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THE STRATEGIC CHALLENGES OF UNDER ARMOUR IN 2021 WITH AN ANALYSIS
OF THE FIRM IN THE SPORTS FOOTWEAR MARKET

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Abstract

This work project describes Under Armour's efforts to create and sustain superior value in the global sportswear market. It is intended to be used in masters and executive education Strategy courses. Following the guideline of the field lab, a case study about the market situation and the firm is presented. We proceed with a literature review to discuss theoretical concepts. This is followed by an analysis, where the theory is applied to the case of Under Armour. A focus will be placed on the company's footwear segment. Exclusively secondary sources were used.

Keywords: Strategy, Under Armour, Sports Apparel and Footwear Industry, Sustainable Competitive Advantage, Disruptive Strategies for Value Creation, Connected Fitness, Footwear

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Case Study

It was August 3rd, 2021, and Patrick Frisk, the president and CEO of UA, had just announced the company's second-quarter financial results to its investors. With an increase in revenue of 91% and 20 basis points of gross margin over the previous year, UA outperformed expectations. Frisk was beyond relieved about the positive reaction of the investors.

The last years have been tough for the company. These results were a welcome change from prior years when UA had financial issues. The company faced brand-related controversies generated by poor management and questionable scoping decisions. Additionally, the global pandemic had made it even harder to fight for market dominance against large and fierce players such as Nike and Adidas. However, despite the recent positive results, the question of whether UA can manage to maintain its positioning in this highly competitive market is still up for discussion: What will UA's future hold? Will the company's current profitability allow it to maintain its market share? How can UA distinguish itself from competitors and adapt to constantly changing trends in the market?

Industry Overview

The Sports Apparel and Footwear Market

To understand UA's development, one must first look at the whole market in which the firm competes. In 2020, the global sports apparel and footwear market generated \$292.6 billion in sales, with apparel accounting for \$174.1 billion and footwear for \$118.4 billion.¹ Both markets are expected to grow considerably from 2020 to 2025, at a CAGR of 8% and 10%, respectively, with apparel generating \$259.4 billion in sales and footwear \$190.1 billion in 2025 (Exhibit 1 and 2). In this regard, the performance and sports-inspired apparel categories accounted for

¹ "Sportswear in World," Euromonitor International, accessed September 14, 2021, <https://bit.ly/31FKTgt>

44% and 40% of total sports apparel sales, respectively, leaving outdoor apparel with 16% of sales. Exhibit 3 indicates a similar trend for performance and sports-inspired footwear, as performance footwear and sports-inspired footwear comprised the bulk of sports footwear sales (each 44%), followed by outdoor footwear (12%).

Regarding demography, Generation Z and Millennials are of the utmost importance to the growth of the sports apparel and footwear sector because of their fitness and health consciousness and their involvement in exercise. As Generation Z approaches their prime purchasing years, they will overtake Millennials as the dominant consumer, accounting for 27% of global income with \$33 trillion in 2031.² Furthermore, according to Les Mills, 80% of gym members are Generation Z or Millennials, with the former being the most active, as 87% exercises three or more times a week.³ In the US, the two generations were also the age groups that spent the most on sporting goods, with expenditure increasing by 33% and 19%, respectively, since 2020.⁴ Additionally, Millennials are willing to spend more money on sportswear brands than other clothing brands.⁵ Among that generation, Nike is the most trusted brand and the second most trusted brand among Generation Z.⁶

According to a global survey about weekly sports habits from 2021, the two most practised sports were fitness and running with 20% and 19%, respectively. These results are most relevant in the Chinese market, where 53% of the respondents say that they run at least once a week.⁷

In terms of digital affinity, 67% of people over the age of 60, 81% of people between the ages of 30 and 50, and 92% of people between 18 and 29 said they buy sportswear online.⁸ When it

² “Gen Z to the World: Watch out, Here We Come,” Bank of America, accessed October 15, 2021, <https://bit.ly/3paniqi>

³ “Generation Active: The 80% Clubs Can’t Afford to Ignore,” Les Mills. accessed October 15, 2021, <https://bit.ly/3BRPRMs>

⁴ “Pitney Bowes BOXpoll™: Both Vaccinated and Unvaccinated Americans Plan for a Summer of Increased Spending,” Businesswire, accessed October 15, 2021, <https://bwnews.pr/3BRm72l>

⁵ “Millennials Infographic,” Goldman Sachs. accessed October 16, 2021, <https://bit.ly/3mXsVoZ>

⁶ “Nike Ranked Most Trustworthy Fashion Brand by Gen Z and Millennials,” Fashion Network, accessed October 15, 2021, <https://bit.ly/3DJZ9e4>

⁷ “Global Views on Sports: 58% Globally Would like to Practice More,” Ipsos. accessed October 14, 2021, <https://www.ipsos.com/en/global-views-to-sports-2021>

⁸ “Sports Brands in the U.S.,” Statista, accessed October 14, 2021, <https://bit.ly/3BQ2QOM>

comes to using FA for exercising, 89% of those who undertake them are either Generation Z or Millennials (Exhibit 4).

In terms of market size, North America was the largest region in 2020, with the US being the undisputed leader, accounting for 34% of global sportswear sales, followed by Asia-Pacific with 29%, and Western Europe with 19% (Exhibit 5). The US sportswear market is predicted to continue rising, reaching \$147.4 billion in sales in 2025. However, Asia-Pacific is expected to become the industry leader in the same year, with \$148.8 billion in sportswear sales and a 33% share. In the same year, Western Europe is projected to have a 16% market share with \$73.5 billion in sales.⁹ Furthermore, the US was the top per capita spender in sportswear in 2017, with \$330, followed by Norway with \$290 and Hong Kong with \$279 (Exhibit 6).

Exhibit 7 represents the sportswear industry value chain. Nowadays, it comprises various sized manufacturers with different responsibilities found worldwide, including China, Bangladesh, Indonesia, and India.¹⁰ Industry incumbents outsource most of their production, dealing with over 500 manufacturers worldwide. However, deep reliance on outsourcing is risky, making companies more vulnerable to supplier instability. Notwithstanding, players might offset this risk by pursuing an intensive diversification strategy, limiting the supplier's bargaining power. Raw material production and material manufacture account for a sizable portion of a firm's costs. Expenses accounted for 20%, 22%, and 20% of Nike, Adidas, and UA's total revenue in 2020, respectively (Exhibit 8).

In terms of distribution channels, in 2020, store-based retailing was the most prominent distribution channel, representing 71% of global sportswear sales.¹¹ In the same year, Dicks Sporting Goods, Bass Pro Shops, and Academy Sports, three of the largest sporting goods stores in the US, reported sales of \$9.57 billion, \$7.32 billion and \$5.69 billion, respectively.¹²

⁹ "Sportswear Market Size per region," Euromonitor, accessed September 15, 2021, <https://bit.ly/3IXMjm5>

¹⁰ "Global Value Chain," The Apparel Industry, accessed September 13, 2021, <https://bit.ly/3lzDcIt>

¹¹ "Sportswear in World," Euromonitor International.

¹² "Sporting goods in the United States," Statista, accessed October 7, 2021, <https://bit.ly/3Gu6rnP>

Although physical retail has remained the leading channel thus far, it has lost ground to internet sales, which have nearly tripled since 2015 (Exhibit 9). This non-store retailing counterpart, primarily represented by e-commerce, has seen sales surge from 11% in 2015 to 29% in 2020. Between 2019 and 2020, internet sales increased by almost 45%, partly because state-enforced lockdowns and health concerns triggered by the COVID-19 pandemic led consumers to opt for e-commerce solutions.¹³ In 2020, all sportswear giants registered an increase of up to 10% in the weight of direct to customer sales in total sales, reducing their reliance on retailers and wholesalers. This market share gain is predicted to continue, as sports e-commerce sales in the US are expected to expand at a CAGR of 14% between 2020 and 2025 and Europe at a CAGR of 10%.¹⁴

Market Trends

There are clear market trends that will impact and define the sportswear industry in the coming years. When considering consumer demand, these can be divided into four main topics.

Firstly, according to McKinsey, sustainable shopping is quickly becoming a top-of-mind concern for consumers, with 67% considering the use of sustainable materials crucial when purchasing a product.¹⁵ Consumers have been developing a strong preference for ecologically responsible brands, with the proportion of consumers preferring apparel from environmentally friendly companies increasing from 57% in 2013 to 72% in 2018.¹⁶ Furthermore, Millennials and Generation Z accounted for 57% of the US sustainable fashion market in 2021 as they are more aware of environmental issues than the general population, which encourages companies

¹³ Sabine Becker, Achim Berg, Sajal Kohli, and Alexander Thiel, *Sporting Goods 2021: The next Normal for an Industry in Flux*. McKinsey & Company, 2020. <https://mck.co/3DvVMaw>

¹⁴ Boston Consulting Group and SIGNA Sports United, *Global Sports E-Commerce*, April 2021, <https://bloom.bg/3ECBAVw>

¹⁵ Imran Amed, Achim Berg, Anita Balchandani, Saskia Hedrich, Felix Rölkens, Robb Young and Jakob Ekeløf Jensen. *The State of Fashion 2020 – Coronavirus Update*, Business of Fashion and McKinsey & Company, n.d., <https://mck.co/3FI2EmW>

¹⁶ “Share of Consumers Who Prefer Apparel from Environmentally Friendly Brands Worldwide 2018,” Statista, accessed September 17, 2021. <https://bit.ly/3lwuCu3>

to explore more sustainable ideas (Exhibit 10). Considering this, Exhibit 11 demonstrates that both generations in the US and Germany would buy more sustainable fashion items if they were more readily available.¹⁷

Secondly, the worldwide women's sportswear segment generated \$119.1 billion in sales in 2019 and is projected to reach \$216.9 billion by 2025, at an 8% CAGR.¹⁸ In the US alone, women's sports and swimwear generated \$39.4 billion in sales in 2020, which was more than the men's and children's categories combined for the same year (Exhibit 12). This trend is predicted to continue until 2025. In addition, in the case of sustainable activewear, online availability of womenswear in the US and the United Kingdom increased by 45% in 2020.¹⁹

Thirdly, due to a growing interest in fitness and well-being, the demand for athleisure (or sports-inspired footwear and apparel) has increased in the last few years. The COVID-19 pandemic accelerated the growth of this category. Since people were compelled to spend more time at home, they preferred more comfortable casual dress over formal wear.²⁰ This trend resulted in an 84% rise in athleisure orders since the outbreak began.²¹ Given that some organisations view homeworking as a long-term alternative and that 64% of American adults admitted the regular use of sports and fitness wear (Exhibit 13), this trend is expected to continue, with a CAGR of 7% from 2019 to 2026, reaching \$257.1 billion in 2026.^{22 23}

Finally, the connected fitness trend allows businesses to experiment with new ways to personalise product offerings and impact buying decisions.²⁴ By integrating smart wearables in

¹⁷ "Gen Z and Millennials - The Generational Gap in Sustainable Consumption." Statista, accessed September 27, 2021. <https://bit.ly/3IAQe8K>

¹⁸ Allied Market Research, *Women's Activewear Market*, 2018 <https://bit.ly/3awdjmy>

¹⁹ "Availability of Sustainable Active Wear in the United Kingdom and the United States in 2019 vs. 2020, by Segment," Statista, accessed 17 September 2021. <https://bit.ly/3BCwYwT>

²⁰ Sabine Becker, et al., *Sporting Goods 2021: The next Normal for an Industry in Flux*.

²¹ Alison Bringé, "The Rise Of Athleisure In The Fashion Industry And What It Means For Brands," *Forbes*, May 3, 2021, <https://bit.ly/3FI3GPQ>

²² "Wearing Sportswear Products in the U.S. 2018," Statista, accessed September 18, 2021, <https://bit.ly/3v3EPRP>

²³ Abel, Thomas, and Deshmukh Roshan, *Athleisure Market by Product Type, Gender, and Distribution Channel Global Opportunity Analysis and Industry Forecast, 2019-2026*, Allied Market Research, October, 2019, <https://bit.ly/3AyPjdc>

²⁴ Euromonitor International, *World Market for Sportswear*, November 9, 2018, <https://bit.ly/3oV3XJB>.

their apparel and footwear, companies can collect data about performance and recommend a suitable product based on it. Nike, for example, leveraged its network of connected devices by leading consumers to their online/direct sales channel, converting engagement into income.²⁵ Firms can utilise the inherent AI capabilities from connected fitness to provide customised insights that can then be used to improve nutrition or sleep.²⁶

We can identify four distinct tendencies regarding suppliers and distribution channels.

The supply chains of the sporting goods industry have seen significant disruption due to the COVID-19 pandemic. The prior reliance on wholesale-driven product cycles has been undermined by a more agile strategy centred on DTC demand. This trend translates into the requirement for faster delivery times and greater flexibility.²⁷ The environmental threat posed by the textile industry has been a growing issue, as most textile manufacturing processes create toxic waste. The apparel and footwear industry is estimated to account for 10% of worldwide greenhouse gas emissions. As a result, in addition to multiple rules and regulations being adopted to limit environmental deterioration, players are also implementing adaptation and sensitisation programmes.²⁸ Nike introduced *Move to Zero Program*, which was announced as the company's intention to minimise waste and reinforce its sustainability agenda.²⁹

After being tainted by slavery revelations, prominent industry participants have focused on changes in manufacturing conditions. According to the Global Slavery Index Report 2018, approximately \$125 billion of fashion clothing produced and imported into G20 countries each year employs modern slavery.³⁰ Customers' sustainability concerns are real, and the sporting goods industry is no exception. Consumers increasingly expect brands to develop sustainable

²⁵ Sabine Becker, et al., *Sporting Goods 2021: The next Normal for an Industry in Flux*.

²⁶ "Why Connected Fitness Is the Future of the Fitness Industry?," TechAhead Team, accessed October 13, 2021, <https://bit.ly/3p0ObwF>.

²⁷ Sabine Becker, et al., *Sporting Goods 2021: The next Normal for an Industry in Flux*.

²⁸ "The impact of textile production and waste on the environment (infographic)," European Parliament, accessed October 15, 2021, <https://bit.ly/3oTyIUC>

²⁹ "Sustainability", Nike, accessed October 15, 2021, <https://swoo.sh/31KSYZm>

³⁰ Global Slavery Index, *The Global Slavery Index 2018*, 2018, <https://bit.ly/3DEhMzQ>

agendas. According to McKinsey, less than 10% of materials used in the manufacturing industry are derived from sustainable sources. It is estimated that more than 50% of all discarded clothing is not recycled but instead ends up in incinerators or landfills. To solve this, market alternatives must emerge, such as recycling sporting goods and technological breakthroughs to generate new sustainable materials and advancements in recyclability.³¹

Competitive Landscape

The sportswear market is fierce and includes major international players. Market concentration, price elasticity and consumer behaviour are factors that influence competition.

According to researchers from First Insight, price elasticity is falling across apparel and footwear segments, including the sportswear industry, as customers are eager to pay a greater price for a given item if it fits their lifestyle and fashion preferences. Even though these facts are a reality for the overall sportswear industry, footwear is where the shift is the most relevant.³² According to Statista, by 2017, Nike had the highest median sneakers price, of \$80. This was \$10 pricier than Adidas and ASICS (2nd place) and \$20 more than New Balance (3rd place).³³ Nevertheless, Nike completely dominated the market with a share of 36%.³⁴ Considering this, the differentiation between players is mostly accomplished through product development and innovation, allowing the creation of state-of-the-art products, along with marketing and advertisement, which act as a way to build brand credibility and recognition. A

³¹ Sabine Becker, et al., *Sporting Goods 2021: The next Normal for an Industry in Flux*.

³² “New Report Shows Consumers Are Willing to Pay More for Footwear Right Now,” First Insight, October 4, 2019, accessed September 28, 2021, <https://bit.ly/3oTyCXE>

³³ “US Athletic Footwear Brands Market Share 2017,” Statista, accessed October 9, 2021. <https://bit.ly/3mPpNLL>

³⁴ “Median Price of Popular Sneaker Brands Worldwide 2017,” Statista, accessed October 9, 2021. <https://bit.ly/3mQ6TnZ>

common marketing practice is the endorsement of athletes such as Lionel Messi, Naomi Osaka and Stephen Curry (Exhibit 14).^{35 36}

When purchasing new sports items, US consumers' primary goal is to feel comfortable while participating in sports.³⁷ According to a 2018 Statista survey, comfort (66%), good fit (61%), and durability (50%) of sporting products like sports shoes are the top three most significant features for consumers buying them.³⁸

The industry is characterised by different pricing points, from local to worldwide, which allow players to position themselves distinctly. Of the wide range of competitors, Nike is the clear leader, being the largest enterprise in the market with the highest market share for many years. Further, there has been a tendency for market concentration to increase. The top nine industry players have won market share throughout the last decade. In 2011, they were responsible for 27% of the market share, whereas, in 2019, the number increased by 9%, culminating in 36%. On the other hand, smaller players have been, on average, losing ground (Exhibit 15). There are some exceptions, namely Lululemon. The brand has shown double-digit CAGR in the last years and is planning to target annual revenue growth in the "low teens".³⁹

According to Euromonitor, in 2020, the top two brands in the Sportswear industry, Nike and Adidas, were responsible for 25% of the market share.⁴⁰ Both companies have generated double-digit billion-dollar revenues in the last four years, which sets them apart from their competitors' figures (Exhibit 16).

³⁵ Dave McCombs, "Nike Nabs Naomi Osaka From Adidas in Surprise Endorsement Deal," *Bloomberg*, April 5, 2019, <https://bloom.bg/3p8kCt3>

³⁶ Kurt Badenhausen, "Nike Backs Osaka Amid French Open Withdrawal Firestorm," *Sportico*, May 31, 2021, <https://bit.ly/3GIvfOy>

³⁷ "Consumer Motivation to Buy Sports Apparel/Sports Shoes U.S. 2018," Statista, accessed September 29, 2021, <https://bit.ly/3vaEHZP>

³⁸ "Important Qualities of Sports Apparel/Sports Shoes 2018," Statista, accessed September 29, 2021, <https://bit.ly/3oVBIKI>

³⁹ "Lululemon Unveils 'Power of Three' Strategic Plan to Accelerate Growth," Lululemon Athletica Inc., accessed October 8, 2021, <https://bit.ly/3DHgTH9>

⁴⁰ Euromonitor International, *Sportswear in World*.

Of UA's competitors, Nike, Adidas, and Lululemon have all been key players since they hold a significant brand share percentage of the sportswear market and/or are relevant to current trends.⁴¹

Nike, Inc.

Nike, Inc., an American company, was founded in 1964 by Bill Bowerman under the name Blue Ribbon Sports. The firm was the largest sportswear and sporting goods company in the world by revenue in 2020, accounting for approximately \$37.4 billion, making it UA's strongest opponent.⁴² The company invests largely each year in marketing, totalling approximately \$3.6 billion in 2020 alone, which represented 10% of its revenues.⁴³ One example of Nike's continuing commitment to marketing is its distinctive "Just Do It" motto that is instantly identifiable throughout the world. In addition, in 2020, it had an inventory turnover ratio of 3.3 and was considered to have the 16th best supply chain in the world, partly because of its long-term relationships with its suppliers.⁴⁴ ⁴⁵ The same year, the company spent \$189 million on R&D.⁴⁶ In addition, Nike's ranking in the top 20 of "World's Most Valuable Brands" in 2019 demonstrates the effectiveness of their advertising.⁴⁷ The corporation also includes the Nike, Converse, Hurley, and Jordan brands.

Its achievements can be mainly attributed to controversial advertising and bold statements like "What Will They Say About You?" and "Dream Crazy" campaigns, as well as the Air Jordan's

⁴¹ *Ibid*

⁴² "Sportswear / Sporting goods companies ranked by worldwide revenue in 2020," Statista, accessed October 4, 2021, <https://bit.ly/3iXBDSZ>

⁴³ Nike, Inc., *2020 Annual Report*, 2021, <https://bit.ly/3Evjl4a>

⁴⁴ "Gartner Announces Rankings of the 2020 Supply Chain Top 25," Press Releases, Gartner, Inc., accessed October 25, 2021, <https://gtnr.it/3y5OkkO>

⁴⁵ "Responsible Sourcing," Purpose, Nike, accessed October 25, 2021, <https://swoo.sh/3dzyDo>

⁴⁶ Nike, Inc., *2020 Annual report and notice of annual meeting*, July 24, 2020, <https://bit.ly/3Evjl4a>

⁴⁷ Marty Swant, "The 2020 World's Most Valuable Brands," *Forbes*, n.d., <https://bit.ly/3AD8ZfK>

line, which is targeted at basketball athletes and fans, rappers and artists, and includes exclusive contracts with Michael Jordan, Cristiano Ronaldo, Tiger Woods and LeBron James.^{48 49}

Nike also has a position in connected fitness platforms. After the partnership with Apple creating the Nike+ programme in 2006, Nike has made significant investments in data learning capabilities.⁵⁰ Today, Nike owns two FA, Nike Running Club and Nike Training Club.⁵¹ In addition, to improve customer service and sustainability commitments, the firm offers both footwear and apparel customisation and refurbishment services.⁵²

Adidas AG

Adidas AG, a company from Germany, was founded in 1949 by Adolf Dassler. The enterprise emerged from the Gebrüder Dassler Schuhfabrik factory, owned by Adolf and his brother Rudolf. However, they decided to go their separate ways due to disagreements, with Adolf later registering the company as Adidas. It is currently the largest sportswear manufacturer in Europe, and it has been in a fight with UA to hold the number two spot in the sportswear market in the US for years.⁵³ Adidas also owns Reebok and TaylorMade. The total sales revenue in 2020 amounted to \$20.5 billion.⁵⁴ Thereof, the company invested \$2.6 billion in marketing and advertisement, which represents 13% of the revenue.⁵⁵

The company has been able to sustain its brand value and legacy because of its focus on innovation and technology, with \$146.3 million invested in R&D in 2020.⁵⁶ It was also one step

⁴⁸ Guardian sport, "Nike's 'Dream Crazy' Advert Starring Colin Kaepernick Wins Emmy," *The Guardian*. September 16, 2019, <https://bit.ly/3iYtnSA>

⁴⁹ Jessica Tyler, "Nike's Colin Kaepernick Ad Isn't the First Time the Brand's Commercials Have Made a Social Statement," *Business Insider*, September 7, 2018, <https://bit.ly/3mN0YQJ>

⁵⁰ "Nike and Apple Team Up to Launch Nike+iPod," Press Release, Apple, accessed October 16, 2021, <https://apple.co/3yd55uz>

⁵¹ "Nike Run Club," Nike, accessed October 16, 2021, <https://nikerunning.app.link/NRCP14>

⁵² "Nike Refurbished," Sustainability, Nike, accessed October 16, 2021, <https://swoo.sh/31KSYZm>

⁵³ "Adidas - Statistics & Facts," Statista, accessed October 18, 2021, <https://bit.ly/3DLmegF>

⁵⁴ "Net Sales of the Adidas Brand Worldwide 2000-2020," Statista, accessed October 19, 2021, <https://bit.ly/31JLbc4>

⁵⁵ Adidas AG, *2020 Annual Report*, 2021, <https://bit.ly/3pEJYNO>

⁵⁶ "R&D expenditure of the adidas Group worldwide from 2010 to 2020," Statista, accessed December 7, 2021, <https://bit.ly/3y9BiCV>. (Exchange rate on 7 December 2021, 1 USD = 0,88842 EUR)

ahead of Nike in capitalising on the athleisure trend. Adidas has secured collaborations with players such as Lionel Messi, Naomi Osaka, and David Beckham to attract a wider population.⁵⁷ Runtastic is Adidas' response to Nike's investments in online fitness. It is an online fitness platform acquired in 2015 that allowed Adidas to penetrate the FA market. Runtastic is split into two different apps, Adidas Running and Adidas Training.

Lululemon Athletica

Chip Wilson founded Lululemon Athletica in 1998. The company differentiates itself from the competition by capitalising on athleisure, practical clothing, and a yoga-centric strategy.

Between 2020 and 2021, the firm expects to have the highest sales growth of any major international athletic goods brand, at 21%.⁵⁸ In the US, the company has a substantial presence.

In 2020, its net revenues in that region were four times larger than in Canada and the rest of the world.⁵⁹ Furthermore, the corporation aims to quadruple overseas revenues by 2023 to increase international expansion.⁶⁰ The company's inventory turnover ratio in 2020 was 3.8.⁶¹

Lululemon has also made investments in online fitness. In 2020, the company acquired MIRROR to leverage the increasing demand for at-home fitness. The Mirror is a device that offers at-home fitness classes.⁶²

⁵⁷ Megan Armstrong, "These 13 Athletes Won the Most Lucrative Endorsement Deals," *Bloomberg*, February 24, 2020, <https://yhoo.it/3IQfUYp>

⁵⁸ "Sales growth forecast of the leading athletic apparel, accessories and footwear companies worldwide in 2020," Statista, accessed October 25, 2021, <https://bit.ly/3v8Ziom>

⁵⁹ "Net Revenue of Lululemon Worldwide 2012 to 2020, by Region," Statista, accessed October 25, 2021, <https://bit.ly/2YOUwk9>

⁶⁰ Lauren Thomas, "Lululemon Unveils Growth Plan for the next 5 Years," *CNBC*, April 24, 2019, <https://cnb.cx/3BEaziZ>

⁶¹ Lululemon Athletica, *2020 Annual Report*, 2021, <https://bit.ly/3dsSFoW>

⁶² Sapna Maheshwari, "Lululemon to Buy Mirror, a Fitness Start-Up, for \$500 Million," *The New York Times*, June 29, 2020, <https://nyti.ms/3oyddTh>

Under Armour, Inc.

