

Under Armour Broadens Reach Except in Footwear

Companies: AEO, BRK.A, CAB, COLM, COST, ADS:DE, ETR:PUM, FL, GPS, HBI, LULU, NKE, TGT, TJX, TYO:7936, UA, VFC

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Research Question:

How successful is Under Armour at expanding its core demographic to become the preferred apparel company for women, teens and men under 35 years of age?

Summary of Findings

- Twenty-eight of 33 sources expect [Under Armour Inc.'s](#) (UA) growth to continue because of its high-quality products, unique designs, performance technology, superior fit and quality advertising.
- UA still is primarily viewed as high-performance athletic wear for men, but its efforts to expand beyond its core demographic have had some success. Retailers, customers, suppliers and industry specialists said women and teens are slowly but surely adopting the brand and present growth opportunities for the company.
- Trainers and coaches reported seeing more male athletes wearing UA. However, these sources had more mixed opinions on the rate of adoption among women and teens. UA's premium price has pushed some women and teens toward lower-cost brands like Hanesbrands Inc.'s (HBI) [Champion](#) or to on-sale items from [Nike Inc.](#) (NKE).
- Gym personnel and an industry specialist said [Lululemon Athletica Inc.](#) (LULU) and The Gap Inc.'s (GAP) [Athleta](#) are leading in women's high-end fitness apparel.
- UA has yet to have an effect on the footwear market, where the brand is either unknown or disliked.

Silo Summaries

1) STORES

All six sources, including a representative of UA's new flagship store in Shanghai, said UA has experienced growth in its sales and product line. These sources also said UA is making progress among women, but teens are put off by the brand's premium prices. Nike remains the best-selling apparel line for five of six sources. Retail floor space for UA is expanding; one store reported equal space for UA and Nike. **Charged Cotton products have gained some sales traction, but most customers remain unaware of the line and its benefits. Selling UA shoes remains a challenge.** One store has UA shoes on clearance because of customers' complaints about the shoes' quality and performance.

2) CUSTOMERS

UA's growth will continue thanks to its products' quality, style and fit, according to 10 of 11 sources. The remaining source, a woman in her 30s, had only purchased one UA garment and considered UA a niche brand.

3) SUPPLY CHAIN

Two of these three sources confirmed UA's success in its sales and expansion efforts; the third source discussed UA's plans to expand outside of the United States. Two sources also commented on UA's marketing efforts. One praised its ability to build brand loyalty among tweens and teens through product placement in video games, movies and sports sponsorship. The second source said UA has successfully launched hunting boots in an already crowded market, thanks to a partnership with Cabela's Inc. (CAB). Charged Cotton has sold well since March and said to be the No. 1 selling T-shirt in men's wear. One source said material and labor costs in Asia have increased 25% to 40% while another source reported having an oversupply of material. This source also said UA was moving its production from Peru to Asia.

4) TRAINERS/COACHES/GYM PERSONNEL

Six of these 10 sources expect UA to continue its growth because of product design, color and technology; the remaining four said the company's sales have flattened. Sources were mixed about UA's ability to attract women, teens and younger men. Two sources said UA's expansion would be curtailed by its premium prices, but three said women are willing to pay the higher price for Lululemon products. Only three sources discussed Charged Cotton, and none had tried the product.

5) APPAREL INDUSTRY SPECIALISTS

These three sources expect UA's growth in the women's sports apparel category to continue and for the brand's sales and popularity to increase through the holiday shopping season. Brand strengths include superior technology, sophisticated styling, generous fit, sponsorship of female sports, and inoffensive advertising to women. Charged Cotton and Charged Cotton Storm Fleece products have been well-received. Sources were mixed on UA's appeal to teens and men younger than 35.

	UA Growth to Continue	Core Demographic Expanding	Charged Cotton Being Adopted
Stores	↑	→	→
Customers	↑	↑	→
Supply Chain	↑	↑	↑
Trainers, Coaches, Gym Personnel	→	→	↓
Apparel Industry Specialists	↑	↑	↑

Background

Blueshift's [July report](#) found that women were hesitant to adopt the UA brand and that the [Charged Cotton](#) line had not gained much traction since its introduction in March. However, after the first three quarters of this year, UA had [surpassed](#) 2010's full-year revenue and broken the \$1 billion sales mark. Company management credited higher-priced core products, new products such as Charged Cotton, and reaching beyond the core demographic of male athletes.

CURRENT RESEARCH

In this next study, Blueshift set out to assess Under Armour's success in attracting teens, women and men under 35 years of age and to gauge the company's competitive position in relation to Nike. We employed our pattern mining approach to establish and interview sources in six independent silos:

- 1) Stores (6)
- 2) Customers (11)
- 3) Supply chain (3)
- 4) Trainers, coaches and gym personnel (10)
- 5) Apparel industry specialists (3)
- 6) Secondary sources (5)

Blueshift interviewed 33 primary sources, including six repeat sources, and included five of the most relevant secondary sources focused on the athletic apparel industry.

Silos

1) SPORTS RETAIL STORES

All six sources, including a representative of UA's new flagship store in [Shanghai](#), said UA has experienced growth in its sales and product line. These sources also said UA is making progress among women, but teens are put off by the brand's premium prices. Nike remains the best-selling apparel line for five of six sources. Retail floor space for UA is expanding; one store reported equal space for UA and Nike. Charged Cotton products have gained some sales traction, but most customers remain unaware of the line and its benefits. Selling UA shoes remains a challenge. One store has UA shoes on clearance because of customers' complaints about the shoes' quality and performance. The store in China has been open since April, and traffic is meeting expectations.

