Spring 4-28-2015

UNDER ARMOUR CONSULTING REPORT

Heather Dommer
University of Lynchburg

UNDER ARMOUR CONSULTING REPORT

Ms. Heather Dommer

Management Graduating Senior

April 28, 2015

Dr. Maria L. Nathan, Chair

Maria L. Nathan

Dr. Lee Schoemmeller, Committee Member

Dr Lee Schoemmeller

Dr. Alka Gupta, Committee Member

Under Armour Consulting Report

Heather Dommer

1/23/2015

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY

Under Armour has been taking the Athletic Apparel industry by storm. From their start in 1996 as a small performance apparel company to becoming the second biggest athletic apparel brand in the United States in 2014 (Peterson). The secret to their success lies within the products. All products have a moisture wicking fabric that eliminates the sweat-soaked fabric of normal sports apparel.

Industry:

The industry of Athletic Apparel is very intense and innovative one. There are numerous competitors striving to be number one and trying to distinguish themselves from each other while selling similar products. This is an industry that is always changing depending on the next trend and companies that want to keep up with the change must be willing to push the limits and come up with something new all the time. There are a number of factors that can influence the industry from political to legal aspects to the suppliers that the companies use to manufacture their products. Any organization in this industry needs to be aware of these factors and make sure that they are running a successful and ethical business.

Business Description:

Under Armour is a company that designs and manufactures performance apparel for athletes. It was founded in 1996 by Kevin Plank who was a football player for the University of Maryland. The company started off selling t-shirts that would keep athletes dry and cool during practice, games, or workouts through moisture wicking technology that removed the perspiration from the wearer's body thus regulating body temperature. Under Armour embraces the mission to "make all athletes better through passion, design, and relentless pursuit of innovation" which is the guide behind the creation of their products (Thompson). The company focuses on quality management and differentiation of its products. Each of their suppliers is held to strict quality control standards, as well as child labor and forced labor standards. Under Armour originally marketed to only football athletes but that has been expanded to include everyday fitness and other sports, as well as to female customers.

Recommendations:

For Under Armour, there are a few recommendations that they can pursue which would help them develop more as a company and further increase their potential of becoming the leader of the athletic apparel market—these include expanding into other markets besides Europe and Asia, getting fabric and process patents for future products, and possibly creating and developing equipment to establish a new business unit and enter into a new market.

II. SECTION I: EXTERNAL ANALYSIS

This section contains the discussions of the Competitor Analysis, Five Forces Analysis, and the PESTEL Analysis. Diagrams of the Five Forces Analysis and the PESTEL Analysis can be located in Appendix A and B, respectively.

SECTION I.I: COMPETITOR ANALYSIS

Global Level:

Adidas AG:

Adidas Group is a German corporation that manufacturers sport shoes, apparel, and accessories. It was founded in 1949 by Adi Dassler in Herzogenaurach, Bavaria, Germany. The entire group consists of Adidas and its subsidiaries, Reebok, Rockport, and TaylorMade. Adidas Group embraces a multi-brand strategy, which allows their customers to have a choice in the sporting gear they want to buy. Locations include China, the Netherlands, North America, and Central America. Lately, they have been pursuing a product innovation that gives consumers the ability to purchase products that are sustainable and "green". These products are made from recycled fabrics and use fewer resources to make ("Product Creation"). Adidas has recently fallen into third place when it comes to market share of the apparel market with a 6 percent market share (Mirabella).

PUMA:

PUMA is a German international company that designs and produces sporting footwear, apparel, and accessories. The company was originally founded in 1924 as Gebrüder Dassler Schuhfabrik by Rudolf Dassler in Herzogenaurach, Bavaria, Germany, but it was registered in 1948 as PUMA. They focus on being the fastest sports brand in the world by keeping up with new trends, bringing new innovations to customers, and quickly making decision and solving problems. What makes PUMA unique is that they focus on being a sports performance brand; they are not trying to become a fashion statement (Sacks). In the sporting goods market, PUMA has a market share of 5.18 percent.

National Level:

Columbia Sportswear Company:

Columbia Sportswear is a manufacturer of outdoor active wear, apparel, and footwear. The company was founded in 1938 in Portland, Oregon by Paul and Marie Lamfrom, who escaped from Nazi Germany to the United States. It originally started as the Columbia Hat Company. Columbia Sportswear is unique because their products are mainly focused on the outdoor adventure design that makes it comfortable for those who want to climb mountains or take part in some other outdoor activity ("Columbia History"). In the sporting goods market, Columbia Sportswear has a market share of 27.15 percent.

NIKE Inc.:

NIKE is a designer and seller of athletic footwear, apparel, accessories, and equipment. It was founded in 1962 in Beaverton, Oregon by Philip Knight. NIKE was incorporated in 1969. The company mission is to "bring inspiration and innovation to every athlete* in the world. *If you have a body, you are an athlete". The famous symbol is the NIKE swoosh. NIKE is unique because it gives the customers the ability to completely customize their products under NIKEiD (Z). Recently, NIKE had an apparel market share of 46 percent, making it the industry leader (Mirabella).

SECTION I.II: FIVE FORCES ANALYSIS

Threat of Substitution:

The threat of substitution is high within the Athletic Apparel Industry. With numerous companies offering similar products, good substitutes are readily available and are attractively priced. Some of these substitutes have comparable or better performance features which customers will usually weigh when it comes to somewhat undifferentiated products. Lastly, there are low switching costs for buyers. Some substitutes include: New Balance, Nike products, discount brands at Wal-Mart and Target, and obviously other competitor products like PUMA and Columbia Sportswear Company.

Threat of New Entrants:

The threat of new entrants is low/medium. The challenges of entering to the Athletic Apparel market are 1) economies of scale, 2) cost disadvantages, 3) product differentiation, 4) capital requirements, and 5) access to distribution channels (Whitehouse). In this industry, the economies of scale are fairly large. In order for a new entrant to compete successively, they would have to initially start off running at a high capacity which can be difficult for smaller companies. There are also the cost disadvantages from other than scale, which includes exclusive/protected product technology and favorable access to raw materials. The bigger the companies and the longer these companies have been in the market give them more of a competitive edge when it comes to getting the technology needed to develop a new product and getting materials used to manufacture these products. New entrants would have to put up a larger amount of money when initially entering into the market. With many different types of competitors in the market, product differentiation spans a wide range—there is already at least one company that covers all the basis for athletic/sports performance apparel, footwear, and accessories. New entrants have to come up with something that is different if they want to make it in this market. Next, as stated before, larger amounts of capital are required to enter into the market. There are also issues when it comes to distribution channels. Companies who have been in the industry for a while have already gained some of the better distribution channels. New companies have to figure out a way to get their products into these distribution channels or they have to find some other channels—which is still difficult.