Company's History

Kevin A. Plank founded UA in his grandmother's basement in 1996 (Exhibit 17). The former football player launched the sportswear firm by selling sweat absorbent T-shirts. The first sales were to former teammates of Plank, who not only provided useful input for future developments but also shared their experiences with other athletes. UA quickly outgrew the basement it was founded in due to word of mouth and direct sales to local football clubs.⁶³ As a result, the company relocated its headquarters to Baltimore.⁶⁴

From the beginning, the brand's strategy was to sell authenticity, with a primary focus on product performance. "The perception is that UA is where the pros are", Plank stated. As the company provided athletes with performance-enhancing gear, the exposure made UA well-known among amateur athletes. Its consumer base evolved into those who value an active lifestyle and athletic performance. Unlike its competitors, UA marketed its products as a solution rather than a way of life. At the time, UA's product development created a new sub-segment – the high-performance apparel - in the athletic wear sector, and by consistently launching new goods that strive to tackle different athletes' issues, UA was viewed as an innovative player (Exhibit 18). With a focus on good quality, UA pursued a skimming price strategy. Its high prices were driven by demand rather than cost. UA continuously underlined its differentiation from major competitors with in-house developed marketing and advertising initiatives.⁶⁵ It positioned itself as an underdog brand that provided sponsorship contracts to athletes who are not the apparent pick.⁶⁶

⁶³ Drake Baer, "Here's how Under Armour grew into a \$15 billion athletic-apparel empire" *Business Insider*, February 19, 2015 <https://bit.ly/3dI50Wi>

⁶⁴ "Our Story," Under Armour Inc, accessed 16 October 2021, <https://undrarmlr.co/3IUVeED>

⁶⁵ Effy Pafitis, "What Can Be Learnt From Under Armour, Inc.'s Marketing Strategy?," *Starting Business*, September 30, 2021, <https://bit.ly/3BB310m>

⁶⁶ Mallory Schlossberg, "Under Armour, Inc.'s underdog strategy to becoming the anti-Nike," *Business Insider*, September 08, 2015, <https://bit.ly/3FP57MC>

UA went public on November 18th, 2005, and more than doubled in value on the first trading day. In its first annual report the company admitted that its imitation protection was limited, as it had no patents for its fabric nor processes. One year later, the company set out on its first international and product-based expansion plans, establishing new headquarters in Amsterdam, and entering the footwear industry in the same year.⁶⁷

In 2011 UA introduced its take on cotton, even though Plank's mantra was "Cotton is the enemy" until then.⁶⁸ The "charged cotton" had the same properties and feel as the regular one but dried five times faster. UA's decision to enter this untapped market was motivated by both expansion potential and customer preferences. The market for cotton t-shirts was worth \$12 billion, while the performance market clothing was only about \$3 billion.⁶⁹

In 2014, UA was the supplier of the Olympic speed skating team. As the team performed poorly in the competition due to a fault in the design of the suits, UA was held responsible. Nonetheless, UA overtook its German competitor Adidas in sales that same year, ranking second after Nike in the competitive US sportswear market. With \$1.2 billion in September, UA outperformed its rival by \$100 million. However, it still fell short compared to the sportswear and fitness giant Nike, which gained \$8.9 billion in the same period. That year, UA's growth was 32%, and it reached \$3.08 billion in annual revenue (Exhibit 19).⁷⁰

In the following years, UA, entered the connected fitness market, by acquiring several apps, and expanding its product line with a variety of smart devices. UA's mission became "to make all athletes better through passion, design and the relentless pursuit of innovation" by offering hardware products in the form of apparel, footwear and accessories in combination with a

⁶⁷ Under Armour, Inc., *2005 Annual Report*, 2006, <https://bit.ly/3IRCzDG>

⁶⁸ "Press Release, July 2007," Under Armour, Inc., accessed September 17, 2021, <https://bit.ly/3oUga13>.

⁶⁹ Monte Burke, "In An About-Face, Under Armour, Inc. Will Introduce Cotton Apparel," *Forbes*, January 26, 2011, <https://bit.ly/3AGm342>.

⁷⁰ Sara Germano, "Under Armour, Inc. Overtakes Adidas in U.S. Sportswear Market," *The Wall Street Journal*, January 08, 2015, <https://on.wsj.com/3ayiXEJ>.

digital fitness platform that enabled customers to measure and track their progress.⁷¹ Notwithstanding, the majority of UA's profit was still generated through the sales of footwear and apparel.⁷²

In 2017, after 26 straight quarters of revenue growth of 20% or more, UA broke the streak with only 3% growth (Exhibit 20). In April of that year, the firm announced its first loss since going public. The bankruptcy of two of UA's largest retail locations and key resellers in North America in the previous year struck the company hard since it gained 65% of its income from wholesales (Exhibit 21). Plank introduced UA's "strategy of getting big fast" to alter this negative trend in the North American market. The company planned to "become one of the world's largest athletic brands" by rapidly expanding to establish scale regionally and globally while increasing DTC sales.⁷³ That year, UA's revenues in the domestic market dropped by 5%, while international grew by 46% to over \$1 billion.⁷⁴ Further, DTC increased by 14% and accounted for 35% of global revenues.⁷⁵

One cause of the decline in sales and the increase in leftover products was UA's unawareness of a shift in customer taste.⁷⁶ For instance, *Under Armour Sportswear*, which was launched in 2016 in partnership with Tim Coppens, was UA's failed attempt to position itself in the forthcoming athleisure market.⁷⁷ The line did not hit the sweet spot between high-end fashion and the mass market and was discontinued.⁷⁸ COO Patrik Frisk stated in 2017: "Under Armour, Inc. is a performance brand, ... our reason for existing ... [is] making a great product that delights consumers; distinct, authentic and unbelievably high-quality product... Looking back

⁷¹ Under Armour, Inc., *2020 Annual Report*, 2021, <https://undrarmr.co/3pyXT8e>

⁷² *Ibid*

⁷³ Under Armour, Inc., Q4 2017 Earnings Call, 2018, <https://bit.ly/3EEuKP9>

⁷⁴ Deniz Çam, "The Under Armour, Inc Troubles That Preceded Kevin Plank Stepping Down." *Forbes*, October 24, 2019, <https://bit.ly/3aNRE9L>.

⁷⁵ Under Armour, Inc., *2017 Annual Report*, 2018, <https://bit.ly/3pGBndp>

⁷⁶ Dennis Green, "Under Armour, Inc. Has \$1.3 Billion Inventory Problem," *Business Insider*, July 26, 2018, <https://bit.ly/30hd50B>

⁷⁷ John Kell, "Why Under Armour, Inc. Debuted a Collection At Fashion Week," *Fortune*, September 15, 2016, <https://bit.ly/2YOTrso>.

⁷⁸ Dennis Green, "Under Armour, Inc. Business Mistakes," *Business Insider*, February 19, 2017, <https://bit.ly/3v9tkbm>

over the last few years, we've been inconsistent with this promise. That inconsistency stops now".⁷⁹ That summer, UA announced a \$130 million budget for a turnaround plan, which was later doubled. The restructuring began with the first round of layoffs that reduced the workforce by 2%, followed by the second round in 2018 that reduced the workforce by another 3%.^{80 81} In 2018, the firm did not reclaim its former splendour. UCLA players complained about UA's underdeveloped footwear, which fell apart or even caused injuries. Furthermore, due to the #MeToo movement's rise, UA had to reconsider its internal policies. The brand was especially criticised for its association with visits to strip clubs with athletes or colleagues at the company's expense. This way, in the same year, UA revealed its five-year plan in which it announced that it wanted to invest in long-term growth opportunities, which included women's apparel and footwear. Even though UA already targeted women and youth, 69% of their customers were men between the age of 18 and 24 years (Generation Z), in the US, at that time.^{82 83 84 85}

The year 2019 started with a positive announcement. UA was collaborating with Virgin Galactic to create spacesuits and space boots "as well as an astronaut specific performance training programme".⁸⁶ The first year without restructuring costs to pay, the company gained a net income of \$92 million, while revenues grew only by 1% (Exhibit 22).⁸⁷ In October of the same year, Plank announced that he would transfer from CEO to executive chairman on January

⁷⁹ Under Armour, Inc., Q3 and Q4 2017 Earnings Call, 2018, <https://undrarmr.co/3GvhyN0>

⁸⁰ Çam, "The Under Armour, Inc. Troubles That Preceded Kevin Plank Stepping Down."

⁸¹ Under Armour, Inc., *Q4 2017 Earnings Call*.

⁸² Pafitis, "What Can Be Learnt From Under Armour, Inc.'s Marketing Strategy?"

⁸³ Safdar Khadeeja, "Under Armour, Inc.'s #MeToo Moment: No More Strip Clubs on Company Dime – WSJ," *The Wall Street Journal*, November 05, 2018, <https://on.wsj.com/3FAYJsa>.

⁸⁴ "Under Armour, Inc. Presents 2023 Strategic Growth Plan; Updates 2018 And Provides Initial Full Year 2019 Outlook," Under Armour, Inc., accessed September 22, 2021, <https://undrarmr.co/3iZbeEb>.

⁸⁵ Under Armour, Inc., *2018 Annual Report*, 2019, <https://bit.ly/3062GVU>

⁸⁶ "UA Reveals Technical Spacewear for Virgin Galactic," Under Armour, Inc., accessed September 24, 2021, <https://undrarmr.co/3v7Qyi6>

⁸⁷ Under Armour, Inc., *2020 Annual Report*.

1, 2020. Patrik Frisk was appointed as the next CEO.⁸⁸ One month later, the company disclosed that it had been under federal investigation for its accounting practices since 2017.⁸⁹

The COVID-19 pandemic defined the year 2020, and its impact did not spare UA. The firm registered a net loss of \$549 million and a drop of 15% in revenue. Sales through wholesale channels decreased by 25%, while the increase in e-commerce made DTC rise by 2% (Exhibit 23). Responding to the decline in US wholesale, Frisk stated that UA is driven by an omnichannel strategy. Hence, as part of the plan, it is going to tighten off wholesale and accelerate e-commerce. He added, “we believe executing a powerful omnichannel strategy will enable us to create a more seamless and connected shopping experience across all consumer touchpoints”.⁹⁰ At that point in time, 53% of UA’s net sales were generated through wholesale channels like sporting goods chains, specialised retailers or department stores, and 41% were generated through DTC channels, such as UA’s e-commerce website and network of brand and factory house stores. These factory houses are where the firm sells products at a discounted price and represent more than 90% of US stores and about half of the firm-owned worldwide stores.⁹¹ The remaining 6% is split between connected fitness and licensing agreements (Exhibit 24). In 2020, the company spent \$550 million on marketing and advertisement, representing 12% of its revenues.⁹²

In July 2020, the company terminated, based on a force majeure clause, its 15 years sponsorship with UCLA. The contract signed in 2016 was worth \$280 million but was not the only one UA ended.⁹³ The company also terminated its deals with the University of California and the University of Cincinnati. In response, UCLA sued UA for breaching the contract and using

⁸⁸ Under Armour, Inc., *Q3 2019 Earnings Call*, 2019, <https://bit.ly/3GrJ3Hy>

⁸⁹ Aruna Viswanatha and Safdar Khadeeja, “Under Armour, Inc. Is Subject of Federal Accounting Probe,” *The Wall Street Journal*, November 04, 2019, <https://on.wsj.com/3aAzVm2>

⁹⁰ Under Armour, Inc., *Q4 2020 Earnings Call*, 2020, <https://undrarmlr.co/3pTfmsf>

⁹¹ “Under Armour, Inc. Operating Metrics,” Craft, 2021, accessed November 10, 2021, <https://bit.ly/3dzHPgK>

⁹² Under Armour, Inc., *2020 Annual Report*.

⁹³ Edvard Pettersson, “UCLA Sues Under Armour, Inc. for Ending \$280 Million Sponsorship,” *Bloomberg*, August 27, 2020, <https://bloom.bg/3azm4fy>.

COVID-19 as an excuse. A second lawsuit accusing UA of false advertisement for its fabric UA RUSH, introduced in 2019 as a scientifically proven infrared garment that could reuse body heat, followed in December the same year.^{94 95}

Going Global

Over time, UA has expanded its international reach. In 2020, the company had offices across the globe, with its headquarter in North America being in Baltimore, US. For LATAM, its headquarter is in Panama City, Panama; for the European regions, it is in Amsterdam, Netherlands, and for Asia Pacific, it is in Hong Kong, China.⁹⁶

UA first came into the worldwide market in 1999, forming a distribution agreement with Dome Corporation for the Japanese market. Dome became a licensed manufacturer and reseller of UA in 2002, assisting the brand in adapting its products to the tastes of Japanese customers and, later, Korean customers. UA kept its brand-building strategy also for its international expansions and sold its apparel to sports clubs in foreign markets to create exposure. It sold to Canadian hockey teams from the beginning, although it did not establish a company in that region until 2003.⁹⁷

In 2001, the company expanded its sales to the United Kingdom, entering the European market by selling to football and cricket teams and athletes in the UK, as well as “soccer teams in Italy, Holland, Ireland, and Germany”. Further it sold to rugby clubs in the United Kingdom, France, Italy, and Ireland.⁹⁸ In that year, sales in Canada accounted for 3% of net revenues, while in Japan, it accounted for 2% and in Europe 0.3%. The firm established its first worldwide

⁹⁴ Christian Berthelsen, “Under Armour, Inc. Sued Over Claims About Rush Workout Fabric,” *Bloomberg*, December 14, 2020, <https://bloom.bg/30rBEZ7>.

⁹⁵ “UA RUSH. Scientifically Tested. Athlete Proven,” Under Armour, Inc., accessed September 25, 2021, <https://undrarmr.co/2YMYAAQ>.

⁹⁶ “Where We Live,” Under Armour, Inc. 2021, access September 25, 2021, <https://undrarmr.co/3dzorAK>

⁹⁷ Under Armour, Inc., *2005 Annual report*, 2006, <https://bit.ly/3LlFVW>

⁹⁸ Under Armour, Inc., *2006 Annual Report*, 2007, <https://bit.ly/3GhbUhs>

headquarters in Amsterdam in 2006 and signed distribution contracts to sell sporting goods in “Italy, Scandinavia, Australia and New Zealand”.⁹⁹

In 2010, only 6% of UA’s net revenues came from international sales. One year later, the company opened its first store in China and added, in 2012, two speciality stores in Shanghai.

In 2013, the net revenues from foreign countries and businesses rose to \$287 million, 9% of UA revenues. In 2014 the company opened its first retail location in Central America, which was located in Panama.¹⁰⁰ In Chile, Mexico and Brazil, the brand was sold through wholesale distributors and e-commerce, two brand and six factory house stores. Earlier the same year, UA became the official supplier of Chilean soccer club Colo-Colo.^{101 102}

The brand launched a flagship store in Shanghai the following year. It was around the 75th store in China, and its size made it the brand’s largest store outside of the US. On the first day, footwear accounted for 75% of sales. In 2018, UA owned or licensed over 700 mono-branded retail stores in Asia.^{103 104}

Since 2014, UA’s overseas revenues have steadily increased. In 2017, its net income outside the home region amounted to \$1.1 billion, and by 2020, international sources accounted for 31% of net sales (Exhibit 25).¹⁰⁵ Further expansion of the international market in 2019 gave the company access to 200 doors abroad, five times the amount it owned in 2015 and 12 more doors than in its domestic market (Exhibit 26).¹⁰⁶ UA announced further revenue growth in all operating regions in the second quarter of 2021, reaching \$446 million. Revenues rose by 133%,

⁹⁹ *Ibid*

¹⁰⁰ Under Armour, Inc., *2012-2014 Annual Reports*, <https://undrarmlr.co/3rOUqVK>

¹⁰¹ “Under Armour, Inc. Opens New Retail Experience in Panama,” Press Releases, Under Armour, Inc., accessed October 15, 2021, <https://undrarmlr.co/3xzGwaI>.

¹⁰² Sissi Cao, “Can Under Armour, Inc. Win The World?,” *CNS Maryland*, October 13, 2015, <https://bit.ly/3Et0hnb>

¹⁰³ *Ibid*.

¹⁰⁴ Adria Cheng, “How Under Armour, Inc. Is Taking On Nike And Adidas In Asia, The New Battleground For Sports Apparel,” *Forbes*, February 20, 2019, <https://bit.ly/3cWv4N9>.

¹⁰⁵ Under Armour, Inc., *2017 Annual Report*.

¹⁰⁶ Under Armour, Inc., *2020 Annual Report*.

56%, and 317% in EMEA, Asia Pacific, and LATAM, respectively.¹⁰⁷ To better serve these regions, the company established a partnership with Boarderfree to increase the firm's reach to markets underserved by local websites.¹⁰⁸ However, as shown in Exhibit 25, the majority of 68% of UA's revenue in 2020 was still generated in North America.

Entering the Footwear Market

In 2006, UA made its debut in the footwear industry with the release of its first football cleats, which were a tremendous success. In only one year, UA captured over 23% of the football cleat market. In addition, it became the NFL's official supplier.¹⁰⁹

Running shoes and other performance-training footwear were added to UA's footwear product range in the following years. However, apparel was still UA's main income source. Only 7% of the \$600 million in annual revenues came from footwear in 2007.¹¹⁰

As a promotion for the launch of its new pair of cross-trainer shoes in 2008, the company spent \$5 million on a Super Bowl commercial called "The New Prototype". Shoe sales grew to almost \$85 million, making up 12% of annual revenues.^{111 112}

In 2015, UA launched its first shoe designed by the NBA player Stephen Curry, the Curry One. In the same year, footwear sales amounted to \$677 million. Footwear was UA's strongest growing category the following year, and sales surpassed \$1 billion. Growth slowed after that year, but revenues remained above \$1 billion until 2020 when they fell below \$934 million (Exhibit 27).¹¹³

¹⁰⁷ "Under Armour, Inc. Reports Second Quarter 2021 Results; Raises Full Year Outlook," Press Releases, Under Armour, Inc., accessed October 15, 2021, <https://undrarmr.co/3FVu3Bf>.

¹⁰⁸ "How do I place an Order Outside of the US," Help Centre, Under Armour, Inc., accessed November 15, 2021, <https://undrarmr.co/3IwBjph>

¹⁰⁹ "Our Story", Under Armour, Inc.

¹¹⁰ Under Armour, Inc., *2007 Annual Report*, 2008, <https://bit.ly/3yCx72Y>

¹¹¹ Ryan Sharrow, "Under Armour, Inc. Super Bowl Ad Stays True to 'brand Identity,' Marketing Experts Say." *Baltimore Business Journal*, February 4, 2008, <https://bit.ly/3AHtk3v>.

¹¹² Under Armour, Inc., *2009 Annual Report*, 2010, <https://bit.ly/3pyU0Ae>

¹¹³ "Under Armour, Inc. Debuts Stephen Curry's First Signature Shoe," Golden State Warriors, NBA, accessed September 7, 2021, <https://on.nba.com/3oVMi4f>

In 2016, UA launched the new Speedform Gemini 2 shoe, which resulted from UA's analysis of data acquired from its Connected Fitness Platform. At the time, UA understood that the average distance ran by an athlete was 3.1 miles. With data learning capabilities and commitment to product development, UA presented an ideal technology for that type of run.¹¹⁴ Speedform Gemini 2 was also a breakthrough for UA, as for an extra \$30 it introduced a technology, Speedform Gemini 2 Recorded Equipment, capable of connecting directly to UA's Connected Fitness apps, allowing for detailed feedback on the athletes' workout such as distance, pace and track time.¹¹⁵ In 2021, with the development of UA's Connected technology, shoes can measure cadence, stride length and ground contact time.¹¹⁶

Targeting Women's Sportswear

The brand was often criticised for its predominant male-oriented products, store designs and marketing strategies. UA started selling women's gear in 2003. In its early years, the design for the female merchandise was mainly done, utilising the "pink it and shrink it" method. In 2007 the majority of revenue was accumulated through men's apparel with 57% of total revenue, followed by women's apparel making up 19% and youth apparel with 8%.¹¹⁷ Further, it was only in 2012 that the company introduced its first sports bra, the Armour Bra. The bra was designed to fit perfectly and support athletes during their exercise. However, the company struggled to reach female athletes. Only \$500 million of its \$2.3 billion in revenues came from women's apparel in 2013. Plank saw that the tough image the brand had since its inception was alienating women. Hence, for UA to acquire market share in the burgeoning women's apparel

¹¹⁴ Tom Foster, "Kevin Plank Is Betting Almost \$1 Billion That Under Armour Can Beat Nike," *Inc*, February, 2016, <https://bit.ly/3pWUGiL>

¹¹⁵ James Stables, "Under Armour SpeedForm Gemini 2 Record Equipped review," *Wareable*, February 29, 2016, <https://bit.ly/3GHylwv>

¹¹⁶ "Connected Shoes," Under Armour, Inc., Accessed October 14, 2021, <https://undrarmr.co/3mpBrxJ>

¹¹⁷ Under Armour, Inc., *2007 Annual Report*, 2008, <https://bit.ly/31trWX3>

industry, it needed to adapt.¹¹⁸ Following that, UA released its “I Will What I Want” ad, which starred Gisele Bundchen. It was UA’s first advertising that, by using cultural branding techniques, such as addressing gender stereotypes, was entirely aimed at women. The commercial raised women’s sales by 28% and traffic on UA.com by 42%.^{119 120 121}

In 2019, UA saw a rise in women’s sales since the beginning of that year. Online sales of women’s athletic gear increased by 77% in the first quarter in the United States. In 2020, the company introduced the UA HOVR Breakthru, its first basketball shoe designed for female athletes.¹²²

Digital Expansion

In 2010, UA introduced its first fitness tracking gadget: E39. A compression shirt with a detachable sensor, the so-called “bug”. The connected fitness device was created to assist athletes and their coaches in tracking heart rate and performance to improve and modify training.¹²³

The acquisition of MapMyFitness, Inc., the company that owned the MapMy suite of apps, in November 2013 was UA’s first attempt at going digital. Furthermore, the company introduced its biometric tracking chest strap, named Armour39. The strap had a detachable “bug” like its predecessor and came with its own smartphone application. The app monitored heart rate, the intensity of the workout and the calories burned.^{124 125}

¹¹⁸ Michael LoRé, “Under Armour, Inc.’s Focus On Women Is Paying Dividends In Innovation And Sales,” *Forbes*, September 15, 2020, <https://bit.ly/3FHlIx5>

¹¹⁹ “Our Story”, UA Newsroom, Under Armour, Inc.

¹²⁰ Anderson Antunes, “UPDATED: Gisele Bundchen’s New Under Armour, Inc. Gig,” *Forbes*, September 3, 2014, <https://bit.ly/3FHLTsf>

¹²¹ Behice Ilhan, “How Under Armour, Inc. lost its cool: A cultural branding perspective,” *Comperemedia*, February 5, 2020, <https://bit.ly/3DrDJSw>

¹²² Antunes, “UPDATED: Gisele Bundchen’s New Under Armour, Inc. Gig.”

¹²³ T. Ricker, “Under Armour, Inc.’s E39 Performance Shirt Is Electric (Video),” *Engadget*. February 28, 2011, <https://engt.co/308KGdG>

¹²⁴ Ian Sherr and Sara Germano, “Under Armour, Inc. to Buy MapMyFitness in Embrace of Sports Tech,” *The Wall Street Journal*, November 14, 2013, <https://on.wsj.com/3dv7Dus>

¹²⁵ Terrence O’Brien, “Under Armour, Inc. Launches Armour39 Performance Tracking System, We Go Hands-on” *Engadget*. February 12, 2013, <https://engt.co/3oWNK6q>

Two years later, the brand introduced its fitness tracking platform app, UA Record. In the same year, UA also acquired, MyFitnessPal, Inc., and Endomondo LLC for \$560 million. The first company was behind the popular app among women MyFitnessPal, which tracks diet and nutrition, and the latter owned the European based fitness tracking app with the same name. Plank's idea was to combine the 120 million users of MapMy apps, UA Record, MyFitnessPal and Endomondo to create "the world's largest Digital Health and Fitness Community" by merging the data, knowledge and the community of the applications in the ultimate fitness and health network, called Under Armour Connected Fitness.^{126 127}

Plank understood that the apps were not competing on a technological level but on creating a community that would drive the network effect. Hence, the acquisitions would allow UA to focus on its core competencies, while the apps would provide valuable information and the "opportunity ... to build a different type of relationships with [the] consumer over the long-term". The initial idea was to operate the apps individually under their current management and merge them later into UA Records.¹²⁸

The data collected through the different apps would help the company to create different personas and activity profiles, each of which would have its own needs for UA to tackle. The adaptation and improvements based on data would provide UA with a competitive advantage. Furthermore, the company invested heavily in the development of smart fitness gear. At the Consumer Electronics Show in 2016, it introduced its first whole portfolio of connected fitness products. The portfolio included the UA HealthBox, a connected fitness system that comprised the UA Heart Rate, the UA Band, and the UA Scale; a smart shoe, the UA SpeedForm Gemini 2 Record Equipped, and two wireless headphones. The entire line was developed in collaboration with HTC and HARMAN and only paired with UA Record. Plank stated,

¹²⁶ "How Kevin Plank Got Under Armour, Inc. Apps Onto 150 Million Phones (Including Yours)(Video)," *Inc.Com*, January 6, 2016, <https://bit.ly/3BEr7aC>

¹²⁷ Under Armour, Inc., Inc., *Q4 2020 Earnings Call*

¹²⁸ *Ibid.*

“Combining the world’s largest health and fitness community with the game-changing connectivity of UA HealthBox and UA Record, we are taking connected fitness to another level... athletes will be empowered with the information to make better decisions and ultimately enrich their lives in a way that’s never been done before”.¹²⁹

Only four years later, in 2020, the company announced the sale of MyFitnessPal and the shutdown of Endomondo. Frisk based the decision on UA’s plan to sharpen its strategy and added: “it became evident that MyFitnessPal did not fully align as a core asset with our target consumer needs, the focus performer... [This] divestiture sharpens our long-term digital strategy by simplifying our consumers’ brand journey and increases our ability to better harness the power of the MyFitnessPal platform as we work toward a singular cohesive UA ecosystem”.¹³⁰ In December, the year before, the company removed UA Record from the app stores. In March 2020, the app was discontinued, and with it, all of UA’s smart gear stopped working, except for the UA Connected Footwear which is connectable to MapMy mark apps.¹³¹ A brief background of UA’s portfolio of applications (MapMy suite of apps, MyFitnessPal, Endomondo, and UA Record) will be presented to understand their context in the company’s initial connected fitness strategy.