➤ Modell's manager, New York City

Under Armour sales have been very impressive. Year-to-year sales are up 80% for UA's men's apparel, 20% for women's and 10% for kids' apparel. Foot traffic within the UA section was heavy. Men's sales have been dominated by UA football gear during the past few months, and they no longer think of Charged Cotton and [Charged Cotton Storm Fleece](#) as gimmicky. Women are not impressed with the fit of some UA products.

- "Football cleats are popular; same with UA's duffle bags for football. The duffle bags are popular year-round for all sports."
- "Customers have taken a good liking to Charged Cotton. It was iffy in the beginning. People thought it was a gimmick."
- "Some adults buy the Charged Cotton outfits. I saw one guy the other day who bought a top and bottom for Charged Cotton. People also prefer the Storm Fleece."
- "Women don't care for some of Under Armour's sizes. They think they don't fit them well enough, especially the women who aren't in as good shape as some others."
- "Women do like UA's light [zip-ups](#). They can wear it wherever."

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Manager, Modell's
New York City

Under Armour Inc.

➤ Sports Authority store manager and two sales associates, Florida

This store features UA, and has given the brand more footage in clothing but less in shoes because of poor sales. UA's overall sales are up compared with six months ago and are equal to Nike's. New apparel colors and styles are selling well.

- "Under Armour is our most popular selling brand right now. UA and Nike are selling about the same."
- "The sections have gotten bigger; the brand is growing. I think Under Armour will be successful more quickly this next time around. The timing is right, and they are advancing over Nike in the sports arena."
- "Under Armour is a little pricier, but it outlasts Nike. That is what I tell customers about it. The quality is good."
- "I have noticed more men buying it within the last six months. The technology of the clothes is really popular with the guys and athletes."
- "I would say it's middle-aged men and younger serious athletes."
- "The women's clothing is popular too, with those 30 or older."
- "The new colors and styles are selling well."
- "We run out of mediums quickly, but inventory is good and getting more has not been a problem."
- "They don't have youth sizes like Nike, and a lot of people ask for it."
- "We don't carry the full line of shoes anymore; they didn't sell. We only carry football and baseball cleats now. The rest went to clearance."
- "People have been asking if we have the [Micro G](#), but we don't. It's a really light running shoe."

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*Store Manager, Sports Authority
Florida*

➤ Dick's Sporting Goods sales associate, Massachusetts

This store features Under Armour, Nike and Adidas AG's (ADS:DE) [Reebok](#). Nike outsells Under Armour by a thin margin, but both are perceived as performance brands. Women tend to favor Nike and Reebok while men prefer Under Armour. Customers do not perceive Charged Cotton as a superior design.

- "We're kind of a Nike shop. Look at the positioning."
- "Under Armour's a really good product. I'm talking as a retailer. And they support it. They give us the in-store displays; they give us talking points and make sure we understand why they're special."
- "Depending on the sale, you can buy Under Armour and Nike at the same price. Most people go to the clearance rack first. There isn't really a price difference."
- "A Nike Dri-Fit hoodie is as good as any Under Armour sweat [shirt]."
- "The [Nike] [Livestrong](#) message still has appeal. It's a few years old now, but it sells."
- "Charged Cotton hasn't really caught on. I push it a little. But everything is high-performance now. I don't know if Under Armour is anything special."
- "Women go for Reebok and Nike. Teenagers go for Nike."
- "The [Under Armour] [kids'](#) clothes aren't selling well."

➤ Sports Authority sales associate, Chicago

UA sales are up compared with three months ago. Female customers like UA's compression shirts and Charged Cotton Storm Fleece sweatshirts. The brand has an edge over Nike and Adidas with its water-resistant cotton fabric. Under Armour's price does deter those under 35 years old, but this source said its merchandise is worth the money.

- "Under Armour is selling better than it was three months ago and our inventory and sales floor reflect that fact."
- "Our UA inventory is good. We have plenty of Under Armour for holiday purchases."
- "Nike is always a good seller, but UA has caught up a little, especially since they are offering product that Nike does not currently have. But it won't take Nike long to put out their own version of water-resistant cotton."
- "When customers come in and want cotton athletic apparel, they go right for the Under Armour. Neither Nike nor Adidas makes cotton sweatshirts. Everything they offer is polyester. UA has its own market in that area."
- "The Charged Cotton is great. There is not another product on the floor like it. It was a little slow to catch on initially, but people definitely know about it now."
- "The newer Charged Cotton Storm sweatshirts for \$59.99 are selling very well. We sell at least one of them a day."
- "Reaction has been very positive to all the new colors and apparel designs from UA. I have not heard any customers say anything negative about the product."

Under Armour Inc.

- “I am in college, and I know I can’t afford to buy Under Armour. And I know kids my age don’t really have any money either. But I would buy it for myself if I could. It is great apparel.”
- “We get an older crowd at this store. The people who are buying UA are usually over 35. They have the money to afford it.”
- “I don’t see any teens or young adults purchasing Under Armour at this store. We just started to get a few teens coming in, but they are buying ice skates and [North Face](#) [V.F. Corp./VFC] pullovers.”
- “I have noticed that almost all the people that come in to buy UA are already wearing it and are repeat buyers. They know what it is all about and the prices. We rarely get someone in who is a first-time buyer of UA products.”
- “For women, our best-selling UA product are the compression shirts for \$49.99.”