Buyer Power:

The buyer power in the industry is low-medium. In the industry, the buyer demand is rather high. People who are interested in sports and fitness are going to look for athletic apparel, thus the demand for products are high. The switching cost between products is low for buyers— for example, there is very little cost to go from Under Armour to Nike. In this market, the products are not standardized and there is some differentiation in products, which gives the buyers the ability to choose what best works for them—rather than basing their purchases solely on price. The buyers are smaller and numerous compared to the number of sellers. Sellers are less likely to grant concessions when the number of buyers is small (Whitehouse). Buyers cannot easily postpone their purchases, which decrease their power. Lastly, consumers are not very price-sensitive because these products make up a small part of their total purchases and product performance is what really matters—not so much the cost.

Supplier Power:

The supplier power within the industry is medium-high. The reasoning for this includes differentiation, switching costs, concentration/domination, integration, and customer base. The supplier products and services are differentiated. The products/services provided are valuable to the industry member in completing the final product—therefore the supplier has an increased bargaining power. The switching costs between suppliers are high, which means most in the industry would stay with their suppliers instead of changing. The bargaining power of suppliers is also higher because the supplier industry is more concentrated than the industry it sells to. The supplier industry is also dominated by a few large companies. The suppliers of the raw materials used to create the finished products make up a large fraction of industry costs, therefore giving them a stronger bargaining power as well. When it comes to integration, industry members have the potential to integrate backwards and take over their suppliers. However, end customers cannot do this and self-supply their own athletic apparel. Lastly, the industry members make up a major customer base for the suppliers—which allows them to increase their power.

Competitive Rivalry:

The competitive rivalry in the Athletic Apparel industry is high. There are a large number of competitors, including powerhouses such as Nike and Adidas. Each competitor offers products that are similar but have a few quality differences. Some brands have customers that are loyal to their brands and can keep marketing to these customers. The switching cost between competitor products is not that high; customers can easily go between Nike and Under Armour depending on their preference. The cost of leaving the market is also very high.

SECTION I.III: PESTEL ANALYSIS

Political aspects that need to be monitored by companies within the Athletic Apparel Industry consist of confirming that they are aware of the tax systems both in the United States and internationally, being aware of the foreign policies limiting the number of retail stores that can exist in certain countries—which can be monitored by the Office of Foreign Asset Control and the United Nations ("About"), and the currency risk that comes with expanding into global markets (Coulter).

Economic areas that need to be observed by these companies are how sales can be affected by a decrease/increase in the economy and whether making price adjustments would give them a competitive edge. Also, companies need to watch for increases in shipping costs, both locally and internationally. For international shipping, companies need to be aware of import/export costs. Finally, for those that have a reliance on overseas manufacturing, such as Under Armour, they need to monitor the cost related to this; as well as, be aware of how economic decreases can affect the time and cost of producing their products (Coulter).

Social features that need to be monitored are the overall competition within the industry, new trends that come out each year, and increases in physical activity within the target market and in society as a whole. Be aware of what the competitors are doing and keep being innovative to retain a competitive advantage. Keep track of new trends to see what customers want and better create products that fulfill their new needs and wants. Lastly, physical activity has been increasing as many people are attempting to overcome obesity, specifically in America, with campaigns, such as that from the American Heart Association, which encourages kids and young adults to get active for at least thirty minutes a day ("The AHA's Recommendations for Physical Activity in Children").

Technological aspects that need to be examined are 1) how competitors are using media and online services to sell their products, 2) how technological apps that allow customers to download and make purchases from their phones are changing the purchasing demographics, and 3) how marketing is now being done by using social media sites such as Facebook, Twitter, YouTube, etc.. Also, it needs to be examined how technology is taking a more energy efficient route and how this could give companies a competitive edge with customers (Whitehouse). For businesses in this industry, patents and protections are necessary to keep the uniqueness of products. However, much of the fabric used in production of athletic apparel is not a new concept; therefore most other companies either already have access to it or know how to imitate others. For example, the fabrics in Under Armour's products are not protected under patents and NIKE has already created something very similar to it–DRI-FIT (Trefis).

Environmental areas that need to be observed are the idea of sustainability and not depleting resources or harming the environment during production; also, obeying the environmental rules, regulations, and standards. Lastly, focusing on the working environment and providing a safe place where there is no discrimination of workers or in the workplace of suppliers (Whitehouse).

Legal features that need to be monitored are the health and safety laws for suppliers, child labor laws in the United States and in other countries, being aware of whether suppliers use forced labor and avoid buying from them, upholding the no discrimination laws, and following all state, local, federal, national, and international laws, rules, and regulations. In order for companies to keep their reputation and not be put under public scrutiny, it is important to avoid using suppliers who utilize child labor or forced labor (Whitehouse).

III. SECTION II:INTERNAL ANALYSIS

This section contains the mission, vision, and objectives for Under Armour, as well as discussions of the corporate, business unit, and functional level strategies. The diagram for these strategies can be located in Appendix C. There are also discussions of the SWOT Analysis and Financial Ratio Analysis. These diagrams can be found in Appendix D and E, respectively.

SECTION II.I: MISSION, VISION, AND OBJECTIVES

As stated on the website, Under Armour's mission is "to make all athletes better through passion, design, and the relentless pursuit of innovation".

The vision of Under Armour is to "empower athletes everywhere".