MapMy Suite of Apps

In 2007, MapMyFitness, Inc., the Austin Texas-based company that comprised the group of fitness-related websites and associated mobile apps, was founded by Kevin Callahan and Robin Thurston. Its apps form the MapMy universe, which include the brands MapMyFitness, MapMyRun, MapMyWalk, and MapMyRide.¹³² MapMy apps were designed to track and share

¹²⁹ “Under Armour, Inc. Launches A Suite Of Connected Fitness Products, Changing The Way Athletes Live,” Press Releases, Under Armour, Inc., accessed September 23, 2021, <https://undrarmlr.co/2YLtKtI>

¹³⁰ Under Armour, Inc., *Q3 2020 Earnings Call*, 2021, <https://undrarmlr.co/3DvHndV>

¹³¹ “UA Record Will No Longer Be Supported”, Company News, MapMyFitness, accessed October 01, 2021, <https://bit.ly/3mO3c2i>

¹³² “About MapMyFitness,” MapMyRun, accessed October 08, 2021, <https://bit.ly/3y1NSnK>

users' workouts and to assist them in staying active and healthy. They feature cutting-edge fitness monitoring technology, a database with workouts, calculators for calories and nutritional data, global routes for cycling, running and walking, and premium options. They are geared at serious runners, cyclists, and fitness enthusiasts since they stimulate personal accomplishment and friendly rivalry on a worldwide scale. In 2011, the firm's website was listed as one of the top 50 websites and one of the 500 fast-growing ones. The company was acquired in 2013 by UA for \$150 million. At the time, the company's fitness apps were among the most popular applications on the market, with 20 million registered users.¹³³

UA continues to own the MapMy suite of apps for the time being, making them the primary focus on UA's Connected Fitness business unit. The platform is operated with the UA line of connected footwear to enable workout tracking. This way, users can set personal goals and record their physical activity. Data is collected in real-time and uploaded to the applications after the workout, with calories, distance, elevation, duration, and pace being analysed. The resulting data presents the user with details for each completed workout, allowing them to track their performance and progress. Furthermore, the platform enables users to choose from a variety of pre-defined training programmes and benefit from professional tips. It also includes a social component where users may share routines and interact with others in the community. Other ways to inspire users within the app include the features to create challenges, use the "Invite a friend" option and discover routes using GPS. The apps are directly linked to the UA store, allowing users to complete their experience in the UA universe by purchasing the brand's products. UA advertises their MapMy suite of apps through social media and an official blog.¹³⁴ Nevertheless, their social media potential is not fully exploited. Compared with direct competitors, MapMy apps have a significant gap in the number of followers and interactions in

¹³³ Monte Burke, "Under Armour, Inc., With First-Ever Acquisition, Enters The World Of Software," *Forbes*, November 14, 2013, <https://bit.ly/2XbfPM0>

¹³⁴ "Blog," MapMyRun, Accessed October 15, 2021, <https://bit.ly/3dWVpv2>

their social networks.¹³⁵ ¹³⁶ Other apps and devices such as UA Connected Footwear, MyFitnessPal, Samsung Health, and others can also be paired with the app. The MapMy group of apps has expanded to offer more than 160 million running, cycling, and walking routes worldwide.¹³⁷

MyFitnessPal

Mike Lee, co-founder of what would become MapFitnessPal app, and his wife decided to lose weight for their wedding. The couple needed to monitor all their meals on paper for this purpose. This project proved difficult and impractical, prompting Lee to create the nutrition-tracking and calorie-counting website MyFitnessPal in 2005 and establish MyFitnessPal, Inc. In 2009, his brother Albert joined the company, and they launched MyFitnessPal for the first time as a mobile application, reaching 1 million users in the same year. The app's primary audience was people trying to lose weight, with most consumers being female. It tracked the user's diet and daily exercise while providing recipes and nutrition tips. Over the years, the app integrated new features like fitness tracking and was connectable to 80% of the wearable fitness devices in 2014.¹³⁸

When UA acquired MyFitnessPal, Inc. for \$475 million in 2015, its app had 80 million users and registered more than 5 million foods in its dataset. The number of users constantly grew, however, the active number of users might be only at around 19 million, as a statistic of monthly active users for the year 2018 shows.¹³⁹ ¹⁴⁰

¹³⁵ "MapMyFitness," Facebook, accessed October 15, 2021, <https://bit.ly/3GQdze2>

¹³⁶ "Under Armour Run," Instagram, accessed October 15, 2021, <https://bit.ly/3oZjzv7>

¹³⁷ "Map My Money: How MapMyFitness Became a \$150 Million Platform," Digital HBS, accessed December 2, 2021, <https://hbs.me/3Iz1jAy>

¹³⁸ Parmy Olson, "Under Armour, Inc. Acquires Weight Loss App, MyFitnessPal, for \$475 Million Dollars," *Forbes*, February 4, 2015, <https://bit.ly/3IAad7i>

¹³⁹ *Ibid.*

¹⁴⁰ "Health and Fitness Apps in U.S. by Number of Users," Statista, accessed September 17, 2021, <https://bit.ly/3iXEf3e>

In 2020, UA announced the sale of the app to Francisco Partners for \$345 million, making a loss of \$130 million, not considering inflation or the platform's growth. The same year, the database reached 300 million items, while the membership amounted to 200 million.¹⁴¹ According to UA, this sale resulted from its ongoing transformation to align with its strategy and develop a singular and cohesive UA environment.¹⁴²

Endomondo

Endomondo LLC was founded in 2007 by Mette Lykke and two co-workers. Its EU-based fitness app was one of the first that used GPS to track performance, but it was the social aspect that made it popular among users. The tracking of runs, hikes, or swims, and the option to share them with friends, or compete with others for the best time, was Endomondo's USP. The software was created in English from the start, with the goal of expanding outside its home nation, Denmark. The app was free to use, and users only paid for premium content such as exercise programmes. When UA acquired the company in 2015 for \$85 million, its app accumulated 25 million users.¹⁴³ With this acquisition, UA obtained the ability to promote its products to a worldwide target audience at a fraction of the expense of traditional marketing.

In 2020, UA declared the platform's demise. This closure resulted from UA prioritising engagement with the Focused Performer, as Endomondo targeted more casual and entry-level fitness users. UA enabled the transfer of its users' workout history from Endomondo to MapMyRun, which would provide a comparable tracking experience.¹⁴⁴

¹⁴¹ "Fitness starts with what you eat," MyFitnessPal, accessed September 17, 2021, <https://www.myfitnesspal.com/>

¹⁴² Ed Dixon, "Under Armour agrees MyFitnessPal sale for US\$345m," *Sportspromedia*, December 1, 2021, <https://bit.ly/3dBPATq>

¹⁴³ Nigel Cassidy, "The Race to Create Fitness App Endomondo," *BBC News*, July 8, 2014, <https://bbc.in/3oVHQ5J>

¹⁴⁴ Darrell Etherington, "Under Armour to sell MyFitnessPal for \$345 million, after acquiring it in 2015 for \$475 million," *Techcrunch*, October 30, 2020, <https://tcrn.ch/3y9aQt8>

UA Record

The UA Record app was launched in 2015 as part of the UA Connected Fitness network. The application was the world's first connected health and fitness system available 24/7. It gave the users a comprehensive picture of their health based their fitness, sleep, nutrition, and overall activity. The goal of UA Record was to empower people of all fitness levels to better control their fitness and health by using a simple-to-use app that was customised and integrated into their daily life.¹⁴⁵ Mobile sensors and connected devices allowed GPS tracking. This provided a complete picture of the user's progress, such as sleep, calorie burn, weight, steps, heart rate, and body-mass index, among other features. Users of the UA Record had direct access to unique insights on training methods, injury preventing methods, nutrition and other topics from prominent fitness or health professionals and UA athletes.¹⁴⁶

UA Record was discontinued in 2020 and is no longer operating. UA Record users' profiles and training data were made available on MapMyFitness. Despite this ability to upload user's data, MapMyFitness cannot monitor most metrics trackable with health devices, such as steps, sleep, weight, or resting heart rate. This resulted in the abandonment of UA's HealthBox line.¹⁴⁷

Revenues of the Connected Fitness Platform

Ever since the acquisition of MapMyFitness, Inc. in 2013, UA's Connected Fitness revenues have increased year after year. It started at \$1 million in 2013, surpassed the \$10 million mark in 2014 and reached \$53 million in 2015 with the acquisition of Endomondo LLC and MyFitnessPal, Inc.

¹⁴⁵ "Smart scale goes dumb as Under Armour pulls the plug on connected tech," Arstechnica, accessed December 1, 2021, <https://bit.ly/3oE8aRj>

¹⁴⁶ Meehan, Sarah, "Under Armour's new fitness tracking app syncs with devices from phones to Fitbits," accessed December 1, 2021, <https://bit.ly/3pUp7pX>

¹⁴⁷ *Ibid.*

By that year, Connected Fitness represented 1.3% of UA's total revenues. Throughout the years, revenue growth was present but contained. In 2019, Connected Fitness reached its highest value with \$136.6 million, representing a mere 3% of total revenues. In 2020, UA reported its first decline (0.4%) in Connected Fitness revenues history, reaching \$135.8 million, a value that represented 3% of UA's total revenues (Exhibit 28). By that year, Connected Fitness revenues were generated through digital fitness subscriptions (MVP membership) and digital advertising.¹⁴⁸ MVP membership is MapMy suite of apps premium subscription. Even though MapMy apps are free of charge, they also have a premium subscription that provides users an enhanced experience.¹⁴⁹

Situation in 2021

In the first half of 2021, UA's income stabilised with an increase in revenue of 105% to \$874 million and a net income of \$59 million. Wholesale revenues increased by 157%, while e-commerce dropped 18%. Frisk concluded, "At the halfway point of our fiscal year, I am confident in our ability to execute our strategy by putting Focused Performers at the centre of everything we do and ... drive consistent, profitable growth for our shareholders over the long-term".¹⁵⁰

UA's operating model in 2021 shows that the company is outsourcing manufacturing processes to third parties, with most located in Vietnam, Jordan, Malaysia, and China. This enables UA to focus its resources on product development, design processes and material selection. The manufactures must sign a non-disclosure and confidentiality agreement to protect UA's technical insights. Furthermore, UA avoids long-term contracts to maintain a reasonable level of flexibility in production and relies on information technology to manage supply chain

¹⁴⁸ Under Armour, Inc., *2013-2020 Annual Reports*, <https://undramr.co/3rOUqVK>

¹⁴⁹ "MVP," MapMyRun, accessed on October 14, 2021, <https://bit.ly/33sYu3Y>

¹⁵⁰ Shoshy Ciment, "Under Armour, Inc. is facing a perfect storm," *Business Insider*, February 11, 2020, <https://bit.ly/2XijiZe>

activities. To better control the quality of the outputs, the firm has subsidiaries located near manufacturing plants. This quality control allows the firm to offer a standard return and exchange policy.¹⁵¹

In terms of their procurement, UA is dependent on scarce resources for their products, with only five suppliers worldwide providing 39% of the fabric needed. This affects especially petroleum-based and cotton-based components, posing a high uncertainty due to price fluctuations and scarcity.¹⁵² Recently, UA has been criticised by the media because of unethical working conditions in production facilities.¹⁵³ Furthermore, despite growing concerns about sustainability among competitors, the firm does not offer any refurbishment services, only standard return policies.¹⁵⁴ ¹⁵⁵ Regarding UA's marketing strategies, UA had one of the highest social media buzzes in the US in 2019, coming fourth after Skechers, Adidas and Levi's.¹⁵⁶ Furthermore, the company was one of the most followed athletic apparel companies on YouTube the same year.¹⁵⁷ However, UA admitted in its earnings call in January 2021 that it has low consumer awareness in countries outside of the US.¹⁵⁸

Thus, UA is still not providing the peak performance, as it did before. The current situation still presents many challenges for the firm. Long-term CEO Kevin Plank, who has run the company for the past 23 years, resigned as CEO in 2020. This change presented a high level of uncertainty that resulted in declining share prices and weak financial performance in 2020.

Additionally, changes in the customer segments occurred. Many wealthy teenagers avoid UA and stop purchasing the products due to changes in their preferences, making its primary

¹⁵¹ Under Armour, Inc., *2020 Annual Report*.

¹⁵² *Ibid.*

¹⁵³ Under Armour, Inc., *Q4 2020 Earnings Call*.

¹⁵⁴ "Does Under Armour, Inc. offer repairs?," Under Armour, Inc. Help Center, accessed November 20, 2021, <https://undrarmr.co/302RZU9>

¹⁵⁵ "UA.com Returns & Exchanges," Help Center, Under Armour, accessed November 20, 2021, <https://undrarmr.co/3duoXjt>

¹⁵⁶ "Most popular apparel and footwear brands based on social media buzz in the United States in 2019," Statista, accessed November 20, 2021, <https://bit.ly/3oQIyAF>

¹⁵⁷ "Top athletic apparel brands on YouTube based on number of followers worldwide as of March 2019," Statista, accessed November 20, 2021, <https://bit.ly/3oLAFMX>

¹⁵⁸ Under Armour, Inc., *Q1 2021 Earnings Call*, 2021

customer segment shrink. Further, the long-term effect of the global pandemic threatens the existence of many businesses in the industry, including UA's.¹⁵⁹

Moreover, UA's annual report of 2020 reveals that still, over 60% of UA's revenue was generated through apparel sales. Therefore, the company has not managed to boost footwear as a major revenue source as planned. In the same year, the company had an inventory turnover ratio of 2.3 and its total assets have increased from \$4.8 billion in 2019 to \$5 billion in 2020 (Exhibit 29).¹⁶⁰

In terms of the products offered, the company has become less and less differentiating. Competitors like Nike and Adidas have caught up significantly in the field that was before UA's core capability. This is reflected in the employer branding as well. Although UA is offering several training and development possibilities for their employees, such as leadership training, it does not lead to an outstanding result.¹⁶¹ According to employer rating websites, UA ranks worse than all leading competitors in the overall ranking, specifically when it comes to employee satisfaction.^{162 163} This poses the question: has UA lost its competitive edge?

Outlook

UA has introduced a five-year plan to revise its strategy and adjust to the current trends in the market. This plan was initially introduced in 2018 as a response to the declining financial performance of the company. According to this strategic plan, UA will continue to deepen its focus on performance and brand protection until 2023. Until then, the company strives to focus on athletic performance products and customer experience, invest in long-term growth opportunities like the womenswear and footwear market and deepen DTC channels. Further,

¹⁵⁹ Shoshy Ciment, "Under Armour, Inc. is facing a perfect storm," *Business Insider*, February 11, 2020, <https://bit.ly/2XijiZe>

¹⁶⁰ Under Armour, Inc., *2020 Annual Report*

¹⁶¹ *Ibid.*

¹⁶² "Under Armour, Inc. Employer Brand," Comparably, accessed November 20, 2021, <https://bit.ly/3BLJaLn>

¹⁶³ "Under Armour, Inc., Inc Careers And Employment," Indeed, accessed November 20, 2021, <https://indeedhi.re/2Y39vXc>

UA wants to become more customer-centric by utilising data analytics in its connected fitness platform and creating digital engagement and retail excellence.¹⁶⁴ The question remains: Are these measures sufficient to cope with the high level of competitive pressure in the market, create and maintain a profitable positioning and deal with previous management faux pas?

Literature Review

In this literature review, we first focus on disruptive strategies for value creation. This is crucial to understand UA's case, as it disrupted the performance apparel market segment when it first entered the market. We then present a literature review on the sustainability of competitive advantage. In this context, we define competitive advantage and introduce a framework to analyse the sources of sustainable competitive advantage. This will be later used in the analysis to evaluate UA's competitive situation in 2021. Finally, we discuss the dynamics of competition among platforms. This is also important to analyse UA's position as the development of a connected fitness platform is an essential distinctive feature of the firm's strategy.

Disruptive Strategies for Value Creation

Bower and Christensen first introduced the notion of disruptive innovation/technology in 1995. "Disruption describes a process whereby a smaller company with fewer resources can successfully challenge established incumbent businesses" (Christensen, Raynor, and McDonald 2015, 44). Disrupters can serve a new market or the bottom segment. The latter is possible when established firms focus exclusively on the top tier consumers, as it enables disruptive innovators to serve the bottom markets. Typically, disrupters entering the market are initially offering "products [that] are simpler, more convenient, or less costly than those sold by incumbents"

¹⁶⁴ "Under Armour, Inc. Presents 2023 Strategic Growth Plan," Under Armour, Inc., accessed December 18, 2021, <https://undramr.co/33cvvkV>

(Christensen, Raynor, and McDonald 2015, 50). Bower and Christensen (1995) emphasised that disruptive businesses are initially characterised by features that seem unattractive for incumbent companies and mainstream consumers. However, as the disrupter later develops its offerings to match the mainstream market's standards, it starts to steal shares from incumbents (Exhibit 30). Disrupters often use new business models and first get their business model right before evolving their product (Christensen, Raynor and McDonald 2015).

In their book, Kim and Mauborgne (2005) describe a similar concept but call it the blue ocean strategy. The authors distinguish between the red and blue oceans in the market pool. Industries crowded with competitors are red oceans. These seas are characterised by a lack of growth potential, margin erosion, the value-cost trade-off, competition on the same factors/value drivers, and fierce rivalry in exploiting existing demand. On the other hand, blue oceans are untapped markets with no competition, where demand can be created, and there is an opportunity for growth. The adaptability to external trends and the break with the value-cost trade-off characterises these oceans. Blue oceans can be created inside a red ocean by redefining industry boundaries or outside of them. Contrarily to Christensen, the authors state that creating a blue ocean does not have to displace existing players in the market, it can also be done without disrupting the market. They identify the following three market-creating strategies.

- “Offer a breakthrough solution for an industry’s existing problem.
- Redefine an industry’s existing problem and solve it.
- Identify and solve a brand-new problem or seize a brand-new opportunity” (Kim and Mauborgne 2017, 34).

While the first one always leads to disruption, identifying and solving a brand problem is mostly non-disruptive. Redefining an industry’s existing problem uses parts of disruptive and non-disruptive creation strategies (Kim and Mauborgne 2017).

The blue ocean strategy is founded on the notion of value innovation and characterises the escape from common conflict with rivals by providing a value leap for customers and the firm, and thereby exploiting new uncontested markets. As value innovation increases, the value or benefit for the customer while at the same time decreasing cost, it breaks the value-cost trade-off. Innovation not considering value often goes beyond customer needs or their acceptance to pay for. Value in itself is needed but is not sufficient to surpass competitors. As such, value innovation gives importance to both equally.

Applying a blue ocean strategy comes with some operational and cognitive barriers to imitation (Exhibit 31). If, for instance, the brand image of an incumbent's conflicts with the value innovator's, the incumbent is not going to imitate the blue ocean strategy. The same is true if the value innovation makes no strategic sense. Also, as often considerable changes in business practices are necessary for incumbents to imitate a blue ocean, it takes time for them to adjust. "Patents or legal permits" as well as network externalities are also a blocker to imitation.

Moreover, a value offer that surpasses incumbents generates a great buzz and creates a loyal consumer base. Even aggressive advertisement often does not help imitators to generate the same buzz. Thus, a blue ocean strategy creates barriers to imitation, which are often hard for imitators to overcome and thereby, it is rarely rapidly copied (Kim and Mauborgne 2005).

Nevertheless, to sustain a blue ocean strategy, the strategic alignment of an attractive value proposition for the customer, an efficient profit proposition for the business, and a motivating people proposition are necessary. A company needs to attract customers with their product offering, have a business model that enables them to generate money from this offering, and align its workforce to execute that strategy in a motivated and effective manner. If each proposition is implemented to be aligned, they can reinforce each other. However, if a strategy mainly focuses on one or two propositions or cannot align all three, it erodes success or even

fails. Another benefit of executing all three propositions is that the strategy is more challenging for competitors to imitate (Kim and Mauborgne 2015).

Definition of a Competitive Advantage

A firm has a competitive advantage in a market when it “earns a higher rate of economic profit than the average rate of economic profit of other firms competing within the same market” (Besanko et al. 2017, 281). A competitive advantage may result from the capacity to provide higher perceived benefit to clients, access to lower costs of production or a combination of these two dimensions (Porter 1980). A company’s ability to gain a competitive advantage in its industry is dependent on its ability to generate economic value. Economic value is generated when goods or services move along the value chain.

The value chain concept was initially introduced by Porter (1985). The author describes that a competitive advantage cannot be identified when looking at a company as a whole but rather by disaggregating the firm into relevant activities to understand better the sources of value. Discrete activities contribute to the value creation that allows a competitive advantage. The value chain consists of the primary activities, which are inbound logistics, operations, outbound logistics, marketing and sales, and after-sales service. Additionally, there are supporting activities like firm infrastructure, such as accounting and finance, human resource management, product and technological development, and procurement. By optimising the specific activities of the value chain, efficiency can be increased, leading to value creation (Besanko et al. 2017). Nevertheless, value creation is necessary but insufficient to create a competitive advantage. Companies must also capture the value to yield a higher-than-average profit (Saloner, Shepard, and Podolny 2001). Value capture refers to the firm’s ability to capture the generated value for itself in the form of retained profit (Besanko et al. 2017).

Sustaining a Competitive Advantage

In highly competitive and dynamic markets, an important issue is how to sustain competitive advantage. A sustainable competitive advantage may derive from internal control over unique resources or privileged market positions (Cool, Almeida Costa, and Dierickx 2006).

Unique Resources

The resource-based view poses that the extent to which a corporation can develop a competitive advantage is determined by the unique resources and distinguishing capabilities that the firm possesses (Saloner, Shepard, and Podolny 2001; Besanko et al. 2017). Cool, Almeida Costa, and Dierickx (2006, 2) describe these as firm-specific resources, which include “all assets, capabilities, competencies, information, knowledge and reputations that are owned or controlled by the firm and that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness”. In addition, this theory also presupposes that firm-specific resource heterogeneity is the norm across firms (Barney 1991). Because firms have diverse resources at their disposal with varying degrees of efficiency and rents, those with more significant resources will be more economically productive (Peteraf 1993; Saloner, Shepard, and Podolny 2001). These resources are regarded as a source of competitive advantage (Ciszewska-Mlinarič and Wasowska 2015).

A helpful framework to assess the sustainability of competitive advantage deriving from the control of unique firm-specific resources at a given level of the value chain is the VRIO framework. It evaluates resources based on their value, rareness, imitability, and organisation (Barney 1995).

A resource or capability is valuable if it grants a company the possibility to capitalise on opportunities and/or mitigate risks. These resources allow the firm to increase efficiency and effectiveness by enabling premium pricing or lower-cost strategies (Barney 1991; Bowman and

Ambrosini 2007). If a firm-specific resource is not valuable, it represents a competitive disadvantage (Barney 1995).

When it comes to rareness, the rarity of a resource makes it valuable for the company that owns it, as it will be challenging for competitors to own it too. If every firm had equal access to the same set of resources and capabilities, they would rely on the same winning conditions, jeopardising the uniqueness of the value-generating process. When a given resource is valuable though not rare, it creates a competitive parity (Barney 1991).

In terms of imitability, if another firm effortlessly imitates the superior value-generating potential of a resource, it is not a long-term source of competitive advantage. Rival firms may try to duplicate these resources by developing a similar one or substitute it with a distinct resource with the same strategic implications that are not more expensive to produce (Barney 1995). To constrain these attempts and ensure that a given resource is inimitable and non-substitutable, a firm requires isolating mechanisms, which are limitations that prevent rivals from obtaining valuable and rare resources through their activity, which undermines a firm's competitive advantage (Rumelt 1984; Barney 1991). The more efficient these isolating mechanisms are, the longer the firm can maintain a competitive advantage (Jacobsen 1988). Barney (1991) distinguished between three mechanisms that, either individually or combined, create imperfectly imitable resources and protect superior value creation. They are unique historical conditions, causal ambiguity, and social complexity.

Firstly, historical conditions are relevant, as a company's past impacts firm-specific resources. Over time, a firm develops a distinct set of resources and capabilities representing its historical trajectory. If the acquisition or development of rare and valuable resources is dependent on one-of-a-kind historical events, anyone attempting to replicate these resources will have a cost disadvantage. This way, these types of resources have the potential to provide superior value creation in the long term (Barney 1991, 1995).

Secondly, causal ambiguity describes the difficulty of fully identifying the relationship between a company's resources and its competitive advantage. Even if an imitating company identifies all necessary variables, it still might not be able to capture the value. Following Reed and DeFillippi (1990), the three main characteristics of casual ambiguity are tacitness, complexity and specificity. Tacitness results from the firm's uncodifiable set of skills accumulated from learning-by-doing. Complexity stems from the vast amount of resources and capabilities the firm possesses, and finally, specificity is related to skills that are particular to transactions and resources used to serve individual customers.

Lastly, socially complex resources, such as brand reputation, consumer trust, or the organisation's culture, are "beyond the ability of firms to systematically manage and influence" (Barney 1991, 110), which makes them more abstract, thus more intricate to imitate. This way, if a resource is valuable, rare, but not inimitable, it leads only to a temporary competitive advantage.

Finally, last in the VRIO framework comes organisation. A company's organisation must fully develop the competitive capacity that its resources and capabilities have. The organisation is built on a variety of so-called complementary resources, which do not provide any competitive advantage on their own. However, when combined with other resources or capabilities, they enable a company to capitalise fully on its competitive advantage (Barney 1995). If a resource is valuable, rare, inimitable, and leveraged by the organisation, it creates a sustainable competitive advantage (Barney 1995).

Privileged Market Positions

Privileged market positions are another source of sustainable competitive advantage. In this instance, the source of the advantage lies in how the industry is structured rather than in unique resources. The structure is influenced by a limited number of companies that have a

predominant market position, catalysed by being large relative to the market size (Cool, Almeida Costa, and Dierickx 2006).

By occasionally engaging in strategic commitments, firms can create a robust market position and build an advantage over rivals (Porter 1980). As it requires high investment expenses and the implementation is difficult, these future-oriented strategic decisions cannot be easily reverted (Besanko et al. 2017). In turn, this influences how organisations manage their competitive strategies and interferes with the intensity of competition in an industry. Given that incumbents have the ability and incentive to react fiercely against competitors to defend their position, the strategic commitment may not only generate a competitive advantage but also discourage rivals from attempting to replicate the same strategy. This way, privileged market positions provide a sustainable competitive advantage not because competitors are unaware of or unable to imitate these positions. Rather, it is because incumbents deplete possible market positions due to their size and dominance, leaving rivals with no incentive or room to compete against them (Cool, Almeida Costa and Dierickx, 2006).

According to Besanko et al. (2017), impediments to imitation and early-mover advantages are sources of privileged market positions. Considering the former, it is an isolating mechanism that renders the replication of an incumbent's strategy unprofitable. These can be economies of scale and scope, proliferation of product varieties and buyer switching costs (Cool, Almeida Costa, and Dierickx 2006; Huang et al. 2015).

In the case of economies of scope and scale, firms that benefit from this position have an advantage over smaller firms attempting to replicate their cost advantages because competitors must "increase their scale of production or increase product variety in order to achieve unit cost parity with dominant firms" (Cool, Almeida Costa, and Dierickx, 2006, 10) to benefit from a similar position. As smaller rival firms are typically unable to retrieve the initial costs of these irreversible commitments if they decide to modify their strategy, this method proves

unprofitable for replication, demotivating competitors to compete against established firms (Besanko et al. 2017; Cool, Almeida Costa, and Dierickx 2006).

In the case of buyer switching costs, once consumers have acquired brand-related knowledge from a given firm that is not easily converted to competing products, buyers incur costs by switching to products from rival firms (Besanko et al. 2017). If both products provide similar benefits, this discourages consumers from changing, thereby protecting a company's advantage (Cool, Almeida Costa, and Dierickx, 2006).

Regarding the proliferation of product varieties, incumbents make irreversible commitments to develop a large number of products that are distinct by brand, location, or have specific qualities in order to overflow product space, grow market share, and strengthen their position. By doing so, dominant firms aim to leave less room in the market for smaller competitors (Cool, Almeida Costa, and Dierickx 2006).

Another source of privileged market positions is the early-mover advantage. Over time, this isolating mechanism creates a "success breeds success" factor. This is the case of network externalities and word of mouth. As Cool, Almeida Costa, and Dierickx (2006, 11) argued, network externalities arise when "the benefit a consumer derives from the use of a product increases with the number of other consumers purchasing compatible items". In other words, the returns of the products and services they encompass grow in proportion to the size of their user population – the larger the population, the more valuable the network (Saloner, Shepard, and Podolny 2001). This way, firms with a larger installed base of users because of an irreversible commitment will have a superior advantage. This occurs because, despite efforts by firms with smaller installed bases to grow, high buyer switching costs and the dominance of the incumbent renders the efforts unprofitable. The same thing happens with word of mouth. For instance, when more customers talk positively about a given firm's product, it increases its awareness. This creates a similar positive snowball effect that will gradually continue to

improve awareness of the product (Saloner, Shepard, and Podolny 2001; Cool, Almeida Costa, and Dierickx 2006).