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*Sales Associate, Sports Authority
Chicago*

► Sports Authority salesperson, San Diego

UA sells well because the store is located in an affluent area. Women buy UA apparel for the great colors and men under 35 years old buy the [Cold Gear](#), but the store does not carry many options for boys and girls. Nike outsells Under Armour out of brand loyalty, and many are not familiar with UA or its Charged Cotton. Nike items have been on sale more frequently. Nike shoe technology is far superior to UA’s, and the store has put all UA running shoes on clearance because many customers complained that UA shoes are uncomfortable.

- “UA is selling well, but Nike has had a lot of sales lately. A Nike shirt is \$15, and something similar from UA is \$25. For women, it’s probably 60% Nike, 40% UA. Men like the Cold Gear, but they definitely buy more Nike.”
- “UA has better colors—especially for women—than Nike. I wish they did more colors for men and kids, but they still have more than Nike. They also need to do more for kids. We don’t have any UA in 3T or smaller.”
- “A lot of people ask for a Cold Gear short, which doesn’t make sense. And people are dying for a Cold Gear v-neck. The mocks are great, but if you’re running or whatever, you don’t always want something around your neck.”
- “UA sells well if they’re my customer. People know Nike, but they don’t get what UA is. Unless I explain what UA is about, they’ll go with what they know. UA is a great base layer, and the quality is great. Nike is nice, but their [Pro Combat](#) is the only line that comes close to the basic, everyday UA line.”
- “People are confused about what the Charged Cotton is. Once I explain what it is, they’re all for it.”
- “Under Armour came out with a waterproof hoodie [Charged Cotton Storm Fleece] before Nike. That’s a big deal. From what I’ve heard, Nike is coming out with one but not until the middle or the end of next year. That means UA is almost two years ahead of them.”
- “I’ll take a spray bottle and show them how the water beads up. I’ve left one of them [the waterproof hoodies] for an hour, and when I came back, there was still droplets on the surface.”
- “Some people don’t like the price of UA, but this is a pretty wealthy area.”
- “UA is doing another push on shoes, but all of our running shoes are in clearance. We’ve had a lot of complaints about comfort. Nike spends way more money on technology. UA football and basketball sell, but not running.”

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*Salesperson, Sports Authority
San Diego*

► Store personnel at the Under Armour flagship store in Shanghai, China

This store has been open for six months, and Blueshift noted heavy foot traffic but few Chinese shoppers. The source expects UA to grow in China despite fierce competition from the likes of Nike and [Fila Korea Ltd.](#) UA’s marketing campaign includes using Twitter-like Sina Weibo.

- “The shop opened on April 29.”
- “So far, sales are modest but in line with our expectations.”
- “Consumer traffic has exceeded our expectation, and the weekend is the peak traffic time.”

Under Armour Inc.

- “Our customers are mostly fitness lovers, foreign expats and a few locals, mainly young people.”
- “I would not say that UA is popular as we are focused on athletes and fitness lovers. We have no famous icons or professional athletes endorsing UA. Maybe we’ll consider this in the future.”
- “UA’s customers have given us modestly positive remarks and decent word-of-mouth, both online and in the store. Customers seem to like our colors, styles and fits.”
- “We are China’s first UA shop in a mall. In the future, we will consider entering different department stores and different areas.”

2) CUSTOMERS

UA’s growth will continue thanks to its products’ quality, style and fit, according to 10 of 11 sources. The remaining source, a woman in her 30s, had only purchased one UA garment and considered UA a niche brand. Only four of the 10 sources discussed Charged Cotton: Two had tried and liked the line, and two expect to check it out soon. Two sources in China said UA is just getting started but will become popular. Two of the 11 sources said UA’s premium pricing may become an issue.

► Male basketball player for a Florida high school

This source and his male and female schoolmates consider Under Armour a popular brand. He likes the clothing’s quality and would like to purchase more of the line in the future.

- “I think [Under Armour] can grow. I like it. A lot of people wear it at my school. It’s become popular quickly. Nike and Under Armour are the two big brands you see now.”
- “A lot of guys who playsports at my school wear [Under Armour]. I think more people are wearing it this season than last. The girls are wearing it now too.”
- “I like Under Armour clothes. They are cool because they help you perform better because you are more comfortable. I have two shirts and a pair of shorts that are Under Armor. I really like them and want more of their stuff.”
- “I wear a lot of Nike just because it fits me well and I know what I can get from them.”
- “Nike has bigger sizes than Under Armour. I like my clothes looser. That is why I wear more Nike.”
- “I haven’t tried their shoes; I’m a Jordan fan, so Nike is my shoe choice.”

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*Customer, Under Armour
Florida*

► Hockey and lacrosse player at a UA-partnered high school, San Diego

This school’s athletes wear UA when required, but often do not buy it otherwise because of price. The source described UA apparel as comfortable and high-quality, but wears a lot of Nike because it is cheaper. For shoes, she wears [Asics Corp.](#) (TYO:7936) and said other girls wear Nike and Adidas. She reported seeing UA ads in *Seventeen* magazine but said she was not aware of UA’s efforts to appeal to people under 35 years of age.

- “UA is definitely the most expensive. I wanted a dark and light UA short to go with my uniforms, but they were \$40 each. The material quality was really good, but that’s a lot.”
- “I wear the UA spandex under my clothes all the time—skirts, dresses, sweats. They’re comfortable. I don’t know if they’re the compression shorts, but really similar. On cold days, I wear the tight, long-sleeved UA shirts.”
- “If I’m buying it, I buy what’s on sale. I have Nike shorts I really like.”
- “Next year when I’m in college and not going to a high school with a UA partnership, I’ll buy what is comfortable and on sale. But I have so much UA gear now it will be a while before I’ll need anything.”
- “For girls not on teams, [Soffe](#) shorts are really popular. They’re like cheerleading shorts.”
- “The football guys have to wear all UA gear—for practice too. Same with soccer.”
- “Guys wear tank tops or the tighter shirts. ... I’d say it’s pretty close between UA and Nike, not as much Adidas other than the shorts.”
- “The girls wear Asics, Nike, Adidas for running shoes. The football players have to wear UA cleats. I go for color. I’ve never tried UA shoes. For girls, I’ve not seen many at all. For guys, they’re more prevalent.”
- “I see UA ads in *Seventeen* magazine all the time. They typically show a female athlete wearing all the gear—a soccer star; I don’t know her name. There are so many ads in magazines, I don’t pay much attention.”