Objectives of the company, which can be found in the financial report for 2014 include:

- Continue to grow business in the long term through:
    - Increased sales of apparel, footwear and accessories
    - Expansion of wholesale distribution
    - Growth in direct-to-consumer sales channel
    - Expansion into international markets
- To deliver superior performance in all products.
- Continue to make products based on innovation and performance.
- Continue to expand in international markets:
    - Launching more business in the U.K., Germany, and France.
    - Launching brand in Brazil and Chile.
    - Getting more involved in the global soccer market.
- Continuing to reach more women
    - "Women of Will" Campaign with a ballerina as the cornerstone
- Opening new stores to give more customers the experience of Under Armour
    - 50 new stores in Philippines, Singapore, and Chile
- Continuing to make progress in the media promotion of the Under Armour brand through platforms such as:
    - MapMyFitness

  - Under Armour Record
  - Under Armour Connected Fitness
  - MyFitnessPal
  - Endomondo
- Continue to build a platform for sustainable growth.

SECTION II.II: CORPORATE, BUSINESS UNIT, AND FUNCTIONAL LEVEL STRATEGIES

The corporate strategy is that Under Armour is niche-focused, which means that they focus on a specific target market. Their target market is mainly athletes and now hunters. They are using their growth strategy to expand the company to offer products for women and also by expanding into global markets. The company is also moving toward entering into the Connected Fitness sector with their platforms that allow customers to map their fitness using apps on smartphones and accessories from Under Armour.

The business unit strategies consist of a differentiation approach. Under Armour tries to differentiate their products from competitors by utilizing moisture wicking fabric in their sportswear and are innovative by going from just designing products for football players to producing for other sports as well. There are three different product line strategies, which include HeatGear, ColdGear, and AllSeasonGear. The growth strategy in 2012 consists of continuing to expand the product offerings, targeting additional customers, securing distribution, expanding sales into foreign countries, and growing global awareness (Thompson).

The functional strategies for Under Armour include different marketing strategies and distribution strategies.

For marketing, there are three separate categories where the marketing strategies are focused—sports marketing, retail marketing and product presentation, and media and promotion. Under sports marketing, Under Armour looks to promote the sales and use of the products to high-performing athletes and teams from the high-school to professional levels. Under Armour has been entering into agreements with collegiate and professional sports teams, while also supporting different sporting events. The company also increases its sports marketing strategy by selling directly to the equipment managers of the teams and to the individual athletes. So far, Under Armour is the official outfitter to all athletic teams at several different universities and colleges, including Boston College, University of Maryland, and the University of Florida. The company also outfits several Olympic teams, over one-hundred Division I collegiate athletic teams, National Football League athletes, National Hockey League athletes, and Major League Baseball athletes. Under Armour also outfits athletes internationally to European soccer and rugby teams. For retail marketing and product presentation, Under Armour looked to increase the floor space that was specifically dedicated to the products in the major retail stores. They also designed and fund "concept" shops that were located within stores of their major retail customers. Lastly, under media and promotion, Under Armour has been working on a number of different campaigns and social media promotions. They have several campaigns, including advertising campaigns, "Protect This House" campaign, and the "Click-Clack" campaign. There are also appearances in movies, television shows, and video games. Under Armour is involved on social media sites such as Facebook and Twitter too.

For distribution, there are three different sections that this strategy is concentrated on—wholesale, direct-to-customer sales, and product licensing. Under the wholesale strategy, Under Armour received 70% of their net revenue through sales to retailers such as Dick's Sporting Goods, Cabela's, and The Sports Authority, among others. For direct-to-consumer sales, Under Armour has opened up specialty stores and company-owned retail locations throughout the United States and internationally in Edinburgh, Scotland. As of 2011, 27% of net revenue was generated through these direct-to-consumer sales—discounted sales at factory outlets, sales through specialty stores, sales on global website, and sales through catalog (Thompson). Lastly, under product licensing, Under Armour generates 3% of net revenue through licensing arrangements to manufacture and distribute products. Under these licensing agreements, all products must meet company standards on quality and compliance. This category also oversees the distribution of Under Armour products outside of North America. There is a headquarters in Amsterdam, The Netherlands that conducts and supervises sales, marketing, and logistics across Europe. There is also a specialty store that has been opened in Shanghai, China in 2011 (Thompson). The idea is to sell merchandise directly to teams and athletes, then gain visibility in the sports segment in order to access broader audiences of potential customers.

SECTION II.III: SWOT ANALYSIS

Strengths:

- Under Armour is a brand that many know; known for the interlocking UA on the products.
- Moisture wicking technology is used in the products, which moves the moisture from the body and keeps the wearer cool and dry.
- There are a variety of apparel and accessories that spans on-field and off-field sports—including hunting, fishing, running, football, soccer, etc.
- The founder, Kevin Plank, and several friends/family run the business, making it a tight-niched group of managers who share similar values and ideas.
- All of their third party manufacturers are held to strict quality control standards and are subject to quality checks under the licensing agreement with Under Armour.
- Under Armour currently has a market share 70% in the performance apparel sector in 2013 ("Under Armour – Trefis").
- Under Armour has a MapMyFitness platform, which generates digital fitness subscriptions, licenses, and digital advertising.

- They have spread to other global markets with the opening of their specialty store in China in 2011.
- They have a variety of contracts with professional athletes, college teams, and high school teams which allow them to stay in the public eye.
- Under Armour has continued to have strong financial earnings, increasing in revenue each year as they became more known to the public.

Weaknesses:

- Under Armour products are somewhat on the expensive side.
- They do not have a very strong global market presence as of now, mainly in Europe and now China.
- They use outside manufacturers to produce their products, unlike competitors who have either all domestic manufacturers or a mix of domestic and foreign. There are five main suppliers that Under Armour uses for the synthetic fabrics and raw materials that are used in the production of their products. All of their products are manufactured by 29 unaffiliated manufacturers in 14 countries ("Annual Report & Proxy").
- There are a limited amount of products being offered by Under Armour. Unlike some of its competitors, they only offer apparel and some accessories—whereas, Nike for example sells other equipment (bats, gloves, etc.).
- With the management being made up of mainly Plank and his friends/family, there is a slight management depth. This can sometimes cause issues when there needs to be a different set of opinions from an outside perspective.
- Under Armour owns a limited number of fabric or process patents. Most of their patents are held by the suppliers, which last about 20 years ("Under Armour – Trefis").
- Under Armour has a 3.76% market share in the sporting goods sector. This is partially due to the fact that their products are not sold in chains such as Wal-Mart.