Digital Platforms

Parker, Alstyne, and Choudary (2016, 17) define platforms as “a business based on enabling value-creating interactions between external producers and consumers”. Platforms are designed to connect people, resources, and organisations on a particular marketplace to create value for all parties involved by facilitating the exchange of information and meaningful interactions among them.

All platforms have a basic structure in common, comprising four types of players: owners, providers, producers, and consumers. Platform owners control the platform and are responsible for its governance. Providers contribute to the platform’s interface development and serve as the link between producers and consumers. Producers are responsible for creating the offers, and consumers are users of the offerings. In this business model, producers and consumers attract each other, and the platform’s value increases as demand from both sides is met (Parker, Alstyne, and Choudary 2016). When applying these concepts to UA’s connected fitness platform, UA is the owner; mobile devices are providers. UA Connected Fitness department is the producer; and athletes who use the platform are consumers.

Network Effects

An important distinctive feature of digital platforms is the presence of network effects. As described before, network effects, also known as network externalities, refer to the “impact that the number of users of a platform has on the value created for each user” (Parker, Alstyne, and Choudary 2016, 19). The more users utilise a platform, the greater the value delivered by the offering (Stobierski 2020).

There are three types of network effects: direct interaction effects, data-enabled network effects, and network effects caused by complementary products and services. These, often work together to reinforce each other.

Direct interaction effects arise when in a communication system, users directly derive value from the extent of other users that have joined the network (Katz and Shapiro 1985; Cool, Almeida Costa, and Dierickx 2006). The platform's value increases proportionately with the number of users the platform can attract, facilitating interactions (Srinivasan 2021). As a result, compatibility with other users becomes a significant concern, and therefore, adoption decisions are often heavily impacted by a product's installed base compared to rivals (McIntyre and Subramaniam 2009).

Data-enabled network effects occur when user data collection makes a product or service more valuable to its users. As the number of users in a network increase, so does the volume of information about them. The more data a company has access to, the higher the value of the inferences it can draw from the data to improve products or services for its consumers (Parker, Van Alstyne, and Choudary 2016).

Complementary products and services may also generate network effects. The value for platform users increases indirectly from the number and variety of complements to the core product (McIntyre and Subramaniam 2009; Chintakananda and McIntyre 2014). The greater the number of consumers, the larger the incentive for suppliers of complements to increase the number of complementary products and services offered to users.

Markets characterised by network externalities are typically *Winner-take-all* markets, where a single or a few firms wield tremendous market power. The positive feedback effect justifies this. A substantial installed base brings a stronger position in the market, increasing the product's attractiveness to new customers. This leads to larger sales, consequently increasing the number of the installed base. The results are the strengthening of the firm, building an

unattainable market position, and consequent vanquishment of the competition (Shapiro and Varian 1999). Once this position is attained, a premium price can be charged. This justifies the typical strategies used in these markets, initial astronomical investments that compromise profitability, to attract the biggest possible number of users in the initial phases of the project, followed by a premium price charge once firms reach the market leader position (McIntyre and Subramaniam 2009).

Thus, in these markets is crucial to attaining critical mass. Critical mass is the point where the number of adopters that have joined the platform is substantial enough to attract additional users to the platform. When a platform achieves a critical mass, the cost of joining the platform is offset by the value of joining. Critical mass will create a positive bandwagon effect on the number of users willing to adopt (Saloner, Shepard, and Podolny 2001; Rohlfs 2001).

To do so, Saloner, Shepard and Podolny (2001), Rohlfs (2001), and McIntyre and Subramaniam (2009) describe different strategies.

- *Attract unconditional consumers.* In the initial phases of adoption, companies might struggle to create an installed base. Attracting *die-hard* users willing to adopt the new product even if no one else does will be crucial to jump-start the process. By doing so, companies will strengthen their position in the market, encouraging the adoption process.
- *Use penetration pricing.* Charging a low introductory price with product giveaways or considerable discounts may be used as a strategy to attract new customers allowing companies to increase market share. Once a company has established itself as the market leader, it may take advantage of its vast installed base and raise the prices, compensating for the investments done in the past.
- *Leverage reputation.* An offer by a company with an established reputation will more likely be adopted than an offer by an unknown company, even if the quality of the offerings is

equivalent. Partnerships or strategic alliances with companies with an established reputation can be a solution for not recognised companies.

- *Introduce a new technology.* A superior new technology may displace an incumbent with large network externalities. If a company manages to develop a significantly more attractive technology that can convince users from the competitor's installed base to adopt it, it may be able to dominate the market.
- *Win over an influential buyer and advance sign-ups.* If a platform can convince an influential buyer to adopt its technology, it may persuade other buyers to enter the platform. This will demonstrate to sceptical users that others are committed to adopting the new product, which will increase the confidence of potential adopters.
- *Invest in advertisement.* Expectations determine if a user is willing to adopt the new product or not. Willingness to adopt increases proportionally to the level of expectations. Considering that these play an essential role, investments in advertisement to promote and create buzz around the product will allow companies to persuade buyers that the product they are buying will be the standard.
- *Leasing and price commitments.* A company can agree on long-term price contracts to protect users against price increases. This will attract customers and guarantee their presence in the future. Leasing increases users' trust and reduces users' risk when adopting the new technology. By leasing instead of buying, if a technology does not become widely adopted, users can cancel the leasing agreement.
- *Allow some piracy.* Firms may accept some illegal copying of their product during the initial adoption period when it comes to software technology. In markets with network externalities, it is preferable for users to have an unauthorised copy of the software rather than not utilising it at all. Later, when a consolidated position is achieved, companies will most certainly sanction copyright infringements.

- *Invest in the supply of complements.* Complement scale, quality and diversity will increase users' confidence, which will induce users' adoption. The more there are and the higher their quality, the more attractive the system is.

Monetisation

A monetisation plan that interferes with the creation of network effects may obliterate a platform's success since any cost imposed on users might condition the platform's usage. Therefore, monetisation strategies typically encompass inviting users to primarily join the platform, charging them later for the value the platform provides (Parker, Van Alstyne, and Choudary 2016).

When considering platform monetisation, it is relevant to distinguish between the subsidy side and the money side. The subsidy side is a collective of users who, when affiliated with a platform in large numbers, is highly valued by the users on the money side. The money side is a group of users who show a strong willingness to affiliate, pay, or remain loyal to a platform due to users' continued affiliation and usage on the subsidy side. Platform owners must choose a pricing for each side considering the network effects, the necessity to grow both sides of the platform, how relevant each side is, and its price sensitivity (Eisenmann, Parker, and Alstyne 2006; Srinivasan 2021).

Parker, Van Alstyne, Choudary (2016) and Gottlieb and Rifai (2017) describe seven different approaches to implement effective monetisation strategies.

- *Charge for access.* This strategy is only relevant when users join the platform for reasons other than access to producers, such as user interaction. As a large installed base will be highly valuable to producers, a platform may be monetised by charging third-party producers for access to users. However, it cannot be disregarded that for interactions that benefit both parties to occur, the newly added content must add value to the platform and

its consumers. An example is Dribbble, a platform that joins artists and designers to share their work and get feedback from it. By being on the platform, users get exposure, and their art pieces allow them to gain reputation and credibility. Dribbble monetises the platform by charging recruiters to access the most talented designers, allowing them to have job opportunities.

- *Charge producers for enhanced access to users.* This strategy is applicable when, in platforms that facilitate a monetary transaction, there is a large number of producer offerings. Producers may be willing to pay to be noticeable, allowing them to interact better with valuable users or have a privileged position in the platform. An example is olx.pt, a platform that allows users to exchange goods. The platform puts together producers (sellers) and consumers (buyers). Considering the number of producers on the platform, they may be willing to pay for enhanced exposure. This will allow them to stand out and be noticed among other producers.
- *Charge users for improved access to other users.* Users willing to pay can access other users' information that they otherwise would not have. This strategy needs to be cautiously thought of, as it may decrease the relevance of content for consumers, which can lead to users' disinterest in the platform. An example is Bumble, a dating app that charges users for improved access to other users. When looking for the perfect match, users value information that with the free subscription is not available. Users willing to pay can get more information about other users without contacting them.
- *Charge for guaranteed quality.* A platform that has a staggering size may condition customers to identify the high-quality content they seek, which will lower the platform's value for them. When this occurs, customers may be willing to pay for enhanced curation. An example is Sittercity, a platform that joins babysitters and parents. For babysitters to access the platform, they have to go through a thorough "recruitment" process. By doing

so, Sittercity can ensure their services' quality and trust. The platform applies its monetisation strategy by charging parents a subscription fee.

- *Charge a transaction fee for every transaction.* Platforms that facilitate transactions between buyers and sellers can charge a transaction fee. As users are only charged when they do a transaction, there are no disincentives to join the platform. This will be an effective way to monetise a platform without restricting the growth of the network effects. Uber is an excellent example of this strategy. Uber is a platform that connects drivers and passengers. For both sides, the subscription is free. However, when Uber provides a service, it uses a commission-based model that allows the company to appropriate a percentage of the total bill.
- *Capitalise the wealth of information.* A company may capitalise the information it has with the usage of its platform. However, this strategy is characterised by the need for investments in digital learning capabilities, a topic that will be discussed later. An example would be the development of enhanced products considering the analysis of the information a platform retains from its users.
- *Charging users for its access.* A platform may be monetised by charging users for its access. This can be done through different pricing models. Opting for the correct pricing model will significantly impact how users interact with the platform and their eagerness to associate and stay loyal. Parker, Van Alstyne, and Choudary (2016) and Srinivasan (2021) describe five different pricing models.
 - *Subscription pricing models.* With such a pricing model, platforms foster higher usage and more frequent engagement, persuading users to pay a certain amount to access the platform offers. The platform's value might be derived from providing a product as a service, in which the customer, rather than purchasing the product, join up for a time subscription. Netflix charges users for access through a subscription pricing model. As

users value the immense offer of content the platform has and its flexibility to watch any film or series at any time without buying it, they are willing to pay for a subscription that allows them to access it.

- *On-demand pricing models.* When transactions on the platform are not as frequent yet crucial, on-demand pricing models are viable. For this, platforms must make a high investment on the readiness of the supply side, as users value the availability of platform offers and are willing to pay for them. With such models, the volume (number of transactions) determines the prices charged by the platform. An example is Deliveroo, a company responsible for the delivery of goods. Deliveroo charges for deliveries and anticipates the number of requests to be much higher at certain times, preparing itself for rush hours. Customers expect Deliveroo to deliver the products in a reasonable time frame and are willing to pay for it.
- *Razor-blade pricing models.* These pricing models characterise platforms where users must make a set investment for affiliation and then incur variable expenses for platform usage. As an upfront investment is made, platforms lock in users that later are willing to commit to incurring variable fees in exchange for the platform services. An example is Kindle, an e-reader introduced by Amazon. Kindle is sold at a very competitive price, attracting customers to buy it, locking them in. However, for users to have the full experience, actually using the gadget for its purpose, they must have e-books. Amazon provides these at a certain price.
- *Freemium pricing models.* Freemium pricing models include a free and a premium option. It applies to platforms with various segments of users, where network effects are disparate across segments. Hence, platforms must distinguish pricing strategies among different segments. Free trials might promote the movement to premium. Once the free users have experienced the benefits and understand the value of premium

services, they may decide to join it. Dropbox, a cloud storage service, uses a freemium pricing model. Customers may adhere to the platform and benefit from their free plan. However, Dropbox imposes some limitations, such as storage space. As a solution, the company suggests a premium subscription, allowing users to have better features and better storage, increasing the perceived value.

- *Free pricing models.* In this case, platforms offer subscriptions for one group of users, inviting them to join while profiting from other groups. Notwithstanding, free pricing models have difficult monetisation strategies since the platform must ensure that the value it provides to one side may be leveraged to capture value on the other. Safari, an internet search programme, uses a free pricing model. One group of users, search users, have the possibility to browse on the internet for free. Whilst website owners and advertisers pay safari for their presence.

Data Learning Capabilities

In data-enabled network effects, the value created for users is proportional to the amount of data collected through existing network users. However, data-enabled network effects are not automatic. For value creation to occur in these, learning capabilities are required. Companies need to present an ongoing ability in data analytics to capitalise on the information gathered from users. The data collected can be used for various purposes for those who can leverage it, including targeted advertising, price discrimination, and product enhancement. This leads to product value increase and, as a result, greater advantages for all users (Ferraris et al. 2018). Waze is one such example. Waze users constantly generate real-time data such as traffic jams and accidents reports. Through collecting and transmitting data from the users back to users, Waze has been able to leverage this data to create value for the platform, for example, by providing fast routes and identifying places to interest that benefit other Waze users.

However, even with data learning capabilities, the data collected by a company may not be enough to impact the business significantly. It must be of the proper kind and enough volume to support decision-making and enhance the platform and associated products.

Analysis of the Under Armour, Inc. Case

In this section, we apply the concepts and ideas discussed in the literature review to the analysis of UA's case. In the analysis, we focus on apparel, footwear and connected fitness, as those categories generate the majority of UA's revenue and offer the highest potential to create a sustainable competitive advantage. In addition, given UA's commitment to delivering more performance solutions for athletes and its willingness to grow in markets where its competitors operate, we will examine in more detail the firm's presence in the footwear market.

We begin by analysing how UA achieved a competitive advantage in an industry full of tough competitors by disrupting the performance apparel market. After this, we discuss the firm's difficulty in sustaining its competitive advantage. Given that UA has acquired a number of resources and competencies in recent years, we then conduct a value chain analysis to better understand the firm's present value generation activities, in comparison to the market leaders. Because it is critical to determine if a firm's resources at a given level of the value chain are imitable or not, we used the VRIO framework to assess the long-term viability of superior value creation in UA's primary and support activities. However, as the framework does not account for size advantages as an isolating mechanism, the privileged market positions Nike and Adidas benefit from will be discussed in relevant activities.

Following UA's decision to enter and invest in the disruptive platform market, we analyse UA Connected Fitness Platform as a valuable asset for the company. We start by examining UA's strategies to attain critical mass, given its relevance when operating in markets with network

effects. Additionally, we describe UA's monetising strategy and explore its efforts in data learning capabilities.

Considering UA footwear, we first analyse the global sports footwear market. Competition worldwide and trends in the industry are taken into account. Then, we assess UA's current approach to this segment with a description of the differentiation strategies the company uses. Finally, we provide strategic recommendations to improve the firm's competitive position and sustainability.

Disrupting the Performance Apparel Market Segment

When UA first joined the sportswear industry in 1996, the industry was very competitive and dominated by Nike and Adidas. It was a red ocean, according to the blue ocean theory. Nike and Adidas benefited from privileged market positions derived from economies of scope and scale, making it difficult or unprofitable for new entrants to compete against them. However, by introducing a value innovation – sweat-repelling sportswear – UA created a new submarket in the sportswear industry, the market of high-performance apparel. This blue ocean was uncontested and gave UA a foothold to grow. By using a cheaper material than the commonly used cotton, while providing a higher benefit for the consumer, as it was helping the user to concentrate on the sport instead of being distracted by sweating, the company broke with the value-cost trade-off. UA's novelty product created a new demand among customers.

Plank sold his first shirts to former teammates, gathered their feedback and enabled an iterative development process. The interaction resulted in strong word-of-mouth marketing and helped the brand gain awareness in its early days. By relentlessly innovating and improving its offers but always focusing on its created target market, UA created products that soon also appealed to the mainstream consumer. This was disrupting the sportswear industry and allowed UA to steal shares from its competitors.

The fact that UA was the underdog brand also helped them gain a foothold in this established industry. UA communicated the difference between itself and its bigger competitors Adidas and Nike. Further, it used a different strategy in terms of partnership with athletes than its competitors. Those cooperated with celebrities and famous athletes, which helped them reach a great consumer group and made them profit from network externalities, while UA attempted to spot the next generation of athletes. While this was potentially caused due to the small company's financial restriction, it contributed to its brand authenticity.

Struggling to Sustain the Competitive Advantage

UA's market entry and growth were outstanding due to the creation of a blue ocean and by disrupting the sportswear industry. However, in 2017, after 26 straight quarters of revenue growth of 20% or more, UA's growth streak broke, announcing its first loss. With this, it can be assumed that the company struggled to keep its competitive edge.

The sustainability of a blue ocean is particularly stable due to its innate barriers to imitation. Still, it is dependent on the alignment of the value, people and a profitable proposition.

Regarding UA's value proposition, the firm was offering a simple compression t-shirt that was helping athletes to stay dry during exercising. As cotton became unattractive, which got heavy when it was absorbing the sweat, consumers embraced a product that was light and kept them dry during training. Additionally, Plank always implemented its target demographics input in its products, creating a high perceived value for its buyers.

Furthermore, as UA was founded and operated only by Plank himself in its early years, it was easy to fulfil the people proposition. Even as the company grew and new employees joined the company, this was still true. Plank was able to communicate its vision and the company's mission to improve athlete performance clearly to its employees. This was also bolstered by UA's clear value proposition, making it easy for the employees to understand. Additionally, the

company's constant growth was giving the staff a feeling of success, worth and belonging. Moreover, UA also had a robust profit proposition by offering value innovation, which gave a greater benefit than incumbents while using a less expensive material.

This strong base of UA's propositions allowed the company to grow in the market and further develop its products. This also attracted the mainstream consumer, which made UA becoming a threat to incumbents. By not protecting its innovations with patents or secrecy, competitors easily copied UA's value proposition. However, UA's rapid growth, its active involvement with its customers and its marketing strategy created authenticity and a buzz around the company. This element could not be replicated by its competitors and aided the company's continuous growth over a 20-year period, and enabled UA to disrupt the market.

UA introduced over two decades new innovative products, broadened their spectrum with cotton t-shirts and entered the footwear market with cleats, gaining 23% of the market. This concludes that the blue ocean of UA was sustainable until a certain point. Nevertheless, no barrier is unsurpassable, and no blue ocean stays forever blue. Hence, UA had to find new blue oceans to keep its competitive advantage. In recent years, UA's attempts, however, were less successful. The substantial investment it made to enter the connected fitness market merely added to the company revenues by 3%. Also, UA's attempt in 2016 to enter the athleisure market with its fashion line while selling a less sophisticated line at Kohl's proved fruitless and diluted the brand. Thus, as UA failed to create new blue oceans in recent years, its performance took a toll. As its blue ocean became red, it was now competing amongst bigger and more powerful competitors.

To compete amongst those industry giants, UA targets a specific audience: athletes, semi-athletes, and sports enthusiasts who are searching for good quality and high-end gear designed to serve their needs. By targeting this narrow spectrum of the industry with a benefit leader strategy, UA tried to regain a competitive advantage. Yet, the quality of UA's differentiation

sources, innovative high quality, suffered from scandals like running shoes that were falling apart. Furthermore, industry competitors were creating segment substitution, luring consumers away from the brand with expensive marketing strategies.

In conclusion, UA had a solid start but was unable to maintain its competitive advantage as it diluted and damaged its brand image. Its differentiation sources were copied and lost value. Consequently, the consumer base diverged from the brand, and it failed to provide reliable quality gear.

Under Armour, Inc.'s Value Chain in 2021

Value Creation in Primary Activities

Inbound Logistics

Regarding UA's inventory management techniques, the firm relies on information technology systems to monitor orders, forecast sales and deliverables. Under Frisk's command, UA effectively meets customer demand while maintaining efficient inventory levels, thanks partly to its technologies and processes that boost overall accuracy. Despite now being able to use inventory management as an efficient cost-cutting tool, as it achieved an inventory turnover ratio of 2.3 in 2020, UA's competitors Nike and Lululemon were still more efficient and surpassed the firm with 3.3 and 3.8 ratios, respectively, in that same year. Nike's superior efficiency stems from its size advantage. This privileged market position, in part obtained by benefiting from economies of scope and scale, allows the firm to run one of the best supply chains in the world. This allows the company to better react to changing consumer demands and fulfil them more quickly. When it comes to warehousing, UA also relies on information technology solutions to help warehouse personnel better understand product placement based on demand, which also boosts overall accuracy, reduces overtime, and fosters a swifter and more effective workflow.

UA's inventory management and warehousing capabilities are both valuable since they do not only help the company become more efficient in cost management but also allow it to capitalise on opportunities by satisfying customer demand. In terms of rarity, these qualities should not be deemed rare because they are not unique to the firm. Competitors have similar infrastructure that even creates superior value. Since UA's inbound logistics efforts are valuable but not rare, the company achieves competitive parity in this dimension.

Operations

UA operates a network of manufacturers in distinct countries, allowing the company to profit from the lower costs of producing abroad. Even though these manufacturers are chosen for their quality, given that they work with sophisticated raw materials, UA has subsidiaries close to manufacturing sites to assist in quality control. This way, by having manufacturers working closely with UA's product development teams, UA can better achieve product innovation, which increases its competitiveness through original design and cutting-edge technology. These capabilities are valuable to UA in the sense that they enable the creation of differentiated products to meet market demand. In addition, to protect their products, the company requires the signature of non-disclosure and confidentiality agreements. These manufacturers, however, are not affiliated, and UA has no long-term arrangements with them. Companies like Nike, on the other hand, have long-term agreements with the majority of their manufacturing suppliers, which fosters a trusting relationship that further catalyses innovation. As UA does not have strong exclusive relationships with their manufacturers, this capability cannot be considered rare, as rival firms may also have equal access to it. In this manner, UA's operations only grant the company a competitive parity.

Outbound Logistics

UA's global distribution channels operate from North and South America, Europe and Asia-Pacific, and they largely rely on information technology to optimise logistics and supply chain management. In an effort to expand its global reach, UA developed a partnership with Borderfree to offer products in locations they do not have a local website yet. This, however, is not sufficient to beat competitors. Nike and Adidas, for example, benefit from a more intensive distribution due to the breadth and size of their distribution systems and supply chain. Therefore, although this activity creates value for UA, as it improves the reach and efficiency of its supply chain, it is not rare, as rival firms benefit from a similar but more efficient infrastructure. This way, UA's outbound logistics only grant the firm a competitive parity

Marketing and Sales

The firm managed to create a valuable brand image of a high-quality premium performance brand with its customer-centric and "underdog" endorsement marketing strategies. However, recently, UA has struggled to keep up with shifting consumer preferences among its targets. For example, by focusing almost exclusively on the true essence of its brand – which is all about performance – it considers cultural and social components to a lesser extent, and these are extremely important to its consumers. Nike, on the other hand, is the most popular brand among younger generations and thus competes more successfully for UA's target audience.

In terms of sales, a majority of 53% of sales were made through wholesale channels in 2020. To be in line with the firm's competitive strategy, the firm still relies heavily on premium wholesale distribution. As proven by the bankruptcies of major American sporting goods chains, UA's heavy reliance on wholesale channels is not the way forward for UA. This way, as part of the restructuring plan, UA is shifting towards direct-to-consumer channels, which is going to provide the firm with more control over the UA brand and improve customer engagement. A clear advantage of this strategy is that UA can choose more precisely how it

wants to be perceived by its consumers. Therefore, brand stores and digital channels are essential for the brand to establish itself as premium and to get exposure. Thus, these channels are valuable for creating a customer experience and are an important part of UA's omnichannel strategy. Furthermore, UA had successful social media interactions with its consumers. However, UA also admitted that it has low consumer awareness in countries outside of the US. The firm's overall marketing and sales capabilities remain consistent with UA's positioning strategy, as they strive for reinforcing its focus on differentiation, making them valuable to the company. However, when comparing Nike and Adidas' marketing activities to UA's, it becomes clear that the two firms benefit from the factor of their size. Due to their financial resources, they can partner with the most popular athletes and sign the most valuable endorsement contracts. By benefitting from network externalities and economies of scope and scale, the competitors leverage their privileged market positions, with which UA cannot compete to the same extent. Although Nike, Adidas and UA invested around the same percentage of their revenue in marketing and advertisement, 10%, 13% and 12%, respectively, the total investment amount varies significantly. While this translates into an investment of \$3.6 billion and \$2.6 billion for Nike and Adidas, respectively, UA spent \$550 million in 2020. Although competitors can have access to similar marketing and sales strategies, they cannot easily imitate UA's brand. The brand is a social complex phenomenon that results from unique marketing efforts built over time. However, it is not being fully leveraged by the UA's overall organisation. The need for a restructuring plan and the difficulty in meeting changing customer preferences demonstrate that the company is not at its peak when it comes to organising its marketing activities. Therefore, UA's marketing and sales are the only a source of temporary competitive advantage for the firm.

After-Sales Services

When it comes to UA's services, the firm gives customers the possibility to return or exchange a purchased item and replace gear when damaged. This standard practice acts as a proxy for quality assurance and is in line with the firm's positioning strategy by providing differentiated, high-quality products, making it a valuable activity for the firm. Conversely, UA falls short of offering general customisation services or repair services, which its target consumers highly appreciate. Competitors like Nike offer not only refurbishment services but also customisation, which reinforces the firm's sustainability commitments and provides better customer service. Thus, these capabilities are not rare, as competitors benefit from similar activities and are also taking more advantage of them. In this activity, UA has a competitive parity.

Value Creation in Supporting Activities

Firm Infrastructure

With Plank's intense involvement, UA benefited from the founder's and long-term CEO's mindset and vision. With the same character traits that made him the captain of the football team in college, he led and inspired his employees. This, in return, created a motivated team with significant experience that was able to maintain the initial founding vision and the love for the sport. The management team further adopted a team-driven style that promotes democratic decision making in the organisation. This management style and the founder's involvement is a valuable resource to the brand, as it improves efficiency and effectiveness. Although this cannot be imitated directly, competitors with a similar top management team can achieve similar or even better outcomes. Considering this, this cannot be seen as rare and thus, firm infrastructure results in competitive parity. Recently, this competitive parity was put at risk because of the latest management scandals that have severely harmed the brand's reputation.

UA has a competitive disadvantage in another field of the firm's infrastructure, namely its accounting activities. With the federal investigation for incorrect accounting practices, the company consciously misses an opportunity to create more value.

Human Resource Management

Regarding diversity within the workforce, UA attempts to balance ethnic background and gender equality. Additionally, the organisation recognises the value of employee training and offers suitable offerings to employees across all levels. This makes UA a more attractive employer while at the same time enhancing the available human resources. This might allow UA a competitive parity as those are valuable but common practices in the industry. According to employer comparison websites like Indeed, UA ranks behind the relevant competitors like Nike and Adidas and has insufficient scores in the criteria retention, office culture and employee satisfaction. As human resource management is an important factor in creating value and thereby a competitive advantage, the company does not exploit the complete potential of its resources.

