their brand value over the years. Backward integration is not easy as it is capital intensive, and UA lacks competencies in that area. Further, UA also competes with other manufacturers, including those specializing in performance apparel and footwear, and private label offerings of specific retailers, including some of our retail customers.

- **The impact of rising wages on workers**

As per the Korn Ferry report, Asia will experience the highest wage rise at 5.3% in 2020. Civil society groups have been urging major sports apparel manufacturers that workers in their Asian supplier factories are paid a fair wage as their share of the production cost dwindles. Since most of the suppliers of UA are located in Asia, the increase in wages will increase raw material and manufacturing costs. In addition, Under Armour's overall cost of goods sold will rise as the prices of related raw materials rise, reducing the profit margin.

- **The effect of Covid-19 and other epidemics on supply chains**

In 2021, six contract manufacturers will produce most of Under Armour's footwear products, which operate in Vietnam, China, and Indonesia. The concentration of manufacturers poses a significant threat to the company's supply chain under Armour, which will easily disrupt in the event of political factors, natural disasters or epidemics such as Covid-19, which will affect 2022 Under Armour's business development.

5. Corporate and Business Strategy

Under Armour's principal business activities are developing, marketing, and distributing branded performance apparel, footwear, and accessories for men, women, and youth. The brand's performance apparel and footwear are engineered in many designs and styles for wear in nearly every climate to provide a performance alternative to traditional products. Under Armour's products are sold worldwide and worn by youth to professionals, consumers with active lifestyles and athletes of all levels, making Under Armour products available on sports fields around the world.

Under Armour generate net revenues from selling its products globally to national, regional, independent and specialty wholesalers and distributors. They also generate net income from the sale of their products through their direct-to-consumer sales channel, which includes their brand and factory house stores and e-commerce websites. In addition, UA generates net revenues through product licensing and digital fitness subscriptions and digital advertising on their Connected Fitness applications. A majority of their products are sold in North America; on the other hand, they believe their products appeal to athletes and consumers with active lifestyles around the world.

Under Armour plans to continue growing its business by increasing apparel sales, footwear and accessories, expansion of their wholesale distribution, growth in their direct-to-consumer sales channel, and development in globe markets. The digital strategy is focused on supporting these long-term objectives, emphasizing the connection and engagement with their consumers through multiple digital touchpoints (Under Armour Annual Report, 2021).

6. Implementing expansions and market performance analysis

This section will use the Ansoff Matrix to analyze how Under Armour (UA) implements its expansion and evaluates its overall market performance. The Ansoff Matrix is a strategic planning tool that provides a framework to help executives, senior managers, and marketers devise strategies for future growth. (Tom Spencer, 2015) The Ansoff Matrix was developed by a Russian-American mathematician named Igor Ansoff and first explained in his 1957 Harvard Business Review article entitled Strategies for Diversification. (Ansoff, 1957) The details as below.

6.1 Analysis of Under Armour's implementing expansions



Figure 6.1 The Ansoff Matrix (Ansoff, 1957)

6.2 Evaluating the overall market performance of Under Armour

6.2.1 Product trend

In today's society, whether technology can be used wisely has already determined the rise and fall of the industry. Even in the sports industry, it is not immune. Sports products need to upgrade new materials and applications and display creativity to attract customers' purchase intentions. In addition, sports products that help improve athletes' performance and personalized design are also the driving

force for increasing sales. For example, it is claimed that graphene running shoes made of the world's most robust materials, and sports bras made of gels that can change their shape are already available. More than 60% of Under Armour's net income products come from apparel (Under Armour Annual Report, 2021). It leads the trendy era with brand-new materials. At that time, there were no products of the same type in the industry. Therefore, Under Armour played a unique role and took the lead in the industry. The growth rate reached 53% in 2006, and its growth rate in 2014 was higher than that of Nike and Adidas in the same period (Seeking Alpha, 2016).

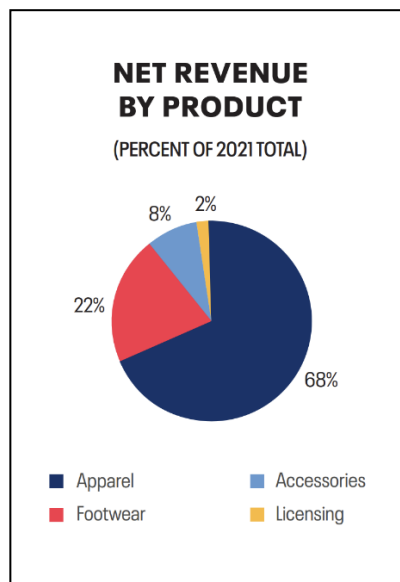


Figure 6.2.1 Key Financials (Under Armour Annual Report, 2021)

Although Under Armour had a fantastic growth rate in the early stage of its performance (Seeking Alpha, 2016), these brand-new materials have been imitated continuously. Under Armour has not launched significantly new products afterwards and has gradually lost its uniqueness. It is shared in the market. Even the three temperature-adjustable sportswear launched in 2017 cannot reverse the situation. The growth rate in 2017 is tightly 3%. (Under Armour Annual Report, 2017) As of 2021, the growth rate of Under Armour has not broken that of 2014. 34% of the record (Under Armour Annual Report, 2021).