Opportunities:

- The Athletic Apparel market is continuing to expand. It is no longer just athletic shoes or apparel for sports teams; it has expanded to everyday fitness wear, yoga wear, and recreational wear (such as hunting).
- Economic increases allow customers to spend more money on luxury purchases and could potentially equal increases in sales.
- There is the potential for expansion into global markets. As more people around the world are getting active, the market is expanding. Under Armour continuing to grow its global awareness will allow it to better compete with the likes of Nike and Adidas.
- There is a rising demand for athletic apparel. More people are getting active and continue to increase their purchases of the merchandise.

- There is the potential to expand the product line to include other athletic equipment besides apparel for those companies who have not already done so.

Threats:

- Economic decreases can cause decreases in sales for companies.
- Trend changes make it difficult to stay on top of what is the next best thing. Constantly doing research into trends and what customers want is an important aspect in order to avoid this threat.
- Labor laws make it so that companies need to be aware of who is making their products and whether these laws are being upheld.
- Legal issues in the industry include following the laws in foreign countries and ensuring that standards and regulations are being met.
- The market is very competitive with powerhouses trying to keep their leading spots and with new companies entering the industry.
- Rising prices on energy can cause increases in overall costs.

SECTION II.IV: FINANCIAL RATIO ANALYSIS

In this section there is a look at several different financial ratios in respect to Under Armour's financial statements. A DuPont Analysis was used for the industry level comparison of the top competitors for Under Armour. Those tables can be located in Appendix E.

Based on the information gathered from the financial ratios, Under Armour seems to be doing fairly well. They are generating around 6% profit margin on each of their sales—which is adding to their overall net income. They have hit the top of their net income in the last five years—reaching $162,330,000 in 2013. Their competitors, however, are maintaining either profit margins ranging between 9% and 10%— such as the case with Nike—or margins ranging between 5% and 7%. Therefore, with a profit margin in the range of most of its competitors, Under Armour seems to be competing well in the market. This data can be found in the Financial Ratio table in Appendix E.

Overall, Under Armour is doing well when it comes to the inventory turnover. Their rates are rather high—alternating between 4 and 6. With the numbers being where they are at, it means that Under Armour is efficiently selling their products. However, compared to Under Armour's competitors they are not doing as well. The other companies are generating inventory turnover rates of 6 and 7—with the exception of Adidas, who is generating rates between 50 and 70. Adidas is able to do so because of the large number of subsidiaries they possess—TaylorMade, Ashworth, Reebok, etc.

When it comes to the debt ratios, Under Armour has different debt ratios that represent that a minimal amount of their assets are financed by debt—between 26 to 33%. The other top competitors in the market have debt ratios between 17% and 42%, with the exception of Adidas who comes in with debt ratios around 5%.

Lastly, the current ratios represent how well a company is able to achieve its short-term responsibilities (Coulter). For Under Armour, they have ratios in the range of 2.6-3.7, which indicates that they are not able to pay off their short-term debts as quickly as desired. When compared to the likes of its top competitors, Under Armour is averaging about the same—NIKE has a current ratio lay out from 2.8-3.5, Adidas ranges between .6 and .8, PUMA has an array of current ratios between 1.9 and 2.0, and Columbia Sportswear ranges from 3.9-5.1. Overall, the industry seems to be one where either companies can turn their assets around really quick to pay off their debt or it is one where it takes a little bit of time to fully pay back the short-term responsibilities.

IV. RECOMMENDATIONS

Based on all the information gathered, it seems that Under Armour is continuing to grow and starting to become one of the top leaders in the market. The company might be a young one compared to its competitors, but it is still doing quite well with a 70% market share in the performance apparel segment of the market.

One recommendation for Under Armour, at this point, would be to continue to expand their market presence in other locations besides Asia and Europe—particularly in Latin American and Oceanic countries. This would give Under Armour a chance to generate more revenue from these countries considering both are involved in international football and other sports. Since there seems to be a limited number of companies based in these regions, it would give Under Armour a chance to become the top seller.

Another recommendation would be to gain more fabric and process patents in order to protect the materials and technology used to make their products. With NIKE already coming up with a similar design to the moisture wicking t-shirts of Under Armour, any further innovations should be protected under patents. This would be an increase in expenses for the company; however, it will also allow them to be the only ones for ten years to generate revenue from any newer fabric and process developments.