Product and Technological Development

UA is well-known for its continuous product innovation. This activity focuses on developing and improving products that provide a high level of quality and utility while allowing the user to perform to the best of his or her ability. Unlike other players in the market, it bases its value proposition on technical utility rather than fashion. In the ever-changing sportswear industry, being seen as an innovative company is critical to adapt to shifting customer needs or create new demands, especially in performance wear. This way, this is a valuable resource to have, as it allows the company to distinguish itself from competitors. However, given that the know-how required to produce UA's products has been disclosed before due to the lack of patent protection and that firms like Nike and Adidas have vast financial resources and the ability to

outspend UA in R&D investments, this is not a rare resource. UA struggles to keep up with their privileged market position. Although the corporation has increased patent protection recently, as stated in the five-year plan, the company's position in 2021 has been significantly harmed by their past decisions. Given this, UA's product development only grants the firm a competitive parity.

Procurement

In terms of procurement, UA's raw materials are vulnerable to price changes and scarcity, as they are only accessible through a handful of suppliers. Furthermore, considering that UA failed to negotiate long-term contracts with these suppliers, in case of complications in the supply chain, the firm will have to compete fiercely against rivals who also rely on the commodities for their activities. Locating additional suppliers that suit UA's manufacturing needs may prove very difficult due to their scarcity. This could become an exceedingly costly endeavour to the firm. While UA's procurement strategies generate the necessary value to enable the firm to perform its main activities, it is not rare as competitors do also have access to the same suppliers and similar procurement strategies. Looking at relevant competitors, Nike and Adidas both benefit from their privileged market position in terms of procurement. Due to their size, sales volume, and partnerships with suppliers, they have better access to raw materials and improved negotiating power. This way, UA's procurement confers a competitive parity.

As the value chain analysis of UA indicated, the firm benefits mostly from competitive parities in both primary and support activities. Currently, only the UA brand provides a temporary competitive advantage. As a result, UA does not have a sustainable competitive advantage in the sportswear industry in 2021. As it has been demonstrated, UA fails to generate a competitive advantage mostly because its resources and capabilities are usually not rare or lack isolating mechanisms. This happens as UA faces stiff competition from industry titans like Nike and

Adidas, which not only surpass UA in terms of resources they have available but also benefit from privileged market positions. Because these two players are substantially larger than UA, they can create more value in their value chain activities, preventing UA from developing a strong competitive position in the red ocean.

Capitalising on the Connected Fitness Platform

UA's bet on Connected Fitness is a promising strategy for the company, but it comes with some challenges, namely the struggles to attain critical mass and best monetise the platform. We will focus on UA's current situation of its platform composed of the MapMy mark apps (MapMyFitness, MapMyRun, MapMyRide and MapMyWalk). This section will only consider strategies applied after the sale of MyFitnessPal and Endomondo and UA Record reform, mentioning just previous occurrences when strictly necessary to understand the current panorama.

UA's Network Effects

UA has fostered user adoption and greater user interaction within its MapMy's suite of apps to increase value for each of its users and consequently take advantage of network effects.

To leverage direct interaction network effects, UA presents in its apps, for example, the "Invite a friend" option. The more friends of existing MapMy' users are added to the network through the invite friends feature, the more direct value is added for the apps' user base. The apps' "Challenges" feature can also empower more users to interact with the applications. The more challenges there are, the more users will use the application regularly, increasing competitiveness and engagement. The "You vs the Year 2021" challenge demonstrates this by encouraging users to walk or run during 2021 in order to win prizes.

With the usage of MapMy apps, UA collected user data through user interactions with its platform. This behavioural data comes from different sources on the platform. Specific data such as age, gender, height and weight are recorded and updated by users, while other data, such as speed and route path, are stored and calculated by the universe of MapMy applications. UA has been trying to leverage this data effectively to increase the value of its offering. This will be explored in more detail in the Data Learning Capabilities topic.

Complementary products in the apps also create network effects for UA. The more people join MapMy apps, the more attractive the apps are for complementary products and services developers. This increases the number of complementary products and services, hence increasing the value for users. Lastly, a higher value for users influences the likelihood of buying into the brand. UA Connected shoes are an example of a device that can be synchronised.

To take advantage of the largest number of users is imperative for UA to attain critical mass. Accordingly, the company has implemented several strategies to reach this goal:

Invest in new technology. Among the biggest competitors, such as Nike Running Club and Adidas Running, MapMy apps are currently the only apps that allow users to associate their shoes with biometric tracking capabilities, particularly UA's Connected shoes. These shoes allow the recording of the most varied running data such as cadence, ground contact time, and stride length. By developing MapMy mark apps capability to link the UA Connected shoes, UA introduced new technology in the market, incentivising enrolment in its fitness platform.

Use penetration pricing. UA uses a giveaway technique to increase the number of users in its Connected Fitness Platform. When users purchase a UA Connected shoe, they receive a free year premium subscription to the MapMyRun app. With this, customers are tempted to try UA's running app, with the benefit of premium, exploiting the app's full experience. By using

this technique, UA's objective is to attract new customers to the platform, contributing to its installed base of users.

Leverage reputation. UA's reputation has also played a positive role in the adoption of new users. When compared to its competitors, the image UA conveys to users is based on trust built up over time through the relatively consistent production of high-quality products. With this trust, UA attracts regular brand followers and serious sports enthusiasts to its Connected Fitness Platform.

Invest in the supply of complements. Another strategy employed by UA to reach critical mass is to provide complements to its apps. UA Connected Fitness platform integrates various applications and devices, including both those owned or made by UA, such as UA Connected Footwear, as well as those that are not, such as Apple Watch, Samsung Health and Garmin Connect. These complements allow the user to have the most complete experience within the Connected Fitness Platform.

Along with the implementation of strategies to attain critical mass, monetisation strategies also represent a crucial aspect of the platform's development.

UA's Monetisation Strategy

In 2020, UA's Connected Fitness revenue reached \$135.8 million, decreasing 0.4% when compared to the year before. Connected Fitness was responsible for 3% of total sales. These results are justified by the decrease in advertising revenue and the sale of MyFitnessPal at the end of 2020. 2020 marks the year where for the first time in UA's Connected Fitness history, revenues dropped. A certainly unexpected turnaround to what Plank hoped Connected Fitness would bring to UA when in 2013, the company took its first step towards UA's Connected Fitness. Aligned with these results is the scant 3% that Connected Fitness represents to UA's

total revenues, a number that has been barely increasing over the last three years and certainly falls well short of UA expectations.

Despite this, UA says it will continue to be a major product area and that it is projected to expand in the future years. This has led to a big problem that UA is currently facing - the ineffectiveness of the connected fitness platform monetisation.

In 2020, UA's connected fitness platform revenues were generated through digital fitness subscriptions, digital advertising and the capitalisation of the information it gets from the usage of its platform.

UA monetises its connected fitness platform through the *Freemium pricing model*. Whilst UA's fitness apps downloads are free, and users can use them without any investment, this option would apply to the common athlete that just wants to know what their route was and how long or what distance they exercised.

There is also an option to subscribe to an *MVP membership*, a premium subscription that allows for new features and more insights. *MVP* is addressed to more focused athletes that want to leverage these new features such as the segmentation of the final workout report in smaller portions, showing statistics of specific parts of the workout and the real-time audio feedback whilst working out that helps users to meet their target distance and pace to improve their performance. UA encourages *MVP* subscriptions through a 14-days free trial. Also, it promotes *MVP membership* by giving away premium subscriptions with the purchase of any connected footwear model. With this strategy, UA hopes that once users have experienced the benefits and understand the value of *MVP*, they may decide to subscribe to it.

UA uses a *charge for access* monetisation strategy. Athletes join the platform to monitor their workout achievements, share their performance with app users and practice training sessions.

Through digital advertising, UA leverages a sizeable installed base of users and charges third-party advertiser companies to access users on UA's MapMy apps. In this case, athletes represent

the subsidy side that, by affiliating and using the platform, are highly valuable to the money side, advertisers. By applying this strategy, UA can add value to customers by theoretically advertising products that are from their interest, and advertisers, by promoting their products. UA also uses a monetisation strategy that involves capitalising on the information it has with the usage of its platform. Notwithstanding, for an effective capitalisation of the information, data learning capabilities are required. With some exceptions, UA has not been able to fully exploit the potential of this monetisation strategy. This will be further developed in the following topic, presenting the relevance of data learning capabilities on UA's struggles.

UA's Data Learning Capabilities

Before UA's recent restructuring of its app offering, the company received billions of data from its users annually. The data provided a better understanding of how users thought and how they interacted with the platform daily. In doing so, UA tried to leverage this information to market it to its customers more effectively through tailored marketing and product enhancements. The more UA learned about its users and their activity, the more it could personalise their experience, making its platform and products more valuable to each user. UA developed the Speedform Gemini shoe with that in mind. By understanding that the average distance run by an athlete was 3.1 miles, UA developed a specific design that benefited their performance. The firm also utilised its consumers' workout timeframes data to customise advertisements for consumers. For example, after a user finished exercising outside on a chilly day, UA delivered a targeted advertisement for its "snot finger gloves" (Foster 2016).

Although UA had all this volume of data in its possession and invested in its data analytics capabilities, it was unclear how the company could unlock the true power of its network and effectively use the data it captured to drive higher retail sales.

Firstly, the company could not successfully capitalise on the wealth of information generated through users. On the other hand, the data gathered was not accurate for UA commercial purposes. Some company app offerings targeted different sets of users to UA core customers. The MyFitnessPal app, for instance, was weight-loss oriented and was targeted at people of varying athletic abilities. Moreover, over time UA's applications growth stagnated as competition increased. This misalignment led to the sale and discontinuation of FA: MyFitnessPal, Endomondo and UA Record. Nevertheless, UA kept MapMy suite of apps as they align more with the company strategy of one ecosystem going forward.

That said, because UA target audience criterion is met, users of the platform are now recognised as severe potential customers of the brand. If the company now has the capability to materialise the information from MapMy apps, it can now use relevant data to improve UA offering, improve customer experience and increase overall customer satisfaction.

UA Connected Fitness Platform investments have been notorious. However, benefits from these are insufficient. The topics mentioned earlier are crucial for UA's success with its Connected Fitness. Although strategies to attain critical mass were applied, these were not fully exploited, leaving space for improvements. Additionally, the struggle UA has been facing in its monetisation strategy is evident, with revenues from Connected Fitness well under the expectations. Moreover, the lack of data learning capabilities, a crucial aspect for capitalising on the company's information collected from MapMy apps, emphasises UA's struggles with its monetisation strategies.

Under Armour in the Sports Footwear Market

UA's entry in the highly competitive sports footwear market was a huge challenge for the company. In the following pages, we will evaluate UA's current competitive position and

strategy in this market. In the overview of the sports footwear market we will focus on the athletic footwear segment because it is the core market of UA's offering.

Sports Footwear Market

As previously mentioned, the global Sports Footwear Industry generated \$118.4 billion in sales in 2020. The market includes performance or athletic, outdoor and sports-inspired shoes. Performance Footwear, the category with the highest value, accounted for \$52.3 billion in sales. The remaining categories Sports-inspired Footwear and Outdoor Footwear, represented \$51.5 billion and \$14.7 billion, respectively (Exhibit 32) (Euromonitor International 2020).

The Athletic Footwear market includes functional shoes specifically designed for sporting activities. It is a technology-driven market, where having the capacity to innovate continually is a differentiator and a decisive factor in consumer choice. Prices in the market range from affordable to highly luxurious.

The market has been growing on a global scale throughout the years. It is expected to reach a size of \$84.7 billion by 2025 and show a CAGR of 10.1% over that period (Euromonitor International 2020).

Regarding sales volume, 411.97 million pairs of athletic shoes were bought since the beginning of 2021. The athletic footwear segment is expected to amount to 625.98 million pairs by 2025 (Statista 2021a).

The case of the US can be used to understand how the athletic footwear industry is segmented by activity. Running accounted for more than half of the US athletic footwear market (55%) in 2020, with sports representing 30%, aerobic/gym 10% and hiking/trekking 5% (Statista 2021c). The running shoe segment leads, therefore, the worldwide athletic footwear market and is predicted to retain its dominance in the future. Globally, average runners increased their frequency by more than 100% in 2020, thus mirroring consumer choices (Becker et al. 2021a).

The running shoe segment is expected to grow at a CAGR of 4.5% and reach \$38.4 billion by the end of 2026 (Yahoo Finance 2021).

Considering the end-user, the market is composed of recreational and professional users. The segment of recreational users holds the largest share in the market. These users participate in sports for health benefits, fun or socialising and therefore look for affordable and visually appealing footwear. On the other hand, professional users prefer high quality, technically advanced shoes that help them improve their sporting performance.

In terms of gender, according to a Statista Research Department survey (2016a) men spend on average more time per day on sport and exercise than women. Despite this, the figures may start to change as female participation is increasing since the beginning of COVID-19 which presents the sporting goods sector with a significant opportunity to grow (McKinsey & Company 2021).

Taking a geographical analysis of the market in 2020, Asia-Pacific was the largest region accounting for 40% of the global athletic footwear market share. North America came in second with 30%, followed by Europe (25%) and other regions (5%) (Statista 2021b). In addition, looking from a country-by-country perspective, the majority of athletic footwear in 2021 has been generated in the US and China, currently registering \$13.6 billion and \$10.3 billion, respectively (Statista 2021a).

Intensity of Competition

The global athletic footwear market is fragmented and highly competitive. It presents a large number of competitors, distributed over seven big international companies and many small players - 54.5% of the market -, giving it a high level of rivalry among existing companies (Statista 2016b).

Although the market is growing, new players face several entry barriers to capture significant market share. Some examples are expensive initial capital investments, large economies of scale, R&D and marketing costs, and strong brand loyalty.

Buyers have moderately high bargaining power due to relatively low switching costs, allowing customers to exchange between shoe brands easily.

The threat of substitutes is also relatively low. Although customers may find non-athletic products available that also confer comfort, they are not a fully-satisfying alternative for athletes.

As for suppliers, they have moderately low power due to their large number worldwide and the availability of raw materials widely used in the industry. Large companies that typically do not use such standard inputs in their innovations suffer a greater influence from specialised suppliers.

Competitors

In this market, two companies stand out for their brand affinity, market share and resources: Nike and Adidas. When talking about these brands, there is an instant and strong connection between them and the athletic footwear market due to the firms' effective marketing strategies, reputation and high-quality products.

According to a 2021 survey of US consumers by Morgan Stanley, respondents cited Adidas as their favourite athletic footwear brand, followed by Nike in second place. In this study, UA did not make the top 10 favourite brands in the same year.

In terms of market share in footwear, Nike had 22.9% and Adidas 9.7% of the global athletic footwear market in 2015, both of which were much higher than the percentage held by the closest rival (Statista 2016b).

Although both influential in the apparel and footwear segments, Nike and Adidas have higher shares in footwear (Exhibit 33). Nike footwear, apparel and equipment in 2020 accounted for 66% (\$23 billion), 31% (\$11 billion) and 3% (\$1 billion) of total company global revenue, respectively (Nike 2020). Meanwhile, Adidas footwear accounted for 56% (\$13 billion) of the company's net sales worldwide, compared to 39% (\$9 billion) for apparel and 5% (\$1 billion) for accessories and gear in 2020 (Adidas 2020).

Moreover, Nike and Adidas have many resources at their disposal. Some of these are the experience they have in the footwear business fruit of their longevity – Nike has been in the market for 49 years and Adidas for 72 years -, the high financial capital at their disposal from their operations and the high number of owned stores – Adidas has approximately 2,500 stores and Nike 1,096 stores (Adidas 2020, Nike 2020).

Market Trends

The current pandemic has changed consumer behaviour. Therefore, trends that affect global demand for sports footwear have emerged, or existing ones have been boosted.

Firstly, customers are more concerned about their health and well-being and are adopting healthier lifestyles. As a result, there has been a growth in sports participation. In 2021 participation in physical activities, at least weekly, increased by 5.5% compared to 2019, reaching 64% of global responses according to Euromonitor International's Consumer Lifestyles Survey (2021).

As consumers have become accustomed to comfort in their lives during lockdowns, the world has been witnessing a trend towards casual and sports-inspired wear. The global athleisure market size is expected to record a CAGR of 8.1% between 2019 and 2025 (Bloomberg 2021). Furthermore, consumers have been looking for a blend of technical, elastic, and street attributes in sports brands, thus prioritising performance over aesthetics. According to the 2021

Euromonitor International's Lifestyles Survey, 36% of worldwide consumers are willing to spend more for comfortable, high-quality and durable features.

UA Footwear Strategy

UA strategy in the footwear market is to offer primarily premium shoes to the brand's target audience, the focused performer. However, UA also provides a collection of sportstyle shoes that may be worn for casual or recreational purposes to be competitive and build an emotional connection around its footwear (Footwear News 2018, Under Armour 2021a).

UA footwear currently focuses on running, basketball, cleated sports, slides, training, and outdoor products. In 2018 UA product portfolio was comprised of training shoes (50%), core sports shoes (34%), running shoes (13%) and sportstyle footwear (3%) (Under Armour 2018).

The company entered the footwear business in 2006 by launching its line of football cleats that kept feet cool. Despite being a newcomer to the market, UA captured more than 23% market share in football in its first year, thus securing its position as a performance footwear brand among the sports market powerhouses (Under Armour 2021b).

After a series of significant investments and product launches throughout the years, UA footwear grew 238.7% in net revenues from its market entry to 2020 (Exhibit 34).

In 2020, apparel accounted for 65% of UA's net revenue, while footwear revenues only amounted to \$934.333 million and represented 21% of the company's offering. Accessories, connected fitness and licensing represented the remaining 9%, 3% and 2% of net revenues, respectively (Under Armour 2020).

However, the position and performance of the company over the years must be put into perspective. There is a vast gap between the figures of the market's leading footwear firm and those of UA's. For example, Nike's footwear revenue was roughly 25 times more than UA's in 2020 (Exhibit 35).

To counteract this, UA uses four strategies to tackle these challenges and distinguish itself from the competition: innovative technologies, Curry's sponsorship and brand, leveraging expertise in apparel and leveraging from UA connected fitness platform.

Innovative Technologies

Over its 15 years in the footwear market, UA has developed unique shoe technologies: UA Micro G®, UA Clone, UA Tribase™, Charged Cushioning®, Anafoam™, SpeedForm®, UA HOVR™, 3D Printing, UA Clutch Fit® and UA Flow™. (Under Armour 2021c, Under Armour 2021d). Each of these is explained in Exhibit 36. Of these innovations, UA presents four registered trademarks and four trademarks.

UA stands out in this category for its constant proactivity, out-of-the-box thinking and risk-taking in order to deliver technical quality products that enhance its customers' experience and support their sporting performance and progress.

Curry's Sponsorship and Brand

In 2013 UA signed a \$4 million per year sponsorship with Stephen Curry after the athlete did not renew his deal with Nike (Yahoo Finance 2016). At the time, Curry was considered an underdog, but UA realised the potential the athlete had to become an NBA superstar.

In 2014 UA launched Stephen Curry's signature basketball shoe, the Curry One. According to Morgan Stanley, sales in this category grew 296% in the first quarter of 2015, followed by a growth rate of 754% in the second quarter of the same year (Business Insider 2015). After the success of the first shoe, the next two models, Curry Two (2015) and Curry Three (2016) were characterised by initial bad reviews and weak sales, respectively. During this rocky period, UA executives persuaded the athlete to stay in the brand.

Meanwhile, in 2015, Curry agreed to renew his sponsorship deal with UA until 2024 at about \$20 million a year (Yahoo Sports 2020). Also, to strengthen Curry relationship with the

company, UA built, in 2020, a separate business around the player, the Curry brand (Exhibit 37). It features lifestyle and performance footwear, apparel and accessories across multiple sports. The brand most distinctive feature is its mission focus on “creating opportunity, access, and equality for youth sports in neighbourhoods around the world” (Under Armour 2021e).

The Curry sponsorship and brand are strategies for the company to monetise from the fame of the NBA star player, capture younger consumers and compete with the Nike Jordan brand that currently dominates the basketball shoe market. In addition, both create connections with consumers increasing brand awareness in the market. The brand, in particular, is a great differentiator within the market as it shows UA’s commitment to social initiatives and making an impact in the community (Footwear News 2020, CNBC 2020).

Leveraging Expertise in Apparel

UA leverages the gains of having a portfolio of products in different categories to share resources and knowledge across the company. Throughout its 25-year history, the firm has gained expertise in the apparel market. UA’s SpeedForm technology capitalises on this experience by bringing the most advanced innovations and techniques in clothing manufacturing to running shoes, ensuring superior precision fit, feel and comfort.

The SpeedForm Apollo shoe, for example, was made entirely in a clothing factory (Exhibit 38) (Under Armour 2014a). With the company’s experience with textiles, UA created a fabric with a nearly seamless and stitchless finish that provided a comfortable fit and great durability. The reaction to the shoe was favourable with UA footwear net revenues increasing by 41% to \$114 million in the first quarter of 2014 compared to the previous year’s period. Furthermore, the technology and derivative products were also awarded (Exhibit 39) (Under Armour 2014b).

Leveraging from UA Connected Fitness Platform

Another way UA differentiates its footwear is by capitalising on the synergies of the UA Connected Fitness Platform.

After setting its platform composed of apps from the UA ecosystem, UA wanted to give its users a hand-free experience when running, thus it developed the UA Connected Footwear. UA Connected Footwear are smart shoes with a record sensor inserted into the insole to track running measurements and send the data to the MapMyRun app. The SpeedForm Gemini 2 Record-Equipped was in 2016 the company's first effort into the wearable footwear market. Currently, UA Connected Footwear includes some models of the HOVR and Flow collections. The HOVR connected shoe collection was particularly noteworthy and had shoe sales surpassing expectations (Exhibit 40) (Business Insider 2018).

These shoes work as a complementary product compatible with the UA suite of apps and result in a more complete experience for the connected athlete. Platform users are encouraged to purchase UA smart shoes and feel more committed to continuing to purchase from the brand in the future. Moreover, the release of these smart shoes acts as a means of promotion that allows the brand to position itself as an innovator in the market.

Looking ahead, the company reveals that UA intends to invest in its footwear line in the upcoming years, which correlates well with the increasing interest in running and outdoor activities. In its 2018 Investor Day report, UA stated that it aims for footwear to account for 25% of its product revenues by 2023 (Under Armour 2018).

UA footwear has had relative success in a market that is extremely competitive and corresponds to the core business of many powerful competitors. Although the company still has to deal with a set of challenges, the use of UA's differentiation strategies gave UA a good chance in the

market. However, given its resources and capabilities compared to competitors, it is still uncertain whether it can compete for a leading position in the market.

Strategic Recommendations

Value Chain

Due to UA's limited resources and the dominance of rival firms in certain activities of the industry value chain, the following recommendations will focus on how to transform UA's most relevant capabilities into potential superior value creation activities. We will also address competitive disadvantages to enhance the firm's overall competitive positioning.

UA should strive to incorporate more cultural branding into its marketing and sales activities. As it was once done before with the "I Will What I Want" campaign, in addition to clearly conveying its positioning as a performance brand, UA was also able to address social issues. The brand functions as an active participant in society by including the cultural aspect, which resonates very well with younger generations. When it comes to sales, UA should reduce the proportion of factory house stores it has compared to brand house stores. In 2021, almost the entirety of US stores are factory houses. Although these stores are part of a necessary strategy to manage inventory efficiently, this unbalanced number contradicts the brand's positioning and pricing strategy as a premium brand. As a result, it transmits a more fragile brand equity. UA could initiate a refurbishment programme when it comes to after-sales services, as it would help the brand further develop its sustainability commitments. In turn, this would resonate more with younger generations, who are more aware of environmental issues than the general population and therefore improve their perception of the UA brand.

In terms of UA's firm infrastructure, the company needs to improve its image by avoiding negative public attention regarding management scandals or accounting practices. As this has a significant negative impact, UA harms its reputation and destroys value potential. To increase

brand authenticity, UA needs to follow strict ethical conduct in terms of internal activities and their external stakeholders.

Another recommendation is to improve its human resource activities and improve UA's employer branding. Considering that the majority of UA's competitive strength relies on innovation, it is essential to attract the best human resources. By increasing employee satisfaction, for instance, by an appropriate compensation and extensive employee benefits and training, UA can benefit from long-term employees that have extensive intellectual knowledge about the company, market and product development.

In terms of product and technological development, as it enabled UA to create a disruptive business model when entering the market, the firm needs to continue investing in R&D. The objective is to regain its position as a disruptive market player that develops high-quality, innovative products for the performance segment. As the analysis has shown, the company failed to fully sustain this advantage due to a lack of patent protection. Even if it only creates imitation barriers for a limited amount of time, UA should increase patent protection to be in line with the company's intention of the five-year plan. Thereby, UA can use the time advantage to capitalise on a first-mover advantage. Positive long-term effects can be gained by implementing lock-in effects in the form of psychological switching costs. In combination with marketing activities, UA needs to create an emotional link between the consumers and the brand, decreasing their willingness to switch to a competitor as soon as the patent protection fades. Additionally, UA needs to use more ecologically and environmentally friendly materials. By considering this emerging market trend, which is especially relevant for its target segment, UA can strengthen its positioning and differentiate itself from rivals.

Finally, UA would benefit considerably from signing long-term contracts with its suppliers in terms of procurement. Given that UA procures most of its raw materials from a very limited number of suppliers and that most of these commodities are rare due to scarcity, a long-term

contract would grant the firm privileged access to these key resources. As competitors are also dependent on these raw materials, the exclusivity provided by these contracts would give UA a competitive edge. For instance, in the event of supply chain disruptions, the firm would also be better prepared than its competitors to navigate the uncertainty of these occurrences.

Connected Fitness

Choosing the right direction for the UA platform concerning the listed challenges is vital since it can ensure sustainable growth. Thus, UA could put some recommendations into practice to accomplish it.

Firstly, we should address the issue of UA's critical mass. UA should increase investment in content and features of the MapMy apps. Although the apps already have a substantial number of workouts available, it is essential to continue to publish fitness activities of various types and levels frequently. The apps could also have an informative section where users could find short articles on fitness and nutrition and discuss topics like mental health. Another technique to encourage active app use is to record the user's achievements through a reward system. When users reach personal milestones or complete challenges in the app, they could win virtual trophies that unlock prizes in the UA shop. This would encourage people to participate more in sports and get involved in the MapMy community.

A second recommendation directed at UA would be to invest in more complements that add value to the user. These should be aimed at UA's target audience and positioned in a way that does not cannibalise other apps or devices in UA's offer. New complements such as apps and devices are a good option, as they improve the consumer experience.

Finally, the company should significantly increase the advertising coverage of its apps, namely its social media, as it has been neglected. The MapMy apps are present on Facebook, on Instagram indirectly via the "uarunning" account and on its official blog. Although its "uarunning" Instagram is quite dynamic and engaging, it does not refer to the MapMy apps

directly, so they should create an account to promote these apps. Additionally, MapMyFitness's Facebook page is outdated, and publications are shared infrequently. Despite providing publications that inspire and help each user improve their sporting practice, the official blog does not bring users to its apps, nor does it make users aware of the MapMy apps through ads. It would be interesting to revamp the Facebook app and create a Youtube channel dedicated to MapMy mark apps, offering workouts previews, promoting new features and display user testimonials. Another approach could be to run an advertising campaign to promote the applications and encourage more people to use them. It could also attract users by creating a collection of workout routines on the apps to feature UA's all-star trainers. Celebrities like The Rock, Stephen Curry or Gisele Bündchen could demonstrate one of their weekly workouts in these videos.