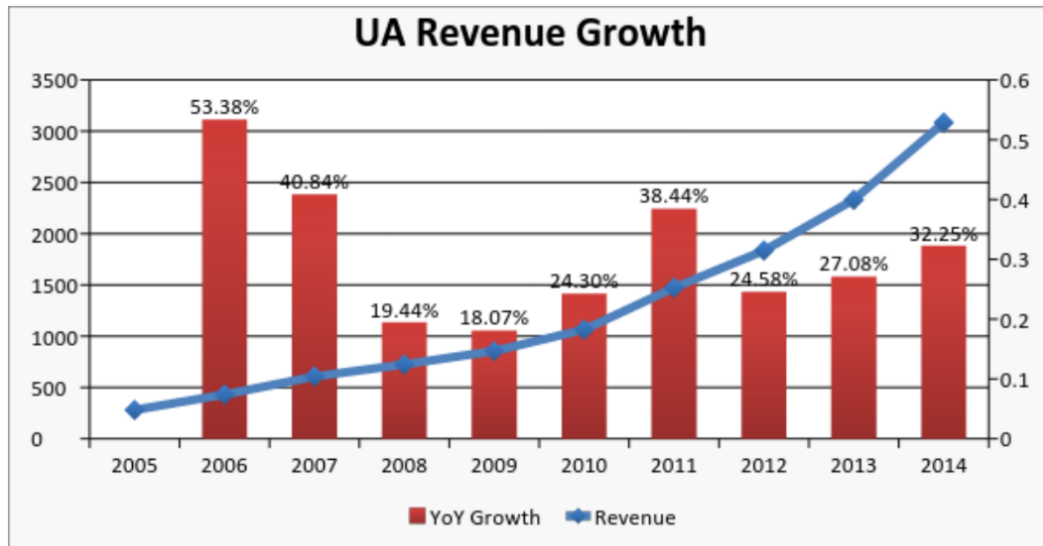


Figure 6.2.2 UA Revenue Growth (Seeking Alpha, 2016)

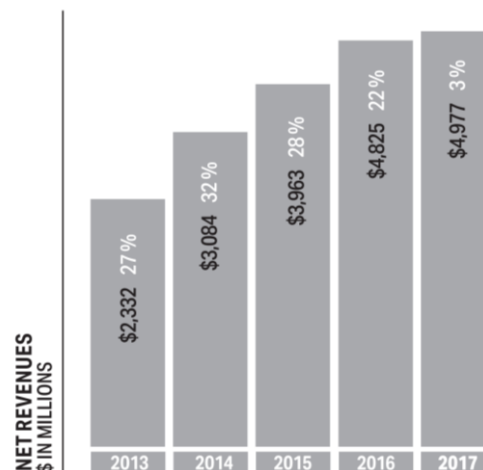


Figure 6.2.3 Net Revenues \$ in Millions (Under Armour Annual Report, 2017)

6.2.2 Supply-side

"Time is money". With the emergence of 3D printing technology, many sports brands are vying to use this technology to print sports shoes, hoping to produce a large number of products in the shortest time to meet the market's needs to increase sales quickly.

In 1996, Under Armour pioneered the launch of 3D printing technology sneakers suitable for any sports and sold the 20th-anniversary 3D limited edition sneakers. Attract customers to buy. With these 96 3D sports shoes, Under Armour achieved revenue of 4.8 billion in 2016.



Figure 6.2.4 (Insider, 2016)

6.2.3 Health App

Having an even posture is a dream that many people pursue. In addition to exercising, it is necessary to eat the right calorie foods. The two-pronged approach can complement each other. In order to expand its business scope, In 2015, Under Armour spent US\$475 million to acquire MyFitnessPal, the world's most popular weight loss app. This application has the world's largest nutrition database, containing information on more than 5 million foods. There were more than 80 million registered users of its website and applications that year. It is called "the largest digital health and fitness community in the world". This application is combined with Under Armour's fitness services, and the number of registered users will reach 120 million.



Figure 6.2.4 An App a Day: MyFitnessPal (Get the Gloss, 2013)

It is not easy for large companies to gather and maintain close contact with customers. The health app is indeed a way to quickly contact a group of sports enthusiasts and effectively establish a good relationship with them in a short period. In order to further expand the market's target core customer base, data is an essential resource for Under Armour's future development.

In 2015, In addition to MyFitnessPal, Under Armour also acquired Endomondo and MapMyFitness. It has led Under Armour to spend 700 million US dollars on these three health apps.

7. Suggestion and Conclusion

However, it is not easy to expand market share for attractive and large-scale corporate brands. On the contrary, it may lead to counterproductive effects.

Health application necessary to hire product engineers and data scientists to follow up and subscribe to customer analysis services, and MyFitnessPal only generates revenue through the sale of advertising spaces. In 2019 and 2020, this will only account for 3% of overall revenue. (Under Armour Annual Report, 2020) In a shortfall income, Under Armour finally sold MyFitnessPal, which had been devoted to much effort, for US\$345 million in 2020 (Darrell Etherington, 2020) At that time, some media used "The Road to Mobile Internet to Retreat" as the title of Under Armour's sale of MyFitnessPal.

This series of mergers and acquisitions has caused severe losses for Under Armour. Therefore, Under Armour has sold these health applications without investing huge e-commerce business expenses. It is a wise move to keep the cash and focus on products.

On the other hand, Under Armour is not wholly withdrawing from Internet e-commerce. It is very active in the Chinese e-commerce market and actively launches live streaming and discount sales activities. It allows Under Armour to return to the original strategic management without spending huge operating expenses and expensive health applications that are difficult to return. It is a safe way to open up the market.

2020 is an unprecedentedly challenging year for Under Armour. Due to the mistakes in strategic management, Under Armour had to adopt a series of remedial plans. For example, high-level salary cuts, layoffs, sales of health apps, reductions in operating expenses, and termination of sponsorships are hoped to reverse the disadvantages. However, under the influence of the COVID-19 epidemic, Under Armour seems to be promising. It is still hazy.

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