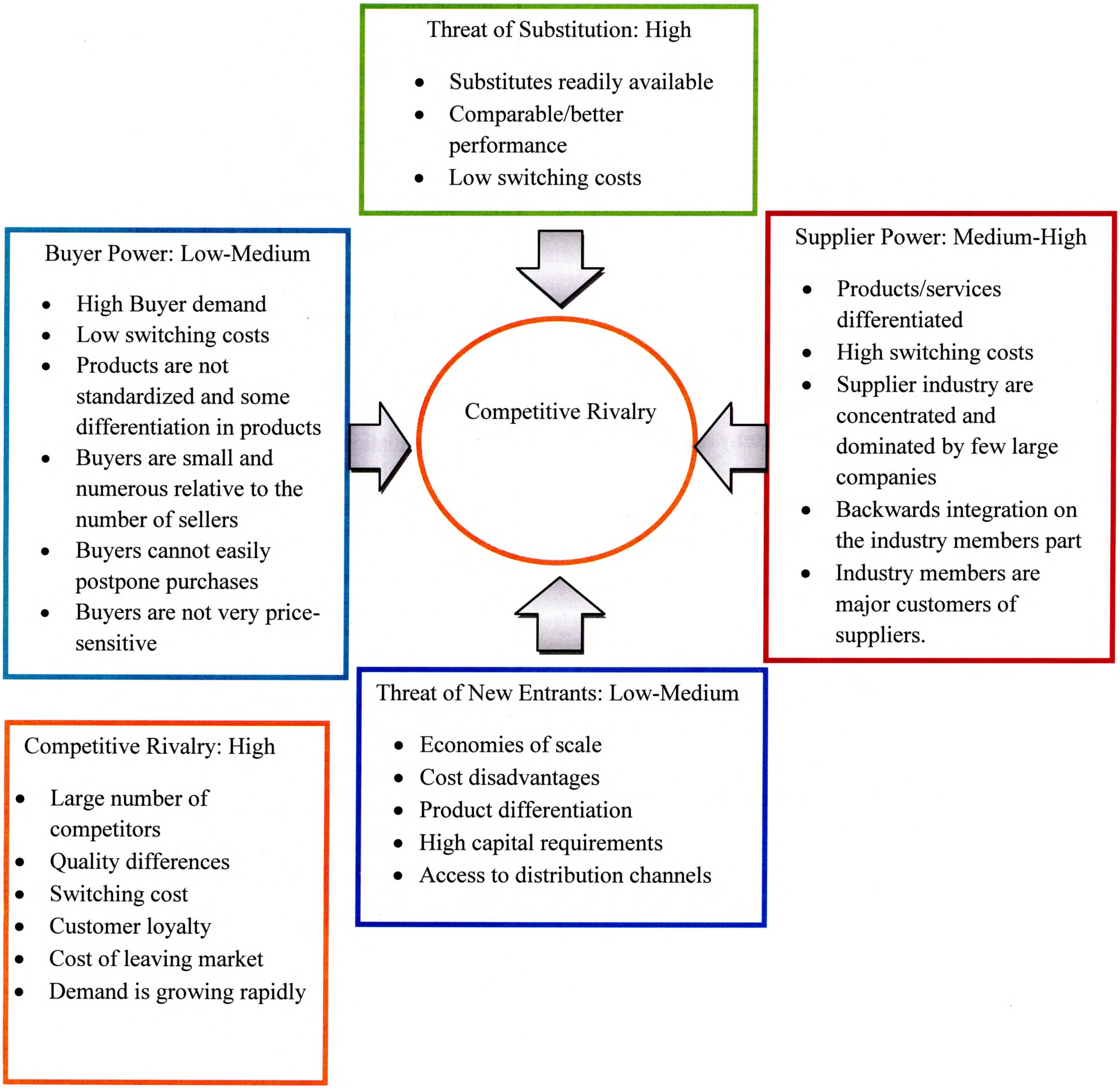
A potential change that Under Armour could pursue would be to extend their product line into equipment as well. NIKE has done this and it seems to be working fairly well for them. If Under Armour were to pursue this, it would give them another business unit to work with, as well as another means of generating revenue if the products were up to par with what athletes are looking for in their sporting equipment. Since Under Armour has done so well with their innovation to the performance apparel market and the introduction of the moisture wicking apparel, it seems possible that they could create equipment that could revolutionize the market.

Overall, since the market is very competitive based on the amount of competitive rivalry, it would be beneficial for Under Armour to pursue strategies that help them create innovative products that reenergize the market. With so many competitors making similar products, it would be easy for one company to just fall below the surface. If Under Armour would create something new and have it patented, then they would have the ability to climb the market ladder even more so than they already have. Under Armour has the potential to lead the market, it just might take them a little more time. They have had strong increases in revenues over the past five years, as well as strong returns of equity (ranging from 11%-16%) over the past five years—it looks as though they will continue to increase these values in the years to come. Recently, Under Armour has surpassed Adidas on the market and has become a bigger threat to NIKE (Peterson). If Under Armour continues this upward growth, then it is possible that they could beat NIKE and become the top of the market.