Regarding monetisation, three suggestions should be implemented. For an enhanced monetisation strategy, UA could collaborate with companies related to the fitness industry. An example is food and beverage companies that specialise in high performance. Therefore, UA could introduce a new "money side", the food and beverage companies, that would certainly be willing to pay to access the platform's installed base of users. To capitalise on the partnership, at the end of each workout, MapMy apps could suggest a super hydrating drink or a specific meal/product that would benefit the users' recovery. UA could provide a solution that would allow users to buy drinks or foods straight from the app, saving users' time and effort. As users registered their intention to buy any product, UA could charge a transaction fee for every purchase, implementing a new monetisation model. Considering the same rationale, another suggestion would be to partner with a fitness equipment company that sells for example fitness mats and dumbbells, as most of the workouts suggested by UA feature this gear.

UA may also capitalise on the information it receives from its consumers more effectively. A suggestion would be for UA to provide recommendations based on sports practice. Considering

the most practised sport by each user, UA could recommend different sports apparel and footwear that better fit the specific case. In addition, UA could provide the option to purchase the suggested equipment within the app. This would simplify the purchasing process and incentivise customers to do so.

The more UA learns from the data it gathers, the more valuable it becomes for each user. Thus, when considering data learning capabilities, some recommendations can be applied.

The first strategy should examine what customers and users genuinely value and where their interests overlap. When making these analyses, knowing users' pain points, workflows, and motivations are factors to consider. This information can enhance value creation when well applied to UA products and campaigns.

Furthermore, UA should reinforce its data analytics capabilities by partnering with a specialised company to extract more from the data it collects. This would increase productivity and efficiency and consequently ensure a greater focus on the goals of the connected fitness platform. UA should make MapMy apps the platform on which most people spend the most time, and every action should be made in this direction.

Looking at the big picture of UA Connected Fitness Platform, the company should focus its efforts on one application that concentrates all its current apps, its users and interactions. A single app that would provide users with the option to practice every sport they would like to. This would improve the user experience, and by consolidating the installed base in one app, benefits would be relevant, facilitating monetisation strategies and data processing. Considering UA's strategy of "one ecosystem going forward" would be a coherent decision.

Footwear Market

Considering the positive growth prospects of the athletic footwear market and UA, we think that the company should continue to invest in the footwear segment. By being in this market, the firm is not dependent on one specific product in its portfolio, which mitigates the risk for

the company. UA can also take advantage of customer convenience. By offering both clothing and footwear, the company can sell more and improve the customer experience.

Nevertheless, for the time being, due to fierce rivalry and UA's disproportionate values compared to the market leaders, it should focus its offering primarily on apparel.

Regarding positioning, UA should present itself as a clear performance specialist in its footwear offering. By being consistent with its purpose and identity and not simply following trends with which it does not associate itself, the company can distinguish itself from mainstream competitors, challenging their privileged market position. In fact, the company's differentiation strategies have been mainly positive, suggesting that they add value to UA and should be maintained.

To generate further growth and sales, the company should continue to invest heavily in product innovation, filing patents on these where relevant. UA's R&D should continue to leverage its expertise in apparel and the data gathered from the UA connected footwear sensor to introduce new and improved shoes. In addition, it should develop its product portfolio to seize the growing opportunities in the running category and the potential of the women's segment.

When it comes to communication, it should continue to invest in the Curry brand and participate in more initiatives linked with social responsibility to gain more consumer trust and make a positive impact on the world.

Conclusion and Limitations

The case analysis has shown that when UA entered the market, it created a blue ocean that disrupted the sportswear market with innovative products. However, the analysis of UA's value chain in 2021 revealed that the company does not sufficiently utilise its resources and capabilities and has lost its competitive edge. In the value-creating activities, both in the primary and supporting activities, UA has only one temporary competitive advantage in marketing and

sales that is not leveraged by the overall organisation, preventing it from being sustainable. The majority of the remaining activities only provides a competitive parity. This originated from most UA's resources not being rare and the extensive competitive pressure of the leading market players Nike and Adidas. To regain the solid competitive position that UA had by its market entry, the company needs to implement several improvements. The company needs to focus on its core market segment of the performance sportswear market. By focusing on the initial strengths, like innovative product solutions and attractive branding, UA can improve its competitive position, provided that appropriate isolating mechanisms are implemented.

In addition, it was shown that UA's connected platform added to the competitive distinction. However, UA's digital entry strategy revealed itself to be inefficient, as information collected by the UA apps for subsequent practical application in its products did not meet initial expectations. After restructuring its strategy, the UA connected fitness platform exhibited network effects that have been adding value to the company and its target audience.

Finally, looking at UA footwear the company is currently at a disadvantage in regard to the leading athletic footwear firms. Nevertheless, given company's growth in footwear combined with its authentic features and differentiation strategies, the company may have room to improve its position in the future.

Nonetheless, these conclusions must be interpreted with caution, and a number of limitations should be borne in mind. The limitations concern limited access to quantitative data, regional bias and lack of previous research studies on the topic. To address these issues, market research at an international level would have to be conducted using a representative sample of the target population or access to internal information would have to be obtained from someone within the company.

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Appendix

List of Abbreviations:

CAGR (Compound Annual Growth Rate)

DTC (Direct to Consumer)

EMEA (Europe, the Middle East and Africa)

FA (Fitness Apps)

LATAM (Latin America)

MVP (Most Valuable Player)

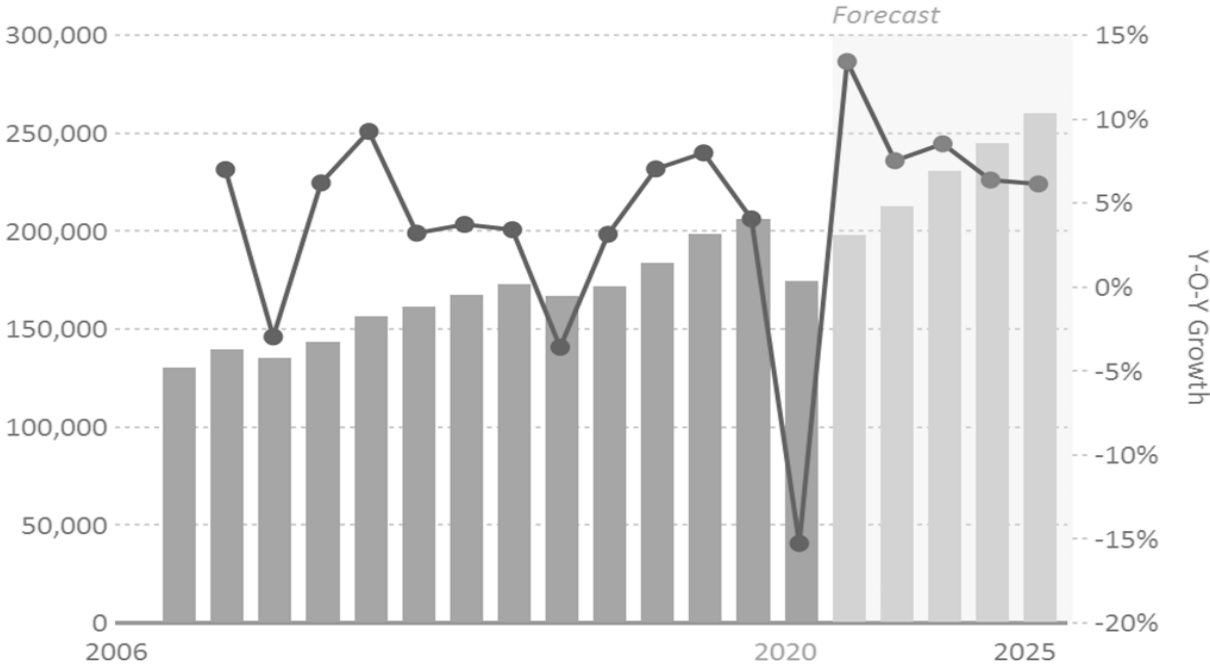
R&D (Research and Development)

UA (Under Armour, Inc.)

US (United States of America)

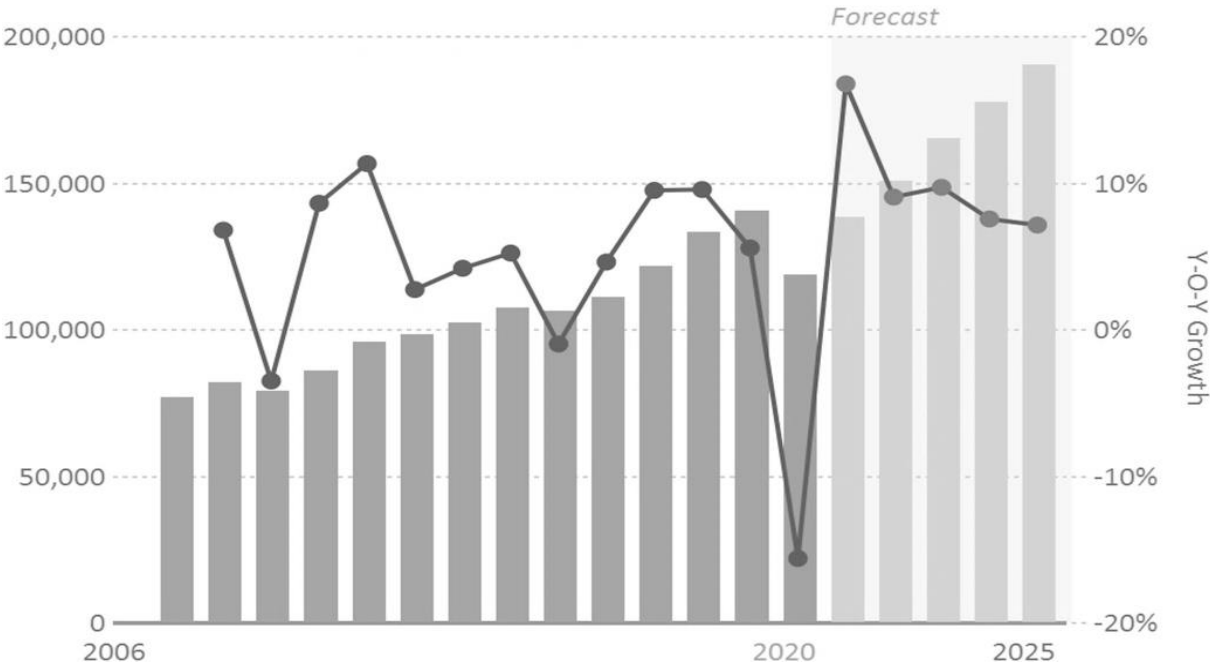
USP (Unique Selling Point)

Exhibit 1: Sales of Sports Apparel Worldwide (in million US dollars)



Source: Euromonitor International. "Sportswear in World." Datagraphics, 2021. Passport.
<https://bit.ly/2YSFMk3>

Exhibit 2: Sales of Sports Footwear Worldwide (in million US dollars)



Source: Euromonitor International. "Sportswear in World." Datagraphics, 2021. Passport.
<https://bit.ly/2YSFMk3>

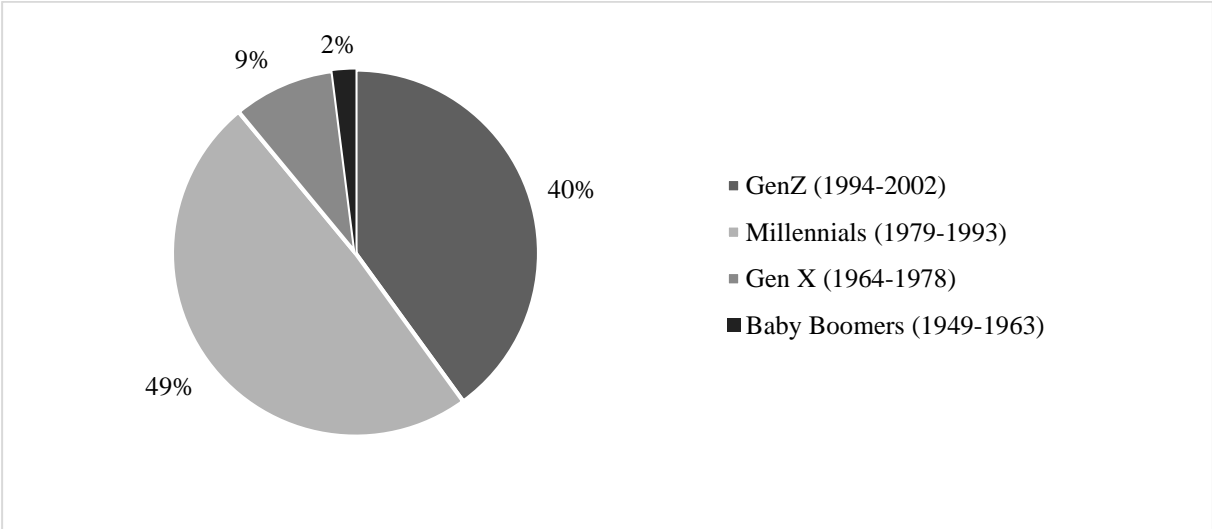
Exhibit 3: Sales of Sportswear Worldwide by Category (in million US dollars)

Category	Category Sales (2020)	% CAGR (Forecast 2020-2025)
Sports Apparel	174,124.3	8.3%
Performance Apparel	76,546.9	8.2%
Outdoor Apparel	27,447.6	7.1%
Sports-inspired Apparel	70,129.8	8.8%
Sports Footwear	118,449.2	9.9%
Performance Footwear	52,283.3	10.1%
Outdoor Footwear	14,669.2	7.8%
Sports-inspired Footwear	51,496.7	10.3%

Source: Euromonitor International. "Sportswear in World." Datagraphics, 2021. Passport.

<https://bit.ly/2YSFMk3>

Exhibit 4: Use of Online or App Workouts per Generation



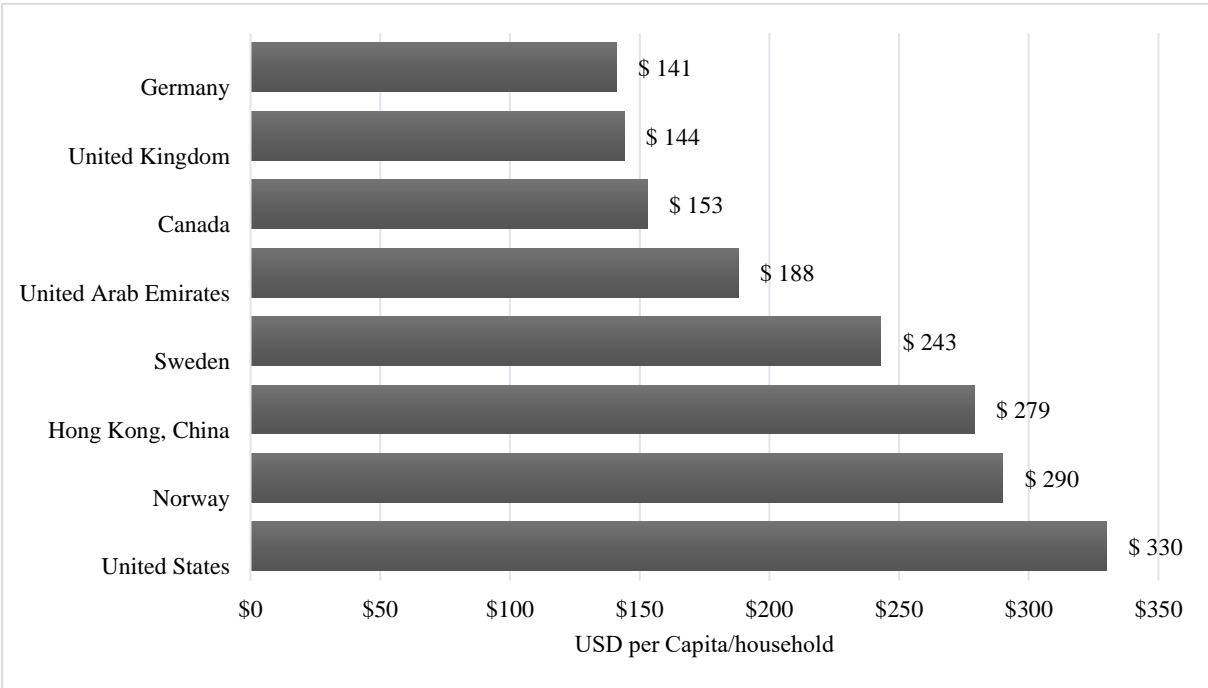
Source: Les Milles. *Les Mills Global Consumer Fitness Survey 2019*, 2019, <https://bit.ly/3rXb9q7>

Exhibit 5: Sportswear Market Size per Region (Retail Value in million US dollars)

Geography	2020	2021	2022	2023	2024	2025
World	292,573.5	335,633.8	362,780.5	395,278.9	422,160.5	449,579.4
Asia Pacific	84,059.2	101,183.1	111,789.1	124,172.8	136,341.9	148,760.1
Australasia	3,764.7	4,047.5	4,169.8	4,756.5	4,976.8	5,195.0
Eastern Europe	13,055.5	13,796.4	14,596.3	16,197.1	17,217.7	18,285.3
Latin America	12,591.4	15,379.9	17,170.6	18,946.3	20,490.7	21,908.5
Middle East and Africa	18,267.1	19,827.3	21,053.5	23,122.3	24,837.5	26,742.5
North America	106,142.1	121,783.6	132,052.4	140,034.6	147,613.2	155,216.4
USA	101,290.1	116,001.4	125,664.1	133,049.2	140,198.2	147,419.2
Western Europe	54,693.6	59,616.1	61,948.7	68,049.3	70,682.7	73,471.7

Source: Euromonitor International. “Apparel and Footwear.” Market Sizes, 2021. Passport. <https://bit.ly/2XhRK6a>

Exhibit 6: Top Sportswear Markets in Terms of per Capita Spend in 2017



Source: Euromonitor International. “World Market for Sportswear”. Report. 2018. Passport. <https://bit.ly/2YSEJkx>

Exhibit 7: Primary Activities of the Sportswear Industry Value Chain



Source: The Apparel Industry, “Global Value Chain.” Accessed October 3, 2021, <https://bit.ly/3DLS0cP>

Exhibit 8: Financial Statements of Major Sportswear Companies in 2020 (in billion US dollars)

	Nike	Adidas	Under Armour
Revenue	37.4	23.0*	4.5
Cost of Goods Sold	21.2	11.6*	2.3
• Inventory Costs	7.4	5.1*	0.9
Selling, General and Administrative Expenses	13.1	10.7*	2.2
• Advertisement	3.6	3.0*	0.6

* Amount converted from EUR to USD. Exchange rate on 1 October 2021 (1 USD = 0.86207 EUR)

Sources: Under Armour, Inc., *2020 Annual Report*, 2021, <https://undrarmr.co/3rXFF2Y>

Adidas AG, *2020 Annual Report*, 2021, <https://bit.ly/3IISOCR>

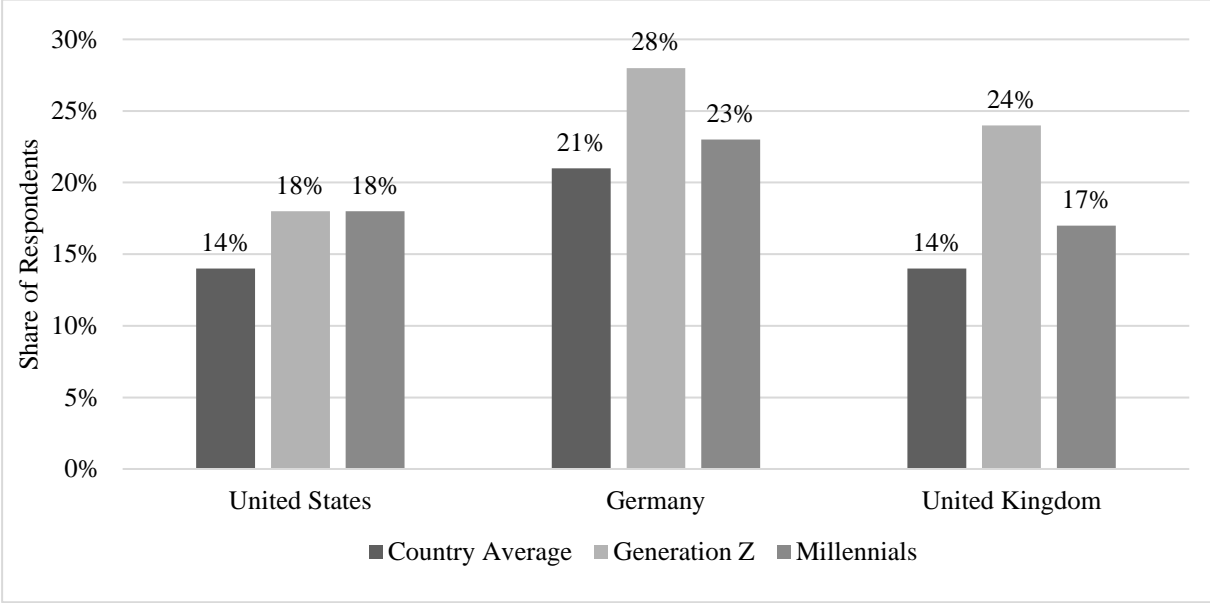
Nike, Inc., *2020 Annual Report*, 2021, <https://swoo.sh/3DMgjYg>

Exhibit 9: Sportswear Sales Share from 2015 to 2020, by Distribution Channel (in %)

	2015	2016	2017	2018	2019	2020
Store-Based Retailing	87.6	86.0	84.5	82.1	79.5	71.1
Non-Store Retailing	12.4	14.0	15.5	17.9	20.5	28.9
• E-Commerce	11.1	12.8	14.4	16.9	19.6	28.1

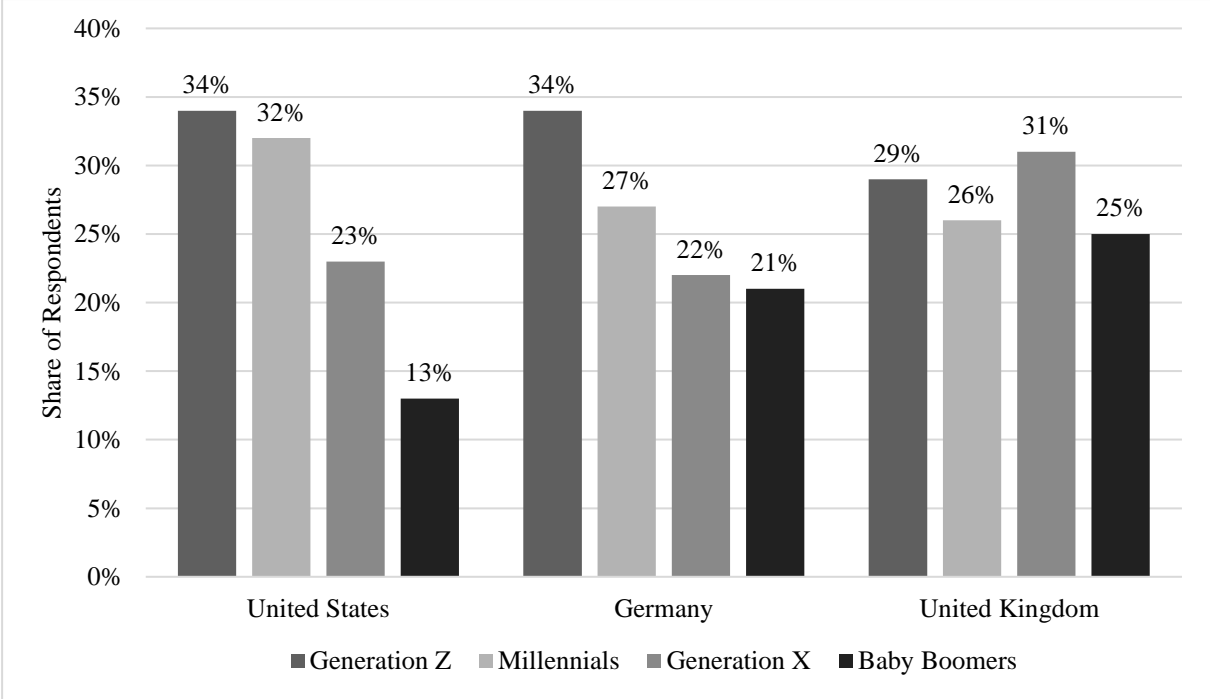
Source: Euromonitor International. “Sportswear in World.” Datagraphics, 2021. Passport. <https://bit.ly/2YSFMk3>

Exhibit 10: Respondents Who Have Actively Searched for Information on CO₂ Footprints in 2021, by Generation



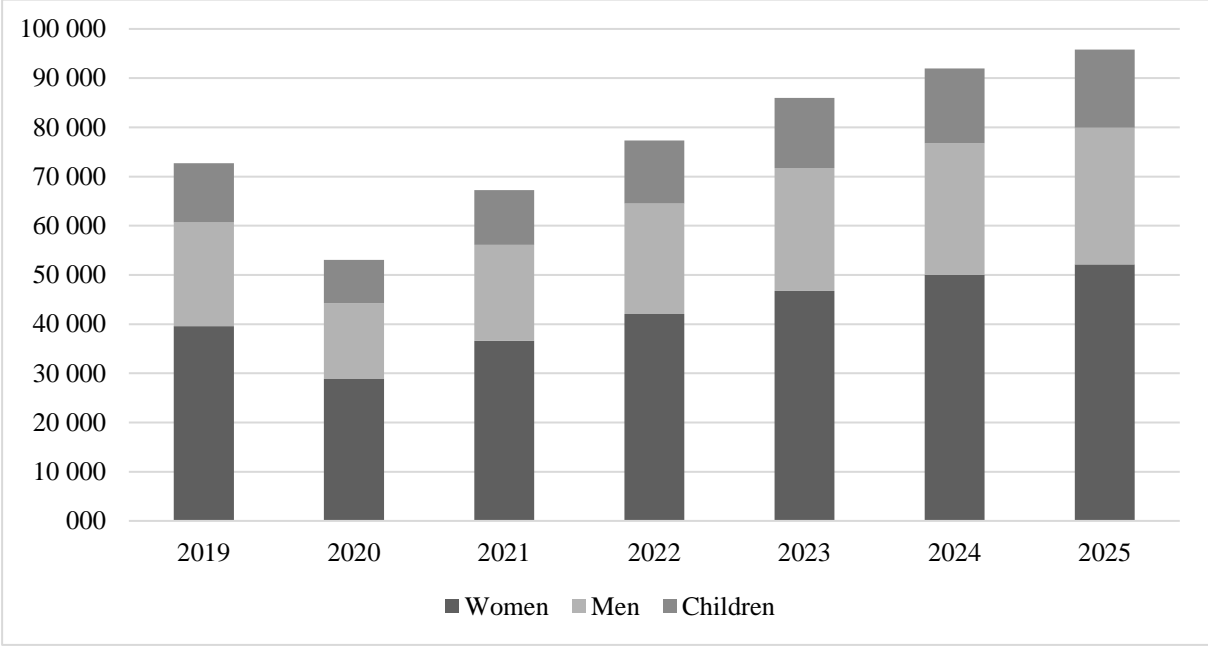
Source: Statista. “Gen Z and Millennials - The Generational Gap in Sustainable Consumption.” Chart. February 2021. Statista. Accessed September 27, 2021, <https://bit.ly/2YTTLTV4>