➤ **Woman in her mid-30s who wears Under Armour but does not wear Nike, Chicago**

UA's quality product will allow the brand to grow. This source's brother is loyal to UA, and she herself prefers UA long-sleeved shirts. She does find UA prices to be prohibitive. She does not like Nike because of styling and comfort issues.

- "I think UA can grow their business. They make a quality product, but you do pay for it."
- "I noticed the new line, but I didn't get anything from it. I like the colors and styles. I just don't want to spend that much money on my workout clothes. For my long-sleeved shirts, I am willing to spend the extra money for UA because I can't find anything that matches their quality."
- "UA does a good job on the long-sleeve shirts. Not all companies do a good job on the long-sleeves. I wear a lot of Adidas and I do not have one long-sleeved Adidas shirt. That says something."
- "For working out, I go with whatever is on sale. I rarely pay full price for workout clothes."
- "For my athletic apparel, I shop at Target, [Costco \[Wholesale Corp./COST\]](#), [\[The\] Sports Authority \[Inc.\]](#) and sometimes T.J. Maxx or Marshalls [both owned by [The TJX Cos. Inc./TJX](#)]."
- "I like the Champion tops for running, simply because the price point is reasonable at \$17 rather than \$30 for a name brand. But once they stink, you cannot get it out; honestly, that goes for every brand."
- "I get UA compression shirts for my younger brother. It is the only brand he will wear. He asks for it specifically for his birthday or for Christmas. It is all he wants, but it is expensive."
- "I know UA is my brother's preferred athletic apparel but ... I don't know anyone who wears a lot of it. I don't really notice what the other women are wearing in the gym."
- "I don't like how Nike's stuff fits me. The shirts are too tight around the arms."
- "I also don't like the neck on the Nike shirts. Nike shirts always ride up on your arm. The UA shirts have an elastic type material that is on the cuff so that the arms don't pull up."
- "Nike's shorts do not fit the iPod, and they are one of the biggest proponents of the iPod."
- "Nike always puts the pocket in the front of their shorts, right wear your leg movement is. Your keys or whatever is in your pocket keeps hitting your leg."
- "In a running short, the pocket needs to be in the back of the shorts. Adidas does theirs in the back, and that is why I wear their shorts. I have big running legs, and a lot of brands of shorts do not give me enough movement in my legs. I have not tried UA shorts."

➤ **31-year-old female, Fairfax, VA**

This source said Under Armour is succeeding slowly and winning her over with its technology. Styles and colors are on trend and can be worn from the gym to the store.

- "I think Under Armour is succeeding but slowly. The clothes are really for serious athletes, and that can be intimidating to some who don't get the benefits of the materials they use for their clothes. But once you try it, it is hard to go back to regular-cotton Nike clothes. They are cool and trendy-looking styles and colors. I think Nike plays it safe sometimes with colors and styles. I like to look good when I work out and then go to the store. Under Armour makes me feel good when I wear it."
- "My boyfriend loves Under Armour. He is the one who turned me on to it. Now I love it and want all my workout and fitness clothes to be from them."
- "I play intramural soccer and go to the gym for workouts. I see other women wearing Under Armour but definitely a lot more guys. I think it was a men's brand first."
- "The prices are a little higher than Nike and yoga clothes, but what you get for your money is worth it."
- "I have never had a problem finding what I am looking for. The sizes are usually standard. Quality is great. I don't dry the clothes, and that helps keep them stronger longer."
- "I have not tried the Charged Cotton yet, but it sounds awesome."
- "I have not tried the shoes yet."

I think Under Armour is succeeding but slowly. The clothes are really for serious athletes, and that can be intimidating to some who don't get the benefits of the materials they use for their clothes. But once you try it, it is hard to go back to regular-cotton Nike clothes.

*Customer, Under Armour
Fairfax, VA*

Under Armour Inc.

➤ 33-year-old female runner, Atlanta

Under Armour is this woman's first choice for athletic wear because of wicking and fit. She said Under Armour has been successful at marketing more to women. Prices will need to stay consistent for the brand to succeed further.

- "I also wear Nike, Adidas and Champion, but Under Armour is my favorite because of the fits and the wicking."
- "I sweat a lot, and their products keep me dry, cool and comfortable. I love the styles. I have two pairs of running shorts, one long pair, four tops and a hat from them so far. I tried a sports bra from them, but it didn't work out because of fit."
- "I have never had an issue with quality or sizing from Under Armour. They last long and hold up really well."
- "I see a lot of girls at my gym wearing Under Armour. It's popular. My mom has started wearing it now. I think their campaign is working."
- "As long as the prices stay reasonable on all items, I think they will pick up more women. The everyday wear is priced well, but some items are priced too steeply."
- "I was surprised at how soft the Charged Cotton is. I love it. It's great for the winter here in Atlanta. I am going to buy a sweatshirt for my husband for Christmas. I will continue to buy their clothes."