V. APPENDIX

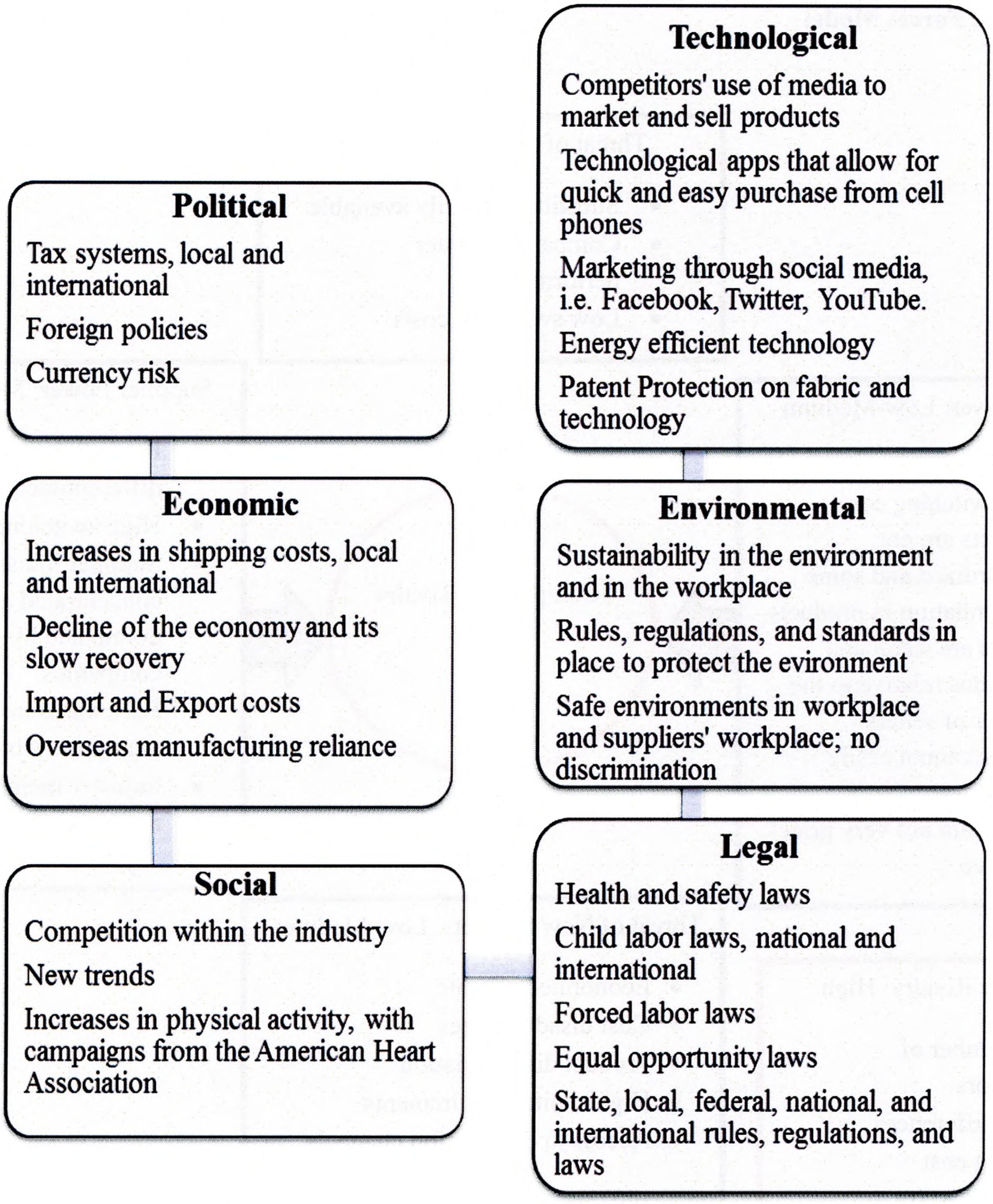
APPENDIX A

Five Forces Model



APPENDIX B

PESTEL Analysis



APPENDIX C

Strategies

<u>Corporate</u>

- Niche-focused
  - Athletes
  - Hunters
- Products for women
- Growth in company
- Growth in Connected Fitness Sector

<u>Business</u>

- Differentiation of products
- Product line
  - HeatGear
  - ColdGear
  - AllSeasonGear
- Growth Strategies:
  - continuing to expand the product offerings
  - targeting additional customers
  - securing distribution
  - expanding sales into foreign countries
  - growing global awareness

<u>Functional</u>

- Marketing:
  - Sports Marketing
  - Retail Marketing and Product Presentation
  - Media and Promotion
- Distribution
  - Wholesale
  - Direct-to-Consumers
  - Product Licensing

APPENDIX D

SWOT Diagram

Strengths (S)	Weaknesses (W)
· Brand awareness · Moisture wicking technology used in products · Variety of apparel and accessories for on-field/off-field sports · Business run by a small, tight-niched group · Strict quality control standards · Quality checks under licensing agreements · 70% market share in performance apparel sector in 2013 · MapMyFitness	· Products are somewhat on the more expensive side. · Not a huge global market presence. · Utilizes outside manufacturers to produce products. · Own a limited number of fabric/process patents · Limited amount of products being offered. · Lack of management depth · 3.76% in sporting goods sector
Opportunities (O)	**Threats (T)**
- Athletic Apparel market is expanding. - Economic increases could equal possible expansions in sales. - Expansion into global markets. - Expansion of product lines - Buyer demand increase	- Economic issues - Trend changes - Labor laws - Legal issues in industry - Very competitive market

APPENDIX E

Financials

DuPont Analysis:

2013 Fiscal Year Results					
	ROS %	Total Asset Turnover	ROA %	Leverage	ROE %
Under Armour	6.96%	2.07	14.38%	1.07	15.41%
Nike	9.82%	1.44	14.13%	1.58	22.28%
ADIDAS AG*	5.45%	1.25	6.81%	2.11	14.40%
PUMA*	0.17%	1.29	0.22%	1.54	0.33%
Columbia Sportswear Company	5.56%	1.05	5.83%	1.28	7.47%
*Exchanged from Euros to Dollars					

2012 Fiscal Year Results					
	ROS %	Total Asset Turnover	ROA %	Leverage	ROE %
Under Armour	7.04%	1.58	11.13%	1.42	15.76%
Nike	95.37%	0.16	14.97%	1.43	21.41%
ADIDAS AG*	5.31%	1.28	6.79%	2.20	14.91%
PUMA*	2.14%	1.29	2.77%	1.58	4.38%
Columbia Sportswear Company	5.98%	1.14	6.85%	1.25	8.56%
*Exchanged from Euros to Dollars					

2011 Fiscal Year Results					
	ROS %	Total Asset Turnover	ROA %	Leverage	ROE %
Under Armour	6.59%	159.92%	10.54%	144.43%	15.23%
Nike	10.22%	144.49%	14.77%	146.68%	21.67%
ADIDAS AG*	5.03%	117.07%	5.89%	213.63%	12.58%
PUMA*	7.64%	116.54%	8.91%	160.87%	14.33%
Columbia Sportswear Company	6.11%	122.53%	7.48%	128.66%	9.63%
*Exchanged from Euros to Dollars					

2010 Fiscal Year Results					
	ROS %	Total Asset Turnover	ROA %	Leverage	ROE %
Under Armour	6.44%	1.58	10.14%	1.36	13.78%
Nike	10.03%	1.32	13.23%	1.48	19.55%
ADIDAS AG*	4.74%	1.13	5.35%	2.30	12.31%
PUMA*	7.46%	1.14	8.53%	1.71	14.57%
Columbia Sportswear Company	5.19%	1.15	5.95%	1.29	7.69%
*Exchanged from Euros to Dollars					

2009 Fiscal Year Results					
	ROS %	Total Asset Turnover	ROA %	Leverage	ROE %
Under Armour	5.46%	1.57	8.58%	1.36	11.70%
Nike	7.75%	1.45	11.22%	1.52	17.11%
ADIDAS AG*	2.36%	1.17	2.76%	2.35	6.50%
PUMA*	3.25%	1.27	4.14%	1.70	7.03%
Columbia Sportswear Company	5.39%	1.03	5.53%	1.22	6.72%
*Exchanged from Euros to Dollars					