Exhibit 11: Share of Respondents Who Would Buy More Sustainable Fashion if They Were More Widely Available in 2021



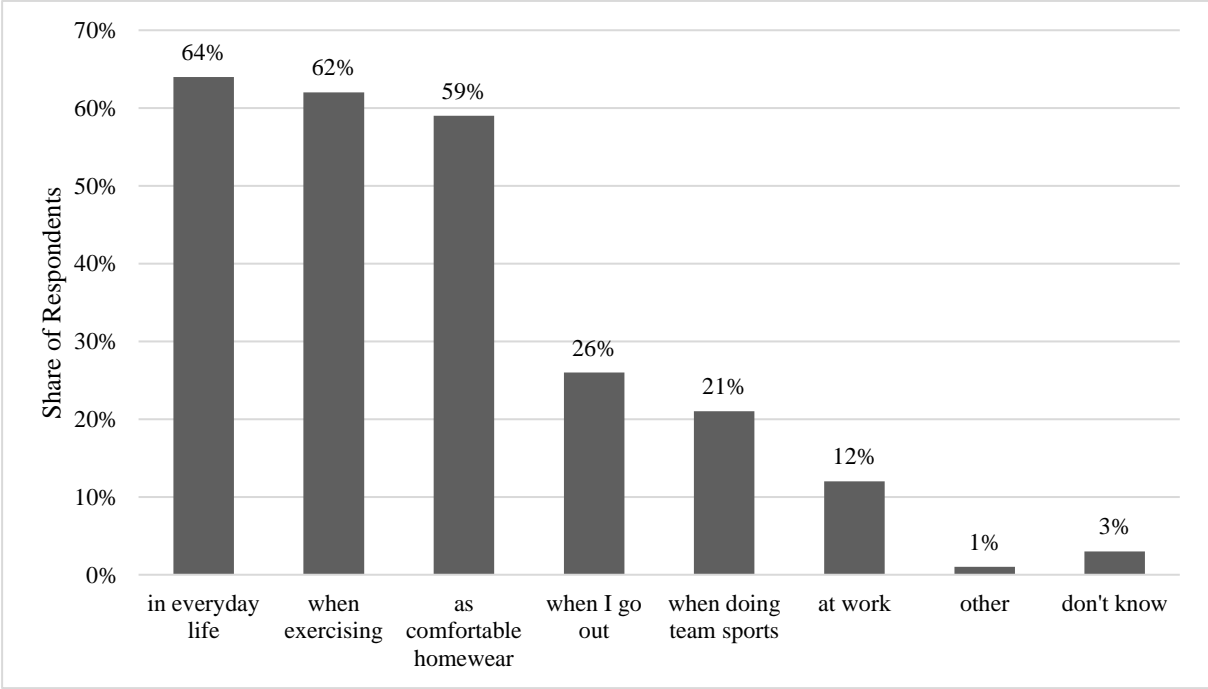
Source: Statista. “Gen Z and Millennials - The Generational Gap in Sustainable Consumption.” Chart. February 2021. Statista. Accessed September 27, 2021, <https://bit.ly/2YTTLTV4>

Exhibit 12: Revenue of the Sports and Swimwear Market in the US from 2012 to 2025 by Segment (in million US dollars)



Source: Statista. “Revenue of the sports and swimwear wear market in the United States from 2012 to 2025 (in million U.S. dollars), by segment.” Chart. June 14, 2021. Statista. Accessed September 27, 2021. <https://bit.ly/31SDHNI>

Exhibit 13: Share of respondents wearing Sportswear Products in the US in 2018



Source: Statista. “When do you wear sports clothes and sports shoes? Next to dedicated sports products, lifestyle products are also included.” Chart. November 30, 2018. Statista. Accessed September 27, 2021. <https://bit.ly/3n3goQX>

Exhibit 14: Endorsements of Sportswear Companies

Player/ Club	Sports Brand	Yearly Revenue (in US dollars)	Number of Years
Naomi Osaka	Nike	10 million*	6
Stephen Curry	Under Armour	20 million*	6
Cristiano Ronaldo	Nike	1 billion**	Lifetime
Leonel Messi	Adidas	25 million*	Lifetime
Kevin Duran	Nike	30 million*	10
Bayern Munich	Adidas	70 million*	15
Manchester United	Adidas	109 million*	10

* Amount converted from EUR to USD. Exchange rate on 1 October 2021 (1 USD = 0.86207 EUR)

** Total value of lifetime endorsement deal: \$1,000 million

Sources: Jornal Económico Multimédia, “De CR7 a Messi, da NFL à NBA. Estes São Os Maiores Contratos Do Desporto Mundial,” *O Jornal Económico*, May 13, 2019, <https://bit.ly/3j9Olhr>

Kurt Badenhausen, “Nike Backs Osaka Amid French Open Withdrawal Firestorm,” *Sportico*, May 31, 2021, <https://bit.ly/3GlvfOy>

“NBA rumors: Steph Curry persuaded by Under Armour to stay with company,” *NBC Sports*, January 28, 2020, <https://bit.ly/3Gpbplr>

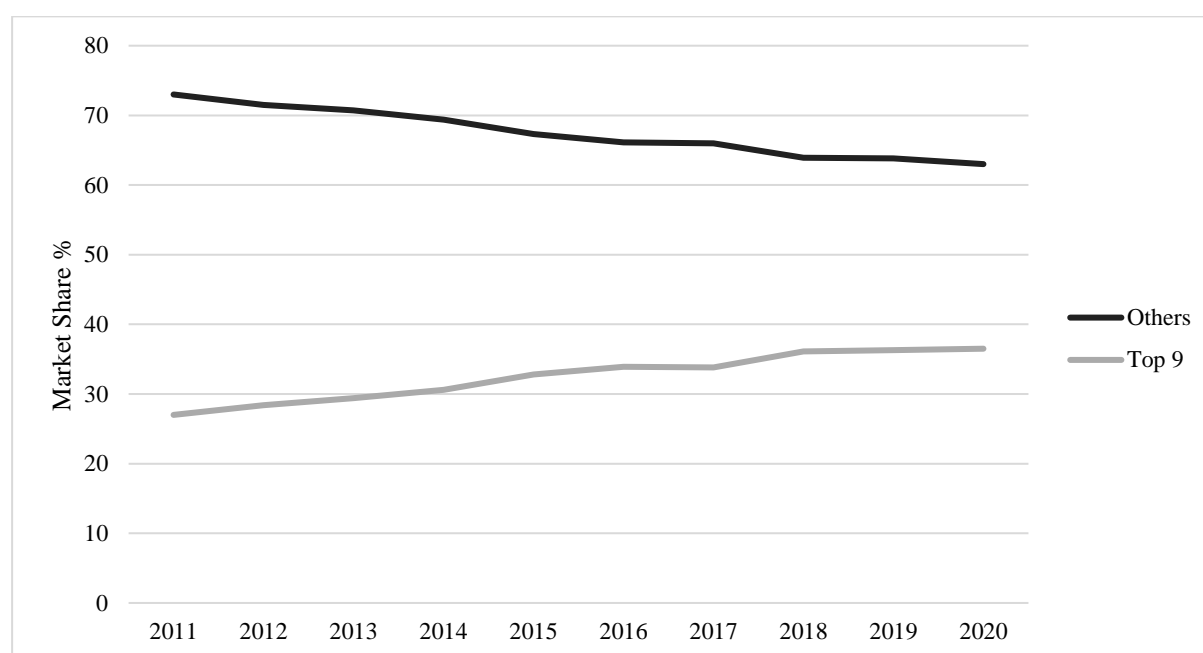
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Sam Cooper, “Lionel Messi has made over \$1.2 billion in his career so far. Here are the endorsement deals that make him one of sport’s richest men.,” *Insider*, August 12, 2021, <https://bit.ly/3oAtl6N>

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“Kevin Durant Signs Contract with Nike Through 2024,” Bleacher Report, accessed December 3, 2021, <https://bit.ly/3GH4MeL>

Exhibit 15: Market Concentration of Sportswear by Brand from 2011 to 2020



Source: Euromonitor International. “Sportswear in World.” Datagraphics, 2021. Passport.

<https://bit.ly/2YSFMk3>

Exhibit 16: Revenues of Major Sportswear and Footwear Companies from 2017 to 2020 (in million US dollars)

	2020	2019	2018	2017
Nike	37,403	39,117	36,397	34,350
Adidas	23,019*	27,422*	25,421*	24,613*
Under Armour	4,475	5,267	5,193	4,989
Lululemon	3,979	3,288	2,649	2,344

* Amount converted from EUR to USD. Exchange rate on 1 October 2021 (1 USD = 0.86207 EUR)

Source: Under Armour, Inc., *2020-2017 Annual Report*, <https://undrarmr.co/3rXFF2Y>

Adidas AG, *2020-2017 Annual Report*, <https://bit.ly/3IISOCR>

Nike, Inc., *2020-2017 Annual Report*, <https://swoosh.com/3DMgjYg>

Exhibit 17: Timeline of Major Events at Under Armour, Inc.

1996	UA is founded by Kevin Plank Introduction of HeatGear technology
1997	Introduction of ColdGear and AllSeasonGear
1998	Relocation of the UA’s headquarters to Baltimore
1999	UA signs on to supply product for the film “Any given Sunday”
2001	UA becomes the official supplier of the National Hockey League The company signs licensing deals with USA Baseball and Major League Baseball
2003	Launch of the “Protect this house” commercial UA launches the Women’s Performance Gear product line
2005	UA goes public
2006	UA enters the footwear market
2010	UA surpasses \$1 billion in annual revenue
2011	Development of Charged Cotton innovation
2012	Introduction of the company’s first sports bra
2013	Acquisition of MapMyFitness UA signs sponsorship deal with NBA athlete Stephen Curry
2014	UA becomes the second best-selling sportswear brand in the US, surpassing Adidas
2015	Introduction of UA Record, UA’s own fitness tracking platform app Acquisition of Endomondo and MyFitnessPal
2016	UA signs the biggest sponsorship in college sports history with UCLA UA’s failed attempt to enter athleisure market with partnership with Tim Coopens Bankruptcy of two of UA’s largest retail locations and key resellers in US
2017	Plank’s political statements affect the brand
2018	UA announces its 5 years-plan Polemic of UA employees going to strip clubs on company dime
2019	Collaboration with Virgin Galactic, to create space suits and space boots Federal investigation for UA accounting practices
2020	Kevin Plank steps down as CEO; Patrik Frisk is appointed new CEO Lay-off of UA employees due to COVID-19 impact Sale of MyFitnessPal, closure of Endomondo and reform of UA Record UA terminates its 15 years sponsorship deals with UCLA
2021	UA launches Performance Academy

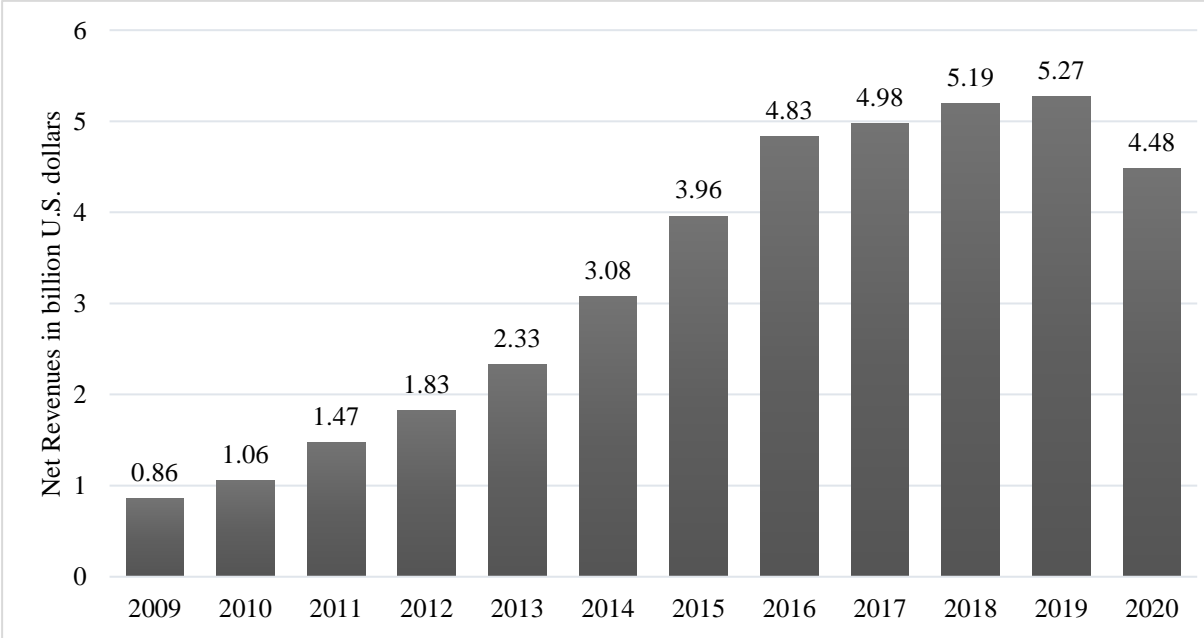
Source: Summary based on the Case Study.

Exhibit 18: Under Armour, Inc. Physical Products Offering

	Apparel	Footwear
Market	Sporting goods Outdoor Active use	Running Basketball Cleated sports Slides Training Outdoor
Patented Technology	HEATGEAR® COLDGEAR® RUSH™ RECOVER™	UA HOVR™ UA Micro G® UA Flow™ Charged Cushioning®

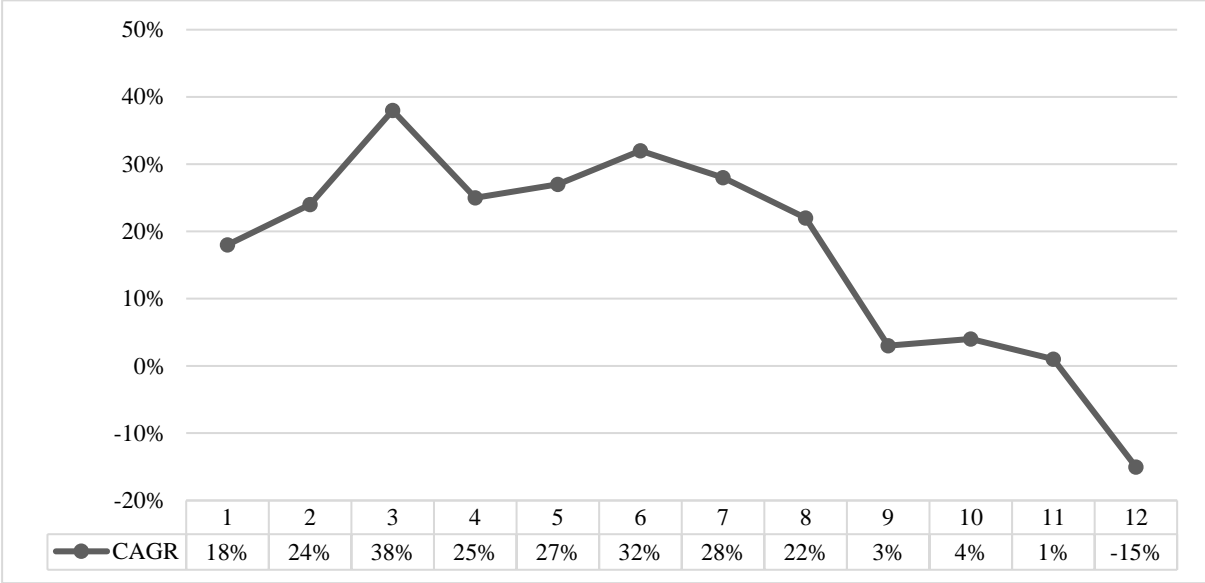
Source: Under Armour, Inc., 2020 Annual Report, 2021, <https://undrarmr.co/3pyXT8e>

Exhibit 19: Under Armour, Inc. Net Revenue from 2009 to 2020 (in billion US dollars)



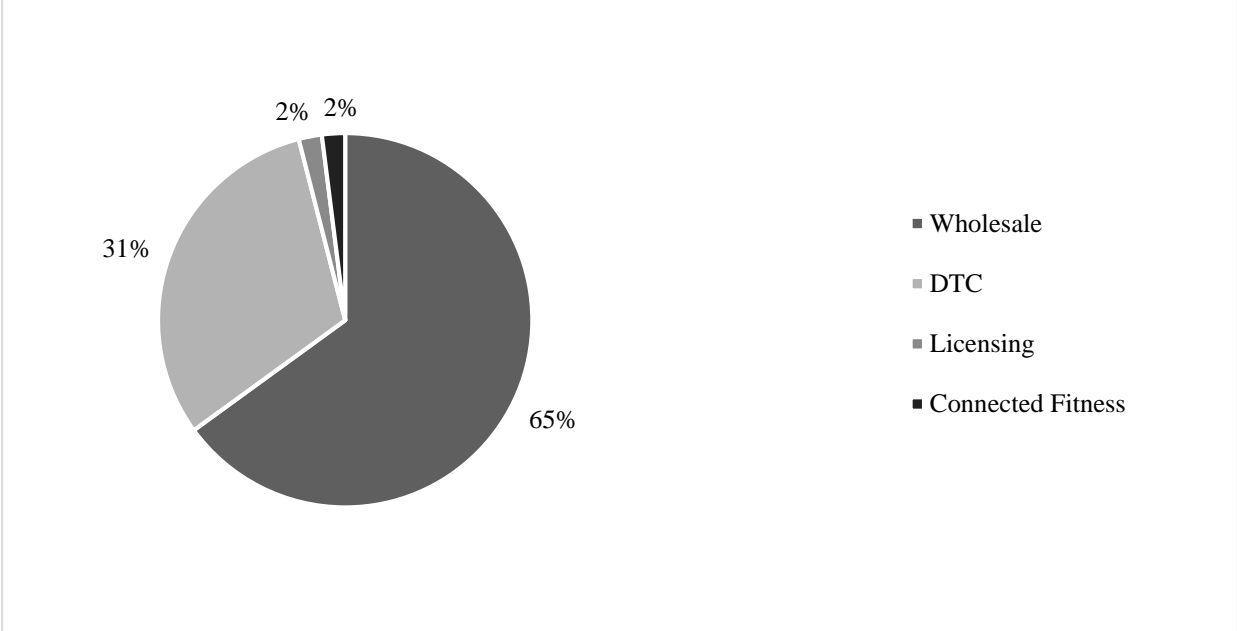
Source: Under Armour. “Net revenue of Under Armour worldwide from 2008 to 2020 (in billion U.S. dollars).”
 Chart. February 24, 2021. Statista. Accessed October 15, 2021, <https://bit.ly/3lNyd74>

Exhibit 20: Under Armour, Inc. Revenue Growth Rate from 2009 to 2020



Source: Under Armour. “Compound annual growth rate (CAGR) of Under Armour’s revenue worldwide from 2009 to 2020.” Chart. February 24, 2021. Statista. Accessed October 15, 2021, <https://bit.ly/3pcqDoC>

Exhibit 21: Under Armour, Inc. Distribution Channels in 2016



Source: Under Armour, Inc., *2016 Annual report*, 2017, <https://bit.ly/3yeN8vF>

Exhibit 22: Under Armour, Inc. Consolidated Statements of Operations from 2019 to 2020

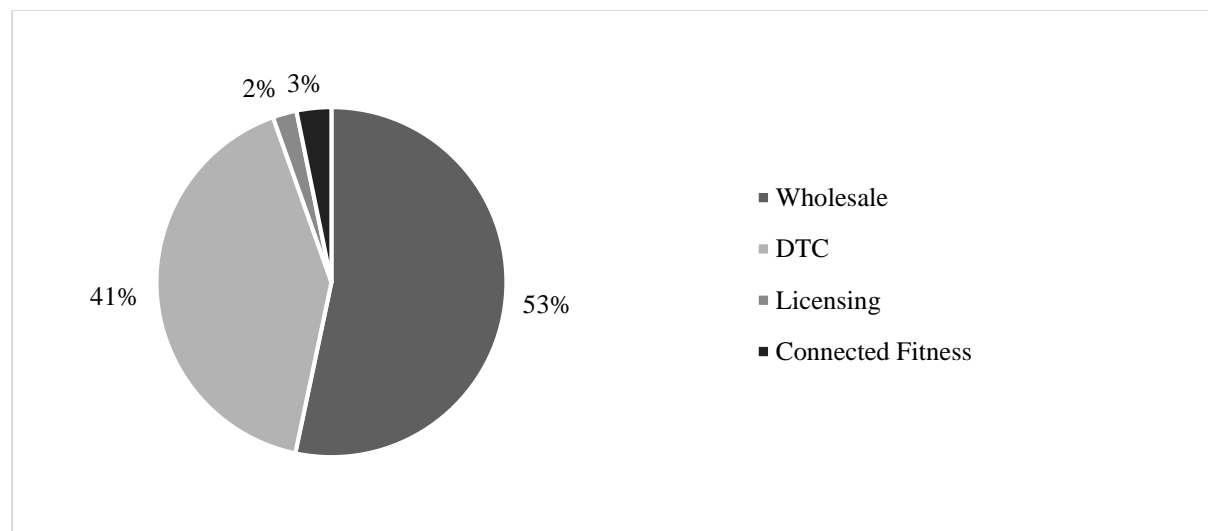
Under Armour, Inc.
For the Three Months and Year Ended December 31, 2020, and 2019
(Unaudited; in thousands, except per share amounts)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,				Year Ended December 31,			
	2020	% of Net Revenues	2019	% of Net Revenues	2020	% of Net Revenues	2019	% of Net Revenues
Net revenues	\$ 1,403,766	100.0 %	\$ 1,441,225	100.0 %	\$ 4,474,667	100.0 %	\$ 5,267,132	100.0 %
Cost of goods sold	710,144	50.6 %	759,698	52.7 %	2,314,572	51.7 %	2,796,599	53.1 %
Gross profit	693,622	49.4 %	681,527	47.3 %	2,160,095	48.3 %	2,470,533	46.9 %
Selling, general and administrative expenses	585,778	41.7 %	607,454	42.1 %	2,171,934	48.5 %	2,233,763	42.4 %
Restructuring and impairment charges	51,998	3.7 %	—	— %	601,599	13.4 %	—	— %
Income (loss) from operations	55,846	4.0 %	74,073	5.1 %	(613,438)	(13.7) %	236,770	4.5 %
Interest expense, net	(15,008)	(1.1) %	(5,359)	(0.4) %	(47,259)	(1.1) %	(21,240)	(0.4) %
Other income (expense), net	178,646	12.7 %	(3,464)	(0.2) %	168,153	3.8 %	(5,688)	(0.1) %
Income (loss) before income taxes	219,484	15.6 %	65,250	4.5 %	(492,544)	(11.0) %	209,842	4.0 %
Income tax expense (benefit)	34,690	2.5 %	38,289	2.7 %	49,387	1.1 %	70,024	1.3 %
Income (loss) from equity method investment	(340)	— %	(42,265)	(2.9) %	(7,246)	(0.2) %	(47,679)	(0.9) %
Net income (loss)	\$ 184,454	13.1 %	\$ (15,304)	(1.1) %	\$ (549,177)	(12.3) %	\$ 92,139	1.7 %
Basic net income (loss) per share of								
Class A, B and C common stock	\$ 0.41		\$ (0.03)		\$ (1.21)		\$ 0.20	
Diluted net income (loss) per share of								
Class A, B and C common stock	\$ 0.40		\$ (0.03)		\$ (1.21)		\$ 0.20	
Weighted average common shares outstanding Class A, B and C common stock								
Basic	454,811		451,629		454,089		450,964	
Diluted	457,869		451,629		454,089		454,274	

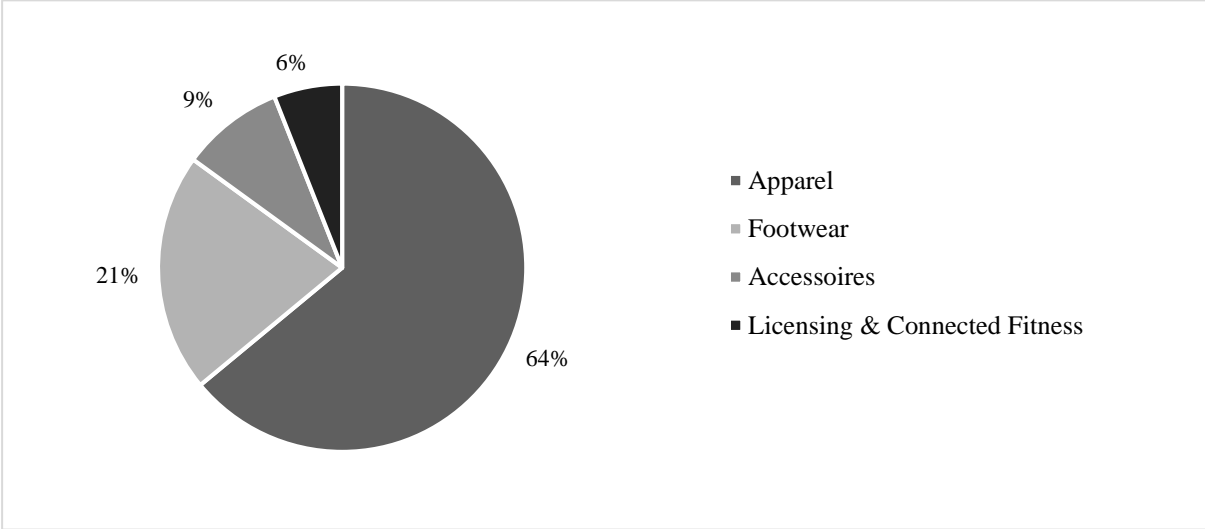
Source: “Investor Press Release.”, Under Armour, Inc., accessed December 1, 2021, <https://undrarmr.co/3dzXJYp>