As long as the prices stay reasonable on all items, I think they will pick up more women. The everyday wear is priced well, but some items are priced too steeply.

Customer, Under Armour
Atlanta

➤ 31-year-old man in Tolland, CT

This source reported being devoted to Under Armour because of fit, style and colors. He likes Charged Cotton in particular. He also said the brand offers a better fit than Nike.

- "[UA is] succeeding. Go to any gym in America and see what people are wearing."
- "I think they are doing well at capturing the market for men and women. I'm a loyal customer."
- "I am a UA snob. I buy as much of their stuff as possible: sneakers, bags, socks, underwear, sweats, socks, shorts, and shirts."
- "I love their styles and colors. I like the Charged Cotton for casual but not the gym. Yes, I will buy more of it."
- "I wish the shoes had a bit more subdued colors. I just bought a zip-up fleece and hoodie—love them."
- "Charged Cotton is super comfortable and fits me well."
- "I buy a lot of their stuff online. Dick's Sporting Goods only carries so much."
- "Nike stuff is OK, but it just doesn't fit as well as the UA."

➤ 32-year-old man in northern New Jersey

This source wears Under Armour when running and lifting weights. He has not encountered issues with finding product. He wears tops and bottoms of all kinds, but prefers the mock-turtleneck shirts. His fiancée also is fond of the brand.

- "I like the UA styles and colors. It's sleek, and the logo is associated with working out. Just putting it on gets me in that mindset. The prices can run a bit high and it's tougher to get UA stuff on sale, but it's not impossible. I haven't tried Charged Cotton."
- "I don't see why UA can't capture more market share. Start getting more high school teams ... officially on-board, and you're on your way. And I think the bright colors and comfort appeal to women."
- "My fiancée loves UA stuff to work out in. She has a track suit she swears by. And I see local high school teams wearing UA to practice in, football and track in particular."
- "I've never had a problem finding a size or product I need."
- "UA stacks up with Nike pretty well. They both make their products to last though UA is probably a bit more durable. I have some UA shirts I've used heavily that still look relatively new."
- "I don't notice Nike customers buying UA. I just see the UA logo popping up once in a while, such as around my office."
- "I have never worn a UA sneaker."

➤ 48-year-old man, Massachusetts

This source wears other brands for routine workouts but Under Armour for performance. He said rival brands have been able to expand into women's and children's lines, and UA should be able to follow suit. He is uninterested in UA footwear.

- "It does cost more. But it does more and it lasts, so it *should* cost more. I don't wear it every day, so the ones I wear last a long time. I take care of it too."

Under Armour Inc.

- “I don’t think of [Under Armour] as a men’s brand, I think of them as an athlete’s brand. ... Under Armour is the performance brand. Nike’s a close second. My girlfriend has some Under Armour, but I bought it for her.”
- “I’ve heard of the Charged cotton. I don’t own any. I guess the idea of it is it doesn’t get wet. But sometimes you choose cotton because it absorbs sweat, so maybe that’s not the best idea.”
- “Nike’s fine. I have some shorts, and some sweats, none of the performance wear. I used to wear the cross-trainers, but I’m not what you’d call brand-loyal. I play in a soccer league and I wear Adidas.”
- “I don’t know why they couldn’t get more women and kids. They’re a serious brand. I’m in marketing and I’m guessing that Nike, [Puma \[AG Rudolf Dassler Sport/ETR:PUM\]](#) and Adidas were all men’s brands when they started.”
- “I haven’t looked at Under Armour shoes at all. I don’t know anyone who wears them.”

➤ Gym member in her mid-30s in Sports Authority, San Diego

This source said Under Armour’s attempts to expand into the women’s market have not been successful. She has switched from wearing UA sports bras to Berkshire Hathaway Inc.’s (BRK.A) [Moving Comfort](#). Blueshift noted that Sports Authority has allotted equal floor space to UA and Nike, but this customer still believed the brand had only a few small displays. She said UA does not have an easily identifiable image or stereotypical customer, unlike Nike or Lululemon, and she has never seen any UA advertising.

- “What I wear depends on the price. A lot comes from Target, so that’s Champion. I probably have more of that than anything else. I used to wear UA sports bras based on a recommendation from a salesperson at [REI](#), but I just switched to Moving Comfort because that’s what someone at [Road Runner Sports](#) recommended. I love them; I don’t think I’ll ever wear something else. It’s the one area [of apparel] that I’ll pay more money for.”
- “UA is pretty much about sports bras. I didn’t know they sold much of anything else. I haven’t seen UA at Road Runner, some at REI and they have a very small display at Sports Authority compared with the other displays. I was just there two weeks ago looking for a thermal. I remember thinking UA had a smaller display than Nike.”
- “UA needs better marketing and ads. That’s my background so that’s always my answer. I’ve never seen a catalog, a coupon, direct mail. ... Nike is for the hardcore athlete and they get big sports star endorsements. Lululemon is for upper-middle-class women doing yoga. Every brand has an image but I just don’t know what UA’s is.”
- “I wear Asics running shoes usually. If I tried UA and liked it, I’d switch. With shoes, cheaper is *not* better. ... But I do go for colors, what’s cool looking.”
- “I’ve never bought anything from Nike. The brand has never spoken to me.”
- “At the gym, I’ve noticed Lululemon, [prAna](#) and Champion. Most of the women at my gym—or at least at the time I go—are older and not wearing the latest workout gear.”
- “I hadn’t heard of Lululemon until a friend of mine needed a jacket for a 60-mile walk we were doing. The clothes were incredible, but \$100 for yoga pants? No way. My friend bought the jacket but later returned it because it was too expensive. But during the walk she kept pointing out Lululemon stuff; it was everywhere.”

UA needs better marketing and ads. That’s my background so that’s always my answer. I’ve never seen a catalog, a coupon, direct mail. ... Nike is for the hardcore athlete and they get big sports star endorsements. Lululemon is for upper-middle-class women doing yoga. Every brand has an image but I just don’t know what UA’s is.

*Customer, Under Armour
San Diego*

➤ 21-year-old man in China

The source is a NBA fan, likes to play basketball and is a captain of a university basketball league. Some fellow league players have opted for UA over Adidas and Nike. UA offers limited promotions and marketing in China.

- “I always wear Nike and Adidas because their clothes are good quality as well as stylish.”
- “I tried some Charged Cotton products, and I think the wicking effect is great. The design is excellent for athletes.”
- “I just bought Under Armour’s [Micro G Supreme](#), which was worn by last season’s great players in the NBA.”
- “UA’s success in China is hard to predict. Since UA’s marketing and promotions in China are limited, only those who are passionate about professional sports like basketball are adopting it.”
- “Physical fitness instructors are more likely to purchase UA’s products than general consumers.”

Under Armour Inc.

➤ 26 year-old man in China

The source received a UA T-shirt as a promotional gift at a social sporting activity. He likes the shirt's fit and wicking ability. However, he does not think UA can yet draw customers from other brands. Adidas, [Columbia Sportswear Co.](#) (COLM), North Face and Nike have been in China for many years and currently are the preferred brands.

- "The style of UA is good, and the color is bright. The fit is also right."
- "It is less likely that UA will take over the Chinese market unless they invest a large amount of money to promote their products."
- "I don't think those people who are loyal to other brands will choose UA."
- "I suppose most of the people who will buy UA's products are athletes or sports pros."
- "Nike also has similar products. However, since Nike set up its brand in China much earlier than UA, UA might not have enough brand recognition at the present time to be competitive."
- "Columbia and North Face meet the demand of consumers and are the preferred brands."

It is less likely that UA will take over the Chinese market unless they invest a large amount of money to promote their products.

*Customer, Under Armour
China*

3) SUPPLY CHAIN

Two of these three sources confirmed UA's success in its sales and expansion efforts; the third source discussed UA's plans to expand outside of the United States. Two sources also commented on UA's marketing efforts. One praised its ability to build brand loyalty among tweens and teens through product placement in video games, movies and sports sponsorship. The second source said UA has successfully launched [hunting boots](#) in an already crowded market, thanks to a partnership with [Cabela's Inc.](#) (CAB). Charged Cotton has sold well since March and said to be the No. 1 selling T-shirt in men's wear. One source said material and labor costs in Asia have increased 25% to 40% while another source reported having an oversupply of material. This source also said UA was moving its production from Peru to Asia.

➤ Director of a research/sourcing firm that develops performance technology for cotton garments

UA has made good strides in expanding its reach to other demographics, with an eye toward the growth area of "lifestyle" sporty garments. UA also has built brand loyalty among tweens and teens through frequent logo and product placements in video games and movies. The company also works closely with high school teams, leagues and top athletes. The source believes UA will infuse its Charged Cotton material into other product lines.

- "They are off to a good start with expanding their customer base. Their products are known to appeal to a certain consumer, namely the athlete or athletic minded, but their CEO [Kevin Plank] recently made reference to desire to appeal to a demographic after the workout. If you look closely at any given consumer's closet, there are a lot of 'lifestyle' products. If there are 30 T-shirts, roughly six are synthetic [high-performance] workout clothes, and UA has had a major piece of that group. But what about the other 24 cotton T-shirts? I believe they are looking now at that portion because they saw growth and need to appeal to the lifestyle products. This would target a new consumer, not just the athlete who works out but also those who want better lifestyle products."
- "I know they are looking at different ways to grow. One area is women's and children's. They are also trying to grow with footwear. They have always had an emphasis on teens through youth sports lines. Their goal is to win over the next generations of consumers so they will want the brand and demonstrate brand loyalty. I think they have done a good job in the category. They have been very smart about inserting their brand name into video games and effective in co-branding their logo into movies and by sponsoring sports teams."
- "The other thing about UA is that they are very strong on supporting high school football teams and helping their top football and top basketball players. I think they have done much more with youth than any other company. Nike and Adidas are just too big."

They have been very smart about inserting their brand name into video games and effective in co-branding their logo into movies and by sponsoring sports teams.

*Director of Research
Cotton Performance Tech Firm*

Under Armour Inc.

- “My son is almost 10 years old and he knows the product by name and seems to have loyalty, not just because his dad works with them. He even specifies UA by name when we shop. I see a lot of the kids playing Little League baseball wearing UA.”
- “The Charged Cotton T-shirts have been selling well since March, and I believe it is the No. 1 selling T-shirt in men’s wear.”
- “We hope they continue to incorporate [Cotton Inc.’s [TransDry](#)] cotton in their other lines and that they sell well, which helps us in accord with our mission. They see opportunities with cotton in other lines and products where they are not already using our cotton technology.”

➤ Senior director of a supplier of sports-inspired leathers/materials; repeat source

This source could not comment on UA apparel but said its garment lines should do well if marketed effectively. The new outdoors hunting/tactical boots enjoyed a 40% sell-through despite being in an already crowded sector. UA boot orders doubled for the upcoming season, but the source worried about a lack of inventory. Material and labor production prices in Asia increased 25% to 40%. Some companies manufacturing in South China are considering moving production to North China, Bangladesh and Indonesia. Still, this source knew of no brand that had pulled out of Asia altogether.