Financial Ratios

	2013	2012	2011	2010	2009
Under Armour					
Profit Margin	6.96%	7.04%	6.58%	6.44%	5.46%
Debt Ratio	33.24%	29.40%	30.76%	26.42%	26.87%
Liquidity: Current Ratio	2.65	3.58	3.76	3.73	3.73
Inventory Turnover	4.97	5.73	4.54	4.94	5.77
NIKE					
Profit Margin	9.82%	9.53%	10.22%	10.03%	7.75%
Debt Ratio	36.56%	34.24%	34.37%	32.35%	34.39%
Liquidity: Current Ratio	3.47	3.05	2.85	3.26	2.97
Inventory Turnover	7.37	7.24	7.68	9.32	8.14
Adidas*					
Profit Margin	5.12%	25.12%	6.29%	10.20%	10.28%
Debt Ratio	5.88%	5.14%	5.61%	5.02%	4.27%
Liquidity: Current Ratio	0.71	0.77	0.64	0.68	0.63
Inventory Turnover	66.55	61.60	58.31	73.95	72.90
PUMA*					
Profit Margin	0.18%	2.15%	7.66%	7.47%	5.21%
Debt Ratio	35.14%	36.87%	37.83%	41.42%	38.44%
Liquidity: Current Ratio	2.19	2.04	2.04	1.94	2.19
Inventory Turnover	5.73	5.92	5.61	6.16	7.06
Columbia Sportswear					
Profit Margin	5.56%	5.98%	6.11%	5.19%	5.39%
Debt Ratio	21.97%	20.06%	22.28%	22.61%	17.78%
Liquidity: Current Ratio	4.15	4.45	3.93	3.94	5.14
Inventory Turnover	5.12	4.60	4.64	4.72	5.60

* Euro values used

Financials for All Companies

	2013	2012	2011	2010	2009
Under Armour					
Sales	$ 2,332,051,000	$ 1,830,000,000	$ 1,472,684,000	$ 1,063,927,000	$ 856,411,000
Net Income	$ 162,330,000	$ 128,778,000	$ 96,919,000	$ 68,477,000	$ 46,785,000
Current Liabilities	$ 426,630,000	$ 252,228,000	$ 183,607,000	$ 149,147,000	$ 120,162,000
Current Assets	$ 1,128,811,000	$ 903,598,000	$ 689,663,000	$ 555,850,000	$ 448,000,000
Total Debt	$ 524,387,000	$ 340,161,000	$ 282,778,000	$ 178,412,000	$ 146,591,000
Total Assets	$ 1,577,741,000	$ 1,157,083,000	$ 919,210,000	$ 675,378,000	$ 545,588,000
Inventory	$ 469,006,000	$ 319,286,000	$ 324,409,000	$ 215,355,000	$ 148,488,000
NIKE					
Sales	$ 25,313,000,000	$ 23,331,000,000	$20,862,000,000	$19,014,000,000	$19,176,000,000
Net Income	$2,485,000,000	$2,223,000,000	$ 2,133,000,000	$ 1,907,000,000	$ 1,487,000,000
Current Liabilities	$ 3,926,000,000	$ 3,882,000,000	$ 3,958,000,000	$ 3,364,000,000	$ 3,277,000,000
Current Assets	$ 13,626,000,000	$ 11,845,000,000	$ 11,297,000,000	$ 10,959,000,000	$ 9,734,000,000
Total Debt	$ 6,428,000,000	$ 5,084,000,000	$ 5,155,000,000	$ 4,665,000,000	$ 4,557,000,000
Total Assets	$ 17,584,000,000	$ 14,850,000,000	$ 14,998,000,000	$ 14,419,000,000	$ 13,249,600,000
Inventory	$ 3,434,000,000	$ 3,222,000,000	$ 2,715,000,000	$ 2,041,000,000	$ 2,357,000,000
Adidas					
Sales	€ 1,952,467,000	€ 2,004,541,000	€ 1,765,801,000	€ 1,539,794,000	€ 1,399,182,000
Net Income	€ 100,023,000	€ 503,505,000	€ 111,117,000	€ 157,133,000	€ 143,904,000
Current Liabilities	€ 3,806,719,000	€ 3,991,772,000	€ 3,379,490,000	€ 3,566,183,000	€ 3,079,687,000
Current Assets	€ 2,693,262,000	€ 3,057,253,000	€ 2,179,637,000	€ 2,442,643,000	€ 1,925,697,000
Total Debt	€ 393,401,000	€ 361,098,000	€ 339,482,000	€ 314,692,000	€ 239,815,000
Total Assets	€ 6,694,429,000	€ 7,029,792,000	€ 6,046,092,000	€ 6,264,630,000	€ 5,617,107,000
Inventory	€ 29,339,000	€ 32,541,000	€ 30,282,000	€ 20,822,000	€ 19,192,000
PUMA					
Sales	€ 2,985,300,000	€ 3,270,700,000	€ 3,009,000,000	€ 2,706,400,000	€ 2,460,700,000
Net Income	€ 5,300,000	€ 70,200,000	€ 230,400,000	€ 202,200,000	€ 128,200,000
Current Liabilities	€ 690,800,000	€ 803,500,000	€ 839,200,000	€ 799,000,000	€ 620,000,000
Current Assets	€ 1,514,200,000	€ 1,642,600,000	€ 1,714,500,000	€ 1,547,200,000	€ 1,359,200,000
Total Debt	€ 811,200,000	€ 932,900,000	€ 976,700,000	€ 980,200,000	€ 774,200,000
Total Assets	€ 2,308,500,000	€ 2,530,300,000	€ 2,581,800,000	€ 2,366,600,000	€ 2,014,100,000
Inventory	€ 521,300,000	€ 552,500,000	€ 536,800,000	€ 439,700,000	€ 348,500,000
Columbia Sportswear					
Sales	$ 1,684,996,000	$ 1,669,563,000	$1,693,985,000	$1,483,524,000	$1,244,023,000
Net Income	$93,603,000	$99,859,000	$ 103,479,000	$ 77,037,000	$ 67,021,000
Current Liabilities	$ 301,254,000	$ 252,059,000	$ 267,002,000	$ 251,626,000	$ 179,287,000
Current Assets	$ 1,250,472,000	$ 1,122,603,000	$ 1,049,526,000	$ 990,880,000	$ 921,712,000
Total Debt	$ 352,724,000	$ 292,675,000	$ 307,977,000	$ 292,780,000	$ 215,655,000
Total Assets	$ 1,605,588,000	$ 1,458,842,000	$ 1,382,542,000	$ 1,294,754,000	$ 1,212,883,000
Inventory	$ 329,228,000	$ 363,325,000	$ 365,199,000	$ 314,298,000	$ 222,161,000

VI. REFERENCES:

"About." *U.S. Department of the Treasury*. N.p., n.d. Web. 6 Feb. 2015. <http%3A%2F%2Fwww.treasury.gov%2Fabout%2Forganizational-structure%2Foffices%2FPages%2FOffice-of-Foreign-Assets-Control.aspx>.