Exhibit 23: Under Armour, Inc. Distribution Channels in 2020



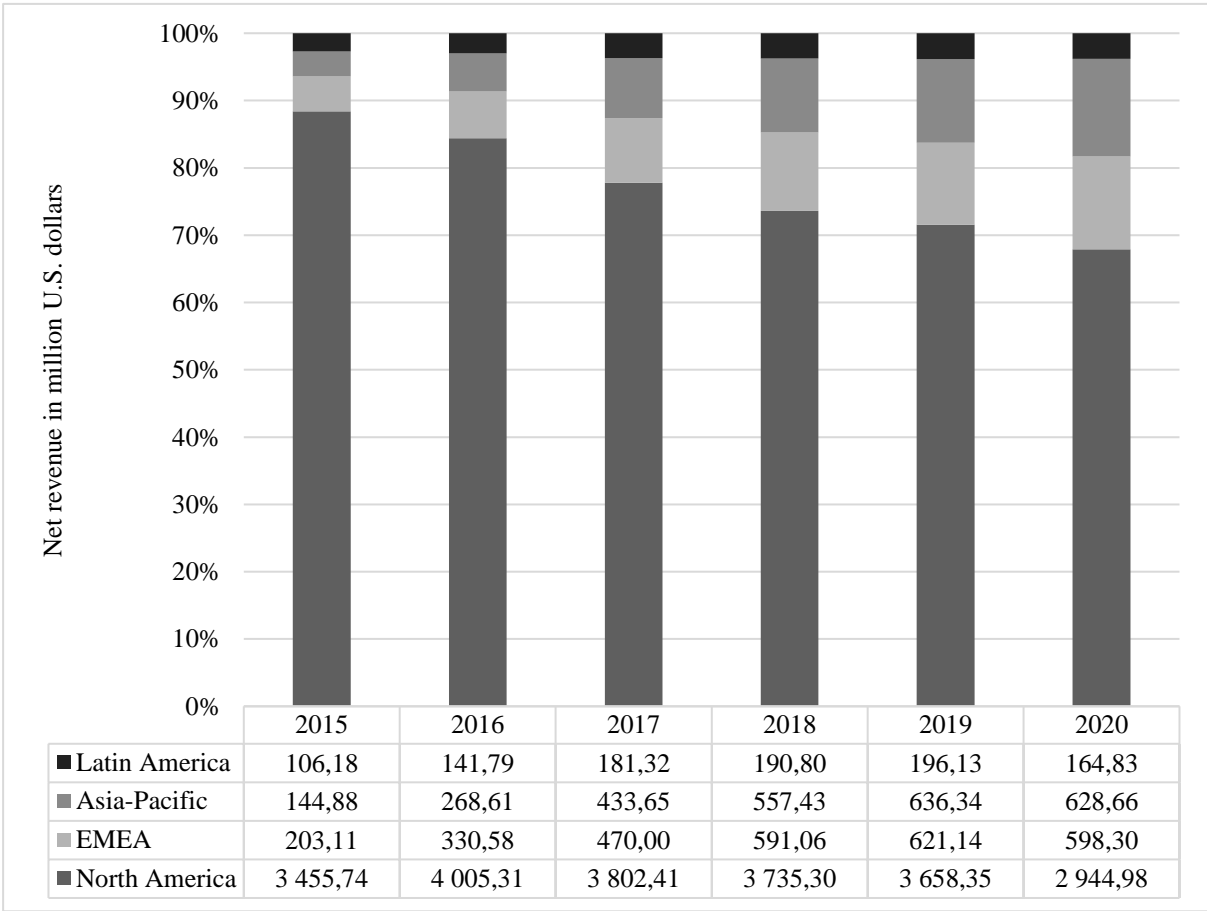
Source: Under Armour. “Net sales share distribution of Under Armour worldwide in 2020, by distribution channel.” Chart. February 24, 2021. Statista. Accessed October 15, 2021, <https://bit.ly/3j8ablq>

Exhibit 24: Under Armour, Inc. Sales by Category in 2020



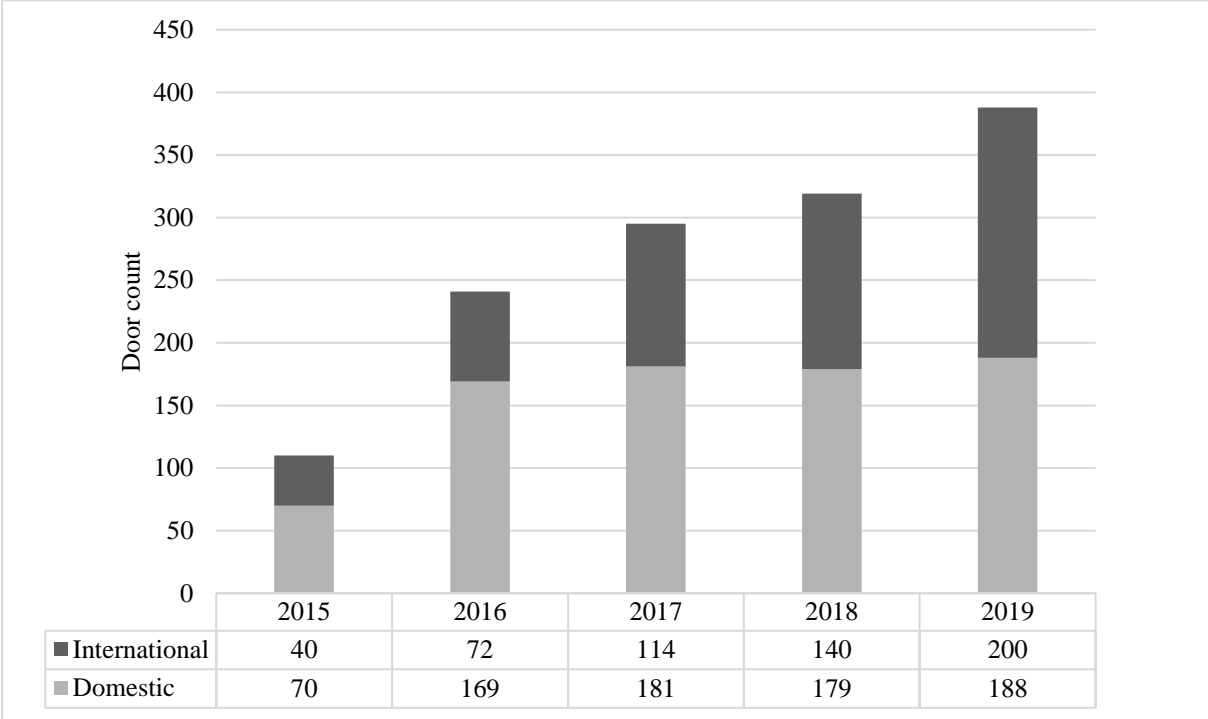
Source: Under Armour. “Net sales share of Under Armour worldwide in 2020, by product category.” Chart. February 24, 2021. Statista. Accessed September 20, 2021, <https://bit.ly/30kfsjs>

Exhibit 25: Under Armour, Inc. Net Revenue by Region from 2015 to 2020



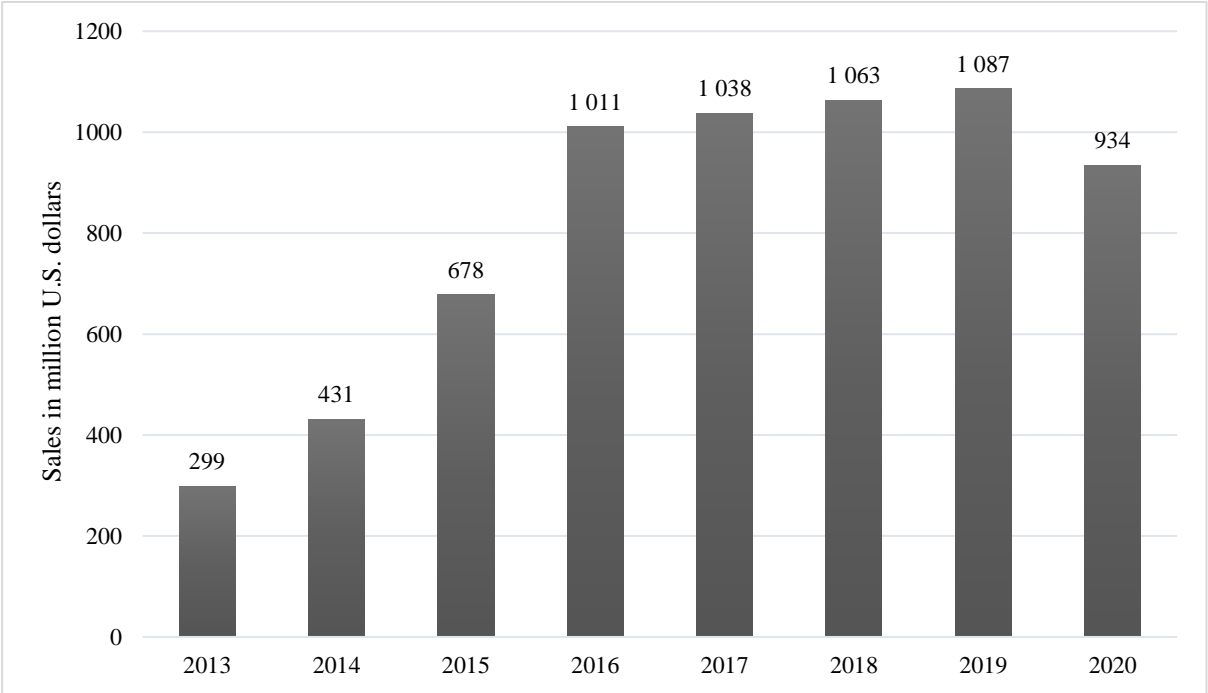
Source: Under Armour. “Net revenues of Under Armour worldwide from 2015 to 2020, by geographical region (in million U.S. dollars).” Chart. February 24, 2021. Statista. Accessed October 15, 2021, <https://bit.ly/3ANKtsH>

Exhibit 26: Under Armour, Inc. Door Count from 2015 to 2019



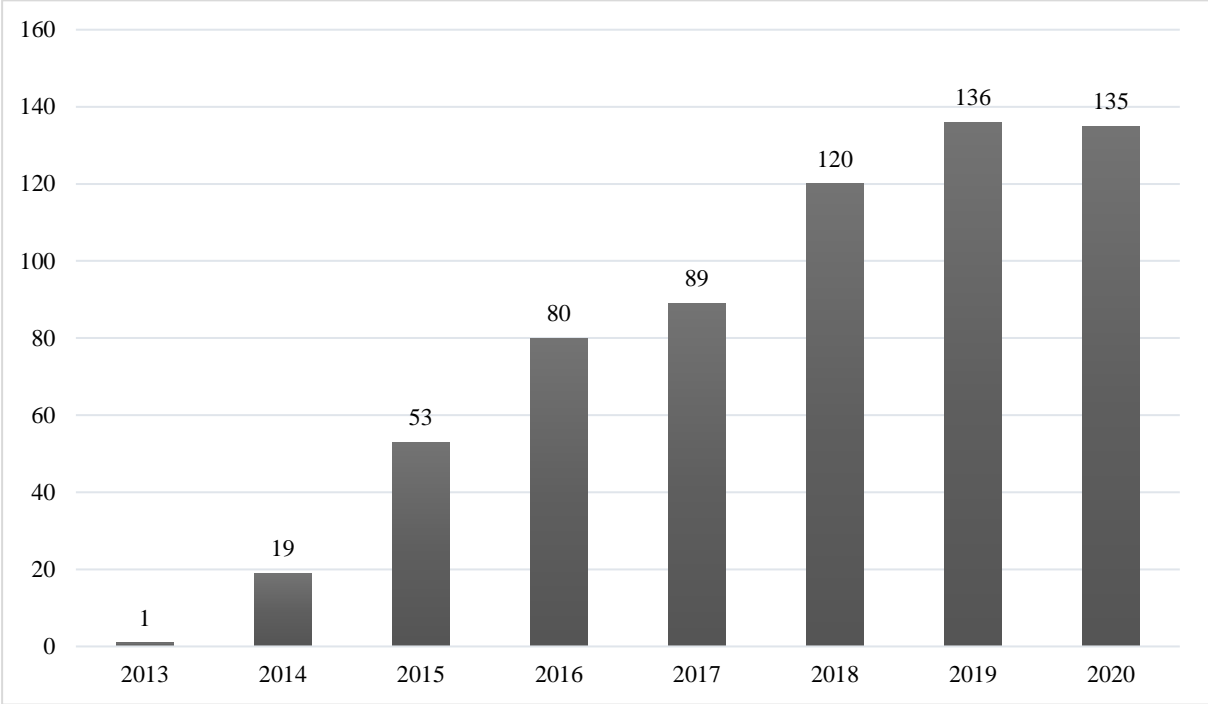
Source: Under Armour, Inc., 2019 Annual Report, 2020, <https://bit.ly/3Iv1exN>

Exhibit 27: Under Armour, Inc. Global Footwear Sales from 2013 to 2020 (in million US dollars)



Source: Under Armour. “Under Armour’s footwear sales worldwide from 2013 to 2020 (in million U.S. dollars).” Chart. February 24, 2021. Statista. Accessed November 13, 2021, <https://bit.ly/30rDLfv>

Exhibit 28: UA’s Connected Fitness Platform Revenue (in million US dollars)



Source: Under Armour, Inc., 2013-2020 Annual Report, <https://undrarmr.co/3rXFF2Y>

Exhibit 29: Under Armour, Inc. Balance Sheet from 2019 and 2020

Under Armour, Inc.

As of December 31, 2020, and December 31, 2019

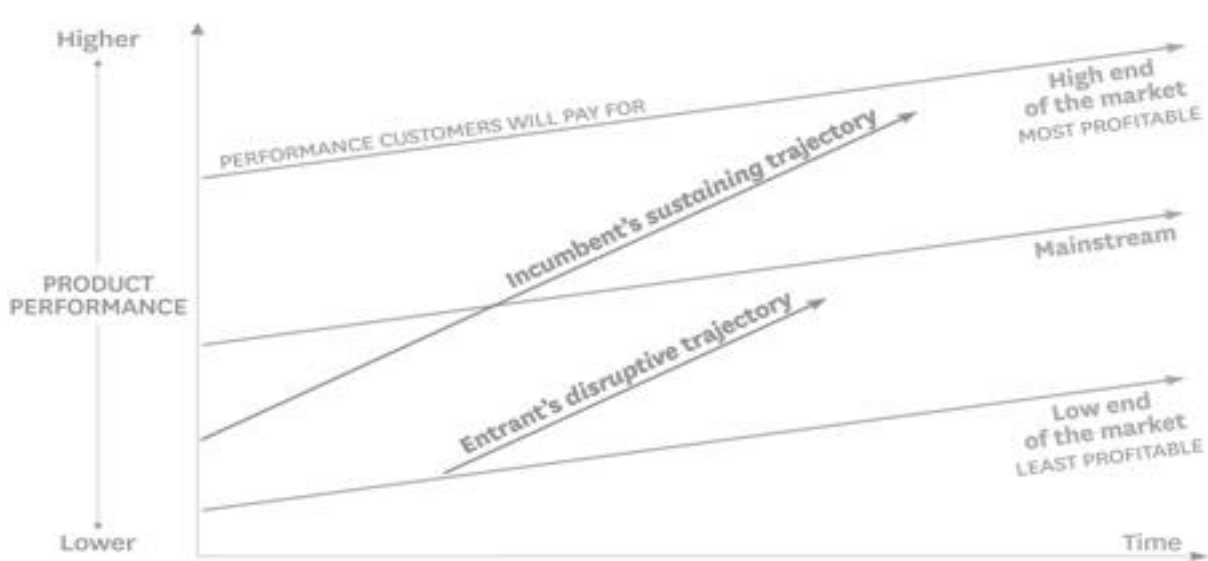
*(Unaudited; in thousands)***CONDENSED CONSOLIDATED BALANCE SHEETS**

	December 31, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 1,517,361	\$ 788,072
Accounts receivable, net	527,340	708,714
Inventories	895,974	892,258
Prepaid expenses and other current assets	282,300	313,165
Total current assets	3,222,975	2,702,209
Property and equipment, net	658,678	792,148
Operating lease right-of-use assets	536,660	591,931
Goodwill	502,214	550,178
Intangible assets, net	13,295	36,345
Deferred income taxes	23,930	82,379
Other long-term assets	72,876	88,341
Total assets	\$ 5,030,628	\$ 4,843,531
Liabilities and Stockholders' Equity		
Accounts payable	\$ 575,954	\$ 618,194
Accrued expenses	378,859	374,694
Customer refund liabilities	203,399	219,424
Operating lease liabilities	162,561	125,900
Other current liabilities	92,503	83,797
Total current liabilities	1,413,276	1,422,009
Long term debt	1,003,556	592,687
Operating lease liabilities, non-current	839,414	580,635
Other long-term liabilities	98,389	98,113
Total liabilities	3,354,635	2,693,444
Total stockholders' equity	1,675,993	2,150,087
Total liabilities and stockholders' equity	\$ 5,030,628	\$ 4,843,531

Source: "Investor Press Release.", Under Armour, Inc., accessed December 1, 2021,

<https://undramr.co/3dzXJYp>

Exhibit 30: The Disruptive Innovation Model



Source: Christensen, Clayton M., Raynor E. Michael and McDonald Rory. 2015. “What Is Disruptive Innovation? Twenty years after the introduction of the theory, we revisit what it does—and doesn’t—explain.” *Harvard Business Review* (12): 44-53. <https://hbr.org/2015/12/what-is-disruptive-innovation>

Exhibit 31: Imitation Barriers to Blue Ocean Strategy

<ul style="list-style-type: none"> • Value innovation does not make sense to a company’s conventional logic.
<ul style="list-style-type: none"> • Blue ocean strategy may conflict with other companies’ brand image.
<ul style="list-style-type: none"> • Natural monopoly: The market often cannot support a second player.
<ul style="list-style-type: none"> • Patents or legal permits block imitation.
<ul style="list-style-type: none"> • High volume leads to rapid cost advantage for the value innovator, discouraging followers from entering the market.
<ul style="list-style-type: none"> • Network externalities discourage imitation.
<ul style="list-style-type: none"> • Imitation often requires significant political, operational, and cultural changes.
<ul style="list-style-type: none"> • Companies that value-innovate earn brand buzz and a loyal customer following that tends to shun imitators.

Source: Kim, W.Chan and Renée Mauborgne. 2005. *Blue Ocean Strategy. How to Create Uncontested Market Space and Make the Competition Irrelevant*. Boston, Massachusetts: Harvard Business School Press.

Exhibit 32: Sales of Sports Footwear by Category (\$ million)

Category	Category Sales (2020)	% CAGR (2020-2025)
Sports Footwear	118,449.2	9.9%
Performance Footwear	52,283.3	10.1%
Outdoor Footwear	14,669.2	7.8%
Sports-inspired Footwear	51,496.7	10.3%

Source: Euromonitor International. "Sportswear in World." Datagraphics, 2021. Passport. <https://bit.ly/3DK1h5a>

Exhibit 33: Nike, Adidas and Under Armour's net revenue in 2020 by product category (in %)

	Apparel	Footwear	Other*
Nike	31%	66%	3%
Adidas	39%	56%	5%
Under Armour	65%	21%	14%

* Includes equipment or gear, accessories, connected fitness and licensing.

Source: Under Armour, Inc., *2020 Annual Report*, 2021, <https://bit.ly/3oTqgi6>.

Adidas AG, *2020 Annual Report*, 2021, <https://bit.ly/3pZFO3e>.

Nike, Inc., *2020 Annual Report*, 2021, <https://bit.ly/3pZzadc>.

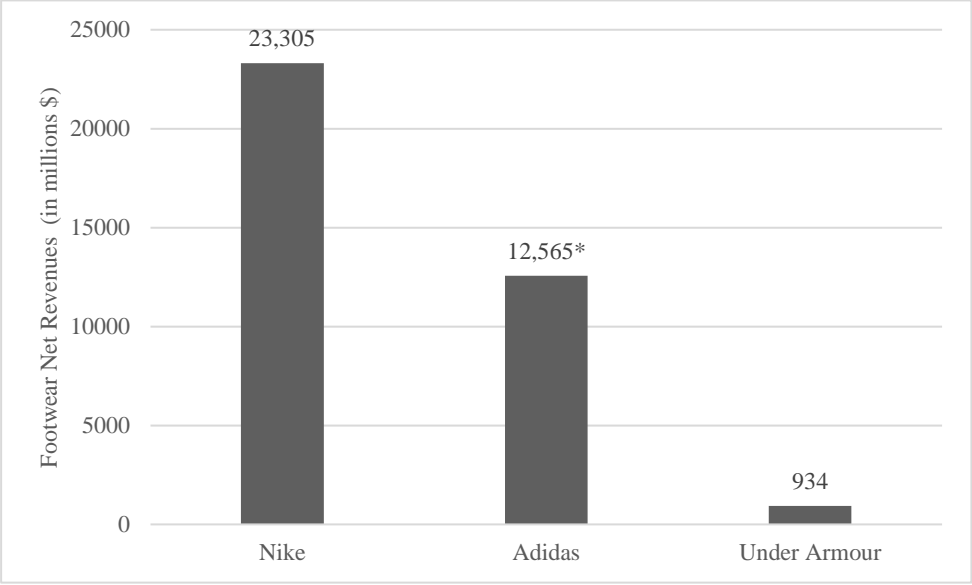
Exhibit 34: UA Net Revenues by Product Category from 2006 to 2020

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (1)	2020
Apparel	86.7%	84.5%	79.8%	76.1%	80.2%	76.2%	75.6%	75.6%	74.0%	70.7%	67.0%	66.0%	67.0%	66.0%	65.0%
Footwear	6.2%	6.7%	11.7%	15.9%	12.0%	12.3%	13.0%	12.8%	14.0%	17.1%	21.0%	21.0%	20.0%	21.0%	21.0%
Accessories	3.5%	4.8%	4.4%	4.1%	4.1%	9.0%	9.0%	9.2%	9.0%	8.8%	8.0%	9.0%	8.0%	8.0%	9.0%
Licensing	3.6%	4.0%	4.1%	3.9%	3.7%	2.5%	2.4%	2.4%	3.0%	2.1%	2.0%	2.0%	2.0%	3.0%	2.0%
Connected Fitness	-	-	-	-	-	-	-	-	-	1.3%	2.0%	2.0%	2.0%	3.0%	3.0%

(1) Percentages of Net Revenues by product category calculated excluding Corporate Other revenues

Source: Under Armour, Inc., *2006-2020 Annual Report*, 2021, <https://undrrmr.co/3pRPNrl>

Exhibit 35: Footwear Net Revenues of Nike, Adidas and Under Armour in 2020 (in million US dollars)



* Amount converted from EUR to USD. Exchange rate on 3 Dec 2021 (1 USD = 0.88566 EUR)

Source: Under Armour, Inc., 2020 Annual Report, 2021, <https://bit.ly/3oTqgi6>.

Adidas AG, 2020 Annual Report, 2021, <https://bit.ly/3pZFO3e>.

Nike, Inc., 2020 Annual Report, 2021, <https://bit.ly/3pZzadc>.

Exhibit 36: UA Footwear Technologies

Technology	Description
UA Micro G®	This cushioning technology is characterised by a thinner foam, 30% thinner than traditional foam, which decreases the overall weight of the shoe and places it closer to the ground for better stability. This results in a higher level of responsiveness, bound and energy.
UA Clone	This technology uses an auxetic material to offer its wearer a customised fit that is adjustable to the complex anatomy of the foot. This material minimises friction for optimal comfort.
UA Tribase™	As the name implies, the technology features three key contact points to maximise ground contact. It promotes natural motion and provides flexibility to grip the ground firmly.
Charged Cushioning®	Designed for ultimate impact absorption and greater energy return, this technology uses compression moulded foam for increased durability and responsiveness.
Anafoam™	Anafoam was developed to provide lightweight structure, customised fit and a supportive feel. This is accomplished by anatomically moulded foam fused with a flexible mesh.
SpeedForm®	The technology provides a seamless upper and moulded heel cup. It delivers exceptional comfort and performance due to its precision fit and feel.
UA HOVR™	It is a technology that combines both great energy return and shock absorption. The cushioning system is composed of a lightweight Energy Web mesh for breathability that holds and moulds the HOVR foam.
3D-Printing	3D-Printing offers cushioning and support through a highly dynamic network. This system redefines underfoot support and gives athletes a futuristic edge to their performance.
UA Clutch Fit®	UA Clutch Fit was designed to feel like a second skin, giving wearers a better fit and more support. The material was engineered to flex and respond to every movement when put under pressure.
UA Flow™	This technology consists of a singular foam compound that eliminates the usual rubber outsole. It is lighter, grips surfaces better, and makes athletes faster.

Sources: Under Armour, Inc., “Flawless Fit For The Foot”. Newsroom. January 14, 2020. <https://undrarmr.co/32cnlsc>

DeHority, Sam. “Under Armour Launches ClutchFit Technology.” *Yahoo Sports*. June 3, 2014. <https://yhoo.it/3IWESFp>

Under Armour, Inc., “UA Technology” Accessed December 5, 2021. <https://undrarmr.co/3yynmCI>

Under Armour, Inc., “Fabric & Footwear Tech.” Accessed December 6, 2021. <https://bit.ly/3mxv7Er>

Exhibit 37: Curry brand

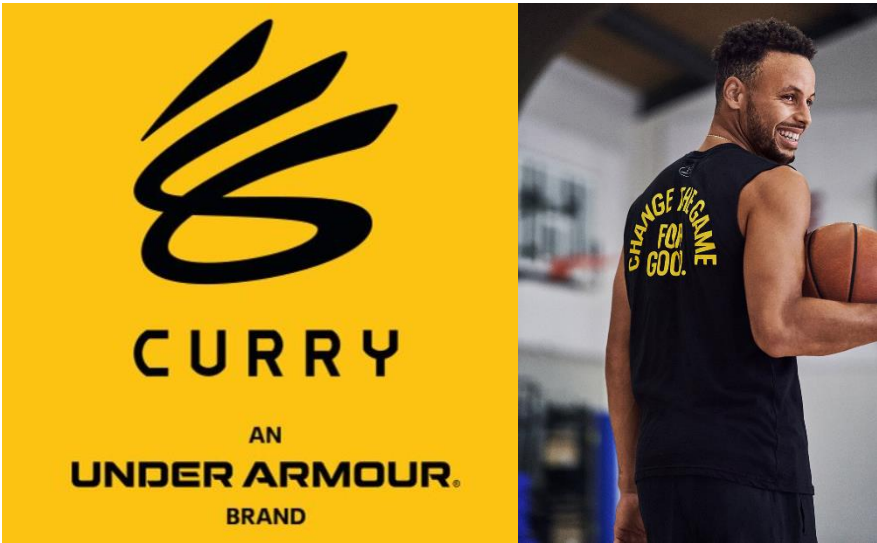


Exhibit 38: UA SpeedForm shoe



Exhibit 39: Awards won by UA

Year	Issuing entity	Technology/Product	Title
2013	Competitor Magazine	UA SpeedForm technology	“Best Innovation”
2014	Runner’s World	UA SpeedForm Apollo	“Best Debut”

Source: Under Armour, Inc., 2013 Annual Report, 2021, <https://bit.ly/3oU3Ltp>

Exhibit 40: UA HOVR shoe