- “I can’t speak directly to the apparel side but if it is being received as well as the outdoor footwear category, it’s doing well. Any time UA gets behind a new product, they do it with focus. I know they had amazing sell-through on the new outdoor boots for hunting and tactical.”
- “They seem to have a strong presence in the retail space, and stores like Cabela’s seem to be behind it as well. Based on their advertising I have seen how they market to the younger sportsman, but I have not noticed as much with women.”
- “The outdoor sector is seasonal, and we are just now starting to see their orders for the next 30 to 60 days. They have increased the amount of boot orders from a year ago and the increase is significant, probably about double the orders from last year. And they have done it without adding a lot of SKUs based on the success of the initial launch. They had a 40% sell-through on the new [boot], and that is amazing when you are breaking into a new and essentially saturated market. Their new outdoor boots really are a phenomenal product. But I don’t know if they took market share for the other players.”
- “A serious outdoorsman in hunting circles ... was quoted as saying that normally he would not put on a new boot for a hunt because of the break-in time required. ... But he took these out of the box and it was an immediate fit. He said in the evening ... his boots were dry as a bone.”
- “In 2011, we saw a significant increase in the price of raw materials, chemicals and labor. ... Any industry that manufactures in South China has seen an increase of 25% to 40% in labor costs. Material costs are tricky to evaluate because the price really depends on what you make. Most of the manufacturing is in South China, and that region is evolving right now. To some degree, people are moving ... to North China [and] to Bangladesh and Indonesia. But I don’t know of any brands that are moving entire operations out of China.”

➤ Vice president of sales for a U.S. yarn manufacturer and supplier of TransDry

UA had been manufacturing in Peru for years but recently moved production to Asia. The source said controlling quality, labor costs and inventory in Asia is difficult. A current but likely fleeting oversupply of fabric/textile material would ensure short-term supply for UA.

- “I believe UA is talking about opening up new markets other than in the U.S., and the move to manufacture in Asia is part of that change. But you have to ask, what is their sourcing strategy and how do they plan to control inventory? It is very risky. Why not do more work here? This way, you order less and pay a higher price, with shipping charges. People get paid on the buy so there is no incentive to develop new products.”
- “I get the sense that UA strategy has shifted. They got a new J.C. Penney executive who just loves to do business in Asia. So when the move was made to UA, from what I’ve heard, we lost one of our programs to Asia. To me, that’s a strategy that will backfire. It’s hard to control inventories in Asia. They should focus on quality materials and operational performance, not just on price.”
- “I am in high-end performance and design yarns. Something new I learned about two months ago while in Peru was that UA has pulled out of the country. Why? I don’t know if it’s a performance issue or a lack of service issue or, more likely, just because they have buddies in Asia. They have had a good bit of product made in Peru until now. They worked with one of the country’s biggest garment manufacturers for years, and about 60% of the company’s products were made for UA.”

Under Armour Inc.

- “Everyone has excess [fabric]. The idea that they are not getting enough inventory or enough variety of sizes sounds off and weird to me because of the supply. It is a temporary thing, however, so when you put all of your eggs in one basket, which is what they are doing in Asia, it could come back and bite them. Plus, you have to lay out more money because of the delivery and shipping times in the business.”
- “The TransDry brand was developed by Cotton Inc., and UA has a trademark on the name Charged Cotton. But the material is TransDry and variations of it are used for a number of manufacturers.”

4) TRAINERS, COACHES AND GYM PERSONNEL

Six of these 10 sources expect UA to continue its growth because of product design, color and technology; the remaining four said the company’s sales have flattened. Sources were mixed about UA’s ability to attract women, teens and younger men. Two sources said UA’s expansion would be curtailed by its premium prices, but three said women are willing to pay the higher price for Lululemon products. Only three sources discussed Charged Cotton, and none had tried the product. No source was impressed with UA’s shoe offerings.

➤ 24 Hour Fitness employee, Southern California

Men are wearing UA shirts and tanks more often than three to six months ago, but Nike, followed by Champion, is the most prevalent brand among men and women. The source prefers the material, fit and comfort of UA clothing, but was unfamiliar with Charged Cotton. For shoes, she wears Nike, and said Vibram S.p.A.’s [FiveFingers](#) is catching on. Price may become a factor in this source’s future apparel purchases.

- “I see some UA, a lot of Champion because it’s cheaper. I’d say Nike is about 60% of what people wear.”
- “You never really saw UA before, but I see it a lot now.”
- “I have a bunch of UA tanks in different colors, the long-sleeved shirts, pants. I like the material, the fit; it’s comfortable. I don’t know what Charged Cotton is though.”
- “UA is pretty pricey. I’m a college student and I’m going to have to resort to something cheaper. UA outlets are a bit cheaper, but I wouldn’t go to Sports Authority and buy it because it’s too expensive.”
- “I haven’t seen teens wear UA, but we don’t get a lot of them at this gym. But a lot of men wear it. More and more, especially the T-shirts and tanks.”
- “Women wear a lot of the yoga pants, but I’ve never noticed Lululemon or anything [dominating the female market].”
- “For shoes, I see a lot of Nike, Reebok and those FiveFingers shoes. Those are catching on. I know my boyfriend had a pair of UA shoes, but I wouldn’t know what to look for to know if they were UA.”
- “It’ll be hard to convert hardcore Nike fans to UA in the shoe department because people have huge collections going back years.”

It’ll be hard to convert hardcore Nike fans to UA in the shoe department because people have huge collections going back years.

*Employee, 24 Hour Fitness
Southern California*

➤ Personal trainer, Chicago; repeat source

UA’s expansion efforts have been successful with teens and men under 35 but not with women. Instead, women are wearing Lululemon apparel. The source said UA offers stylish, durable apparel that is more affordable than Nike, but UA needs to follow with a trend toward tennis and soccer apparel to keep up with Nike.

- “I think that Under Armour has been successful with teens and men under 35, but not women. I don’t see that many women wearing UA. It is mostly men that prefer wearing UA.”
- “I am seeing slightly more UA on our members than six months ago. This may be because of the demographic of our fitness center. We have mostly male clientele, and they are generally middle to upper class.”
- “I don’t think UA’s efforts to expand are working with women. I think it is working with the younger crowd and men, but women are more loyal to other brands.”
- “I don’t see any females wearing UA. I see them mostly wearing Lululemon apparel and Nike shoes.”

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*Personal Trainer
Chicago*

Under Armour Inc.

- “UA offers stylish, durable options at lower price point than Nike.”
- “However, UA doesn’t offer what seems to be a growing trend of tennis-style and soccer-style shorts and tops. The length of athletic shorts seems to be shortening.”
- “There might be a few loyal Nike members that are starting to buy UA. They are buying basketball-length shorts.”
- “I don’t see anyone buying Under Armour shoes. I don’t know that UA has built up confidence in the quality of their shoe line.”

➤ Assistant athletic coach at a Division III college in Massachusetts

Although the college is sponsored by Adidas, the athletes, especially those playing in cooler weather, choose Under Armour when buying their own apparel. The source reported seeing little Under Armour footwear among the athletes.

- “We’re seeing more Under Armour. We’re sponsored by Adidas, that’s where all our team stuff comes from. But we’re a D3 school, and the kids on their own buy Under Armour, more than Nike.”
- “It’s gone up across the boards. I’ve been at a couple of schools over the last 10 years. It’s even now between men and women and how much they’re buying.”
- “The teams that tend to use it more are the outdoor sports, soccer and lacrosse—not so much in basketball. Since the August preseason, I’m seeing more Under Armour.”
- “Under Armour is more geared to the colder weather, which is when we see a lot of it. When I think of Nike, I think of footwear.”
- “For Under Armour, I see more of the shirts, long sleeves and thermals; then for Nike, the cleats and basketball sneakers.”
- “Our athletes aren’t wearing the UA shoes.”
- “What I do see the most of now are the Reeboks, the [Zig Tech](#) and [RealFlex](#). Also from Nike, I’ve seen the socks with [stripes](#); I don’t know the specific name, but all the men and women are sporting those.”
- “I like Under Armour and use it for the cold weather. In the summer I’m looking for a looser fit, but I’m back in Under Armour for the hockey season.”
- “I’ve heard about the Charged Cotton in some of the magazines I get. I haven’t had any reason to look into it.”

We’re seeing more Under Armour. We’re sponsored by Adidas, that’s where all our team stuff comes from. But we’re a D3 school, and the kids on their own buy Under Armour, more than Nike.

*College Assistant Athletic Coach
Massachusetts*

➤ 52-year-old certified personal trainer in Massachusetts

This source said Under Armour is a performance brand that serious athletes use to gain “an edge.” More female athletes are turning to the brand.

- “There’s a little more [Under Armour] on the guys, but they were wearing it a lot to begin with.”
- “I’m definitely seeing more, on men and women. A lot of times they’re wearing it as an outer layer when they come to the gym; they’re not necessarily wearing it to work out in.”
- “[Under Armour is] succeeding with women. Some women I know are in a women’s-only runners’ club, and they all wear it. They say it’s warm and light, and it stretches. Most of them wear a hoodie, which they’ll take off and tie around their necks when they get a few miles into the run.”
- “They like the underwear, like the boy shorts and sports bras, and the compression gear too.”
- “I don’t like flash. Under Armour and Nike both have pretty normal-looking clothes. Leopard print and harlequin patterns are for ‘gym bunnies.’ Gym bunnies don’t wear Under Armour.”
- “[UA is] a higher-end brand than Nike, definitely. But it’s overkill most of the time. Anything’s fine for a Zumba or kickboxing class if it’s comfortable and moves well.”
- “I don’t think I’ve seen any [UA] shoes at the gym. I haven’t looked into [UA footwear]; I’m a Reebok girl.”

➤ Personal trainer director for LA Fitness, Florida

More men are wearing Under Armour than six months ago, but women have been slow to adopt the brand. The source thinks Under Armour will surpass Nike given its advances in style and technology.

- “I have seen a significant increase in the number of men wearing Under Armour in the last six months.”
- “I think their campaign is working to get the attention of younger men.”
- “Under Armour has stepped it up and I would say are now rivaling Nike for that top spot.”
- “The clothes and shoes all look great. The styles and colors are on point. They are creating good stuff.”
- “I have not heard anything about quality issues from anyone.”

Under Armour Inc.

- “Not a lot of women are wearing it yet. I don’t know why. They wear Nike, Adidas and some yoga clothing. It may catch on with women after they see all the guys wearing it.”
- “[Ray Lewis](#) is a spokesperson for Under Armour, and a lot of other popular athletes are helping bring the brand in into the public eye.”
- “I don’t think Under Armour is inferior to Nike. ... It is starting to look the other way around as far as advancements in the technology of the clothes for athletes.”
- “I think Under Armour will be successful. I don’t think it will take 15 years this time for them to be successful. I think in five years they will hit their next billion.”

➤ Sales manager at a fitness center in China

This source said an increasing number of athletes and coaches are trying UA. The brand’s advantages