"Activewear Growth Sets Pace For Overall Apparel Market." *Activewear Is Booming*. N.p., n.d. Web. 5 Jan. 2015. <https://www.npd.com/wps/portal/npd/us/news/press-releases/activewear-growth-sets-pace-for-overall-apparel-market/>.

"Annual Report & Proxy." *Under Armour, Inc.* N.p., n.d. Web. 6 Jan. 2015. <http://investor.underarmour.com/annuals.cfm>.

"Columbia History." *Columbia*. N.p., n.d. Web. 27 Dec. 2014. <http://www.columbia.com/About-Us_History.html>.

"Consumer Purchases of Sporting Goods in the U.S. 2002-2014." Statista. N.p., n.d. Web. 09 Mar. 2015. <http://www.statista.com/statistics/200773/sporting-goods-consumer-purchases-in-the-us-since-2004/>.

Coulter, Mary. "Strategic Management in Action." Coulter, Mary. *Appendix 1: How to Do a Comprehensive Case Analysis*. New Jersey: Prentice Hall, 2008. 232.

"Financial Reports." *Adidas Group* -. N.p., n.d. Web. 6 Jan. 2015. <http://www.adidas-group.com/en/investors/financial-reports/>.

"Financial Reports." *PUMA®* –. N.p., n.d. Web. 6 Jan. 2015. <http://about.puma.com/en/investor-relations/financial-reports>.

"Headquarters." *Adidas Group* -. N.p., n.d. Web. 28 Dec. 2014. <http://www.adidas-group.com/en/group/headquarters/>.

"History." *Adidas Group* -. N.p., n.d. Web. 28 Dec. 2014. <http://www.adidas-group.com/en/group/history/>.

"History." *PUMA®* –. N.p., n.d. Web. 28 Dec. 2014. <http://about.puma.com/en/this-is-puma/history>.

Mirabella, Lorraine. "Under Armour Surpasses Adidas to Become No. 2 Sports Brand." The Baltimore Sun. N.p., 08 Sept. 2014. Web. 08 Mar. 2015. <http://articles.baltimoresun.com/2014-09-08/business/bs-bz-under-armour-beats-adidas-20140908_1_armour-ceo-kevin-plank-market-leader-nike>.

"News, Events & Reports." *NIKE, Inc.* N.p., n.d. Web. 17 Jan. 2015.<http://investors.nike.com/investors/news-events-and-reports/default.aspx?toggle=reports>.

"Nike Inc (NKE.N) Company Profile | Reuters.com." *Reuters*. Thomson Reuters, n.d. Web. 29 Dec. 2014. <http://www.reuters.com/finance/stocks/companyProfile?symbol=NKE.N>.

"Officers and Directors." *Columbia*. N.p., n.d. Web. 27 Dec. 2014. <http://www.columbia.com/About-Us_Officers-And-Directors.html>.

Peterson, Hayley. "Under Armour Is Becoming A Viable Threat To Nike." *Business Insider*. Business Insider, Inc, 23 Oct. 2014. Web. 5 Jan. 2015. <http://www.businessinsider.com/under-armour-is-a-threat-to-nike-2014-10>.

"Product Creation." *Adidas Group* -. N.p., n.d. Web. 03 Feb. 2015. <http://www.adidas-group.com/en/sustainability/products/product-creation/>.

"Profile." *Adidas Group* -. N.p., n.d. Web. 28 Dec. 2014. <http://www.adidas-group.com/en/group/profile/>.

"Reference for Business." *NIKE, Inc.* N.p., n.d. Web. 29 Dec. 2014. <http://www.referenceforbusiness.com/history2/99/NIKE-Inc.html>.

Sacks, Danielle. "Puma's Design Ethos." *Fast Company*. N.p., 29 Sept. 2006. Web. 03 Feb. 2015. <http://www.fastcompany.com/75359/pumas-design-ethos>.

"SHAREHOLDER INFORMATION." *Columbia Sportswear Company*. N.p., n.d. Web. 6 Jan. 2015. <http://investor.columbia.com/annuals.cfm>.

"SHAREHOLDER INFORMATION." *Columbia Sportswear Company*. N.p., n.d. Web. 27 Dec. 2014. <http://investor.columbia.com/>.

Soni, Phalguni. "North America: The Critical Market For Under Armour." *Yahoo Finance*. N.p., 12 Dec. 2014. Web. 6 Jan. 2015. <http://finance.yahoo.com/news/north-america-critical-market-under-154919626.html>.

"Strategy." *PUMA®* –. N.p., n.d. Web. 28 Dec. 2014. <http://about.puma.com/en/this-is-puma/strategy>.

"The AHA's Recommendations for Physical Activity in Children." *American Heart Association*. N.p., 10 Nov. 2014. Web. 10 Jan. 2015. <http://www.heart.org/HEARTORG/GettingHealthy/HealthierKids/ActivitiesforKids/The-AHAs-Recommendations-for-Physical-Activity-in-Xhildren_UCM_304053_Article.jsp>.

Thompson, Arthur A. "Under Armour-Challenging Nike in Sports Apparel." Case. 2012. Document.

Trefis. "Obstacles To Under Armour's Growth." *NASDAQ.com*. N.p., 10 Jan. 2014. Web. 06 Feb. 2015. <http://www.nasdaq.com/article/obstacles-to-under-armours-growth-cm317425>.

"Under Armour -- Trefis." *Trefis*. N.p., 2 Dec. 2013. Web. 06 Feb. 2015. <http://www.trefis.com/stock/ua/model/trefis?easyAccessToken=PROVIDER_c9b92707691fbfe399a7e8a98d2121c1b30b106f>.

Whitehouse, Francis R., Jr. *Integrated Application of Business Principles*. N.p.: McGraw Hill Education, 2014. Print.

Z, Felicia. "What Sets Nike Shoes Apart From Competition?" *Ezine Articles*. N.p., 1 Feb. 2010. Web. 3 Feb. 2015. <http%3A%2F%2Fezinearticles.com%2F%3FWhat-Sets-Nike-Shoes-Apart-From-Competition%3F%26id%3D3676693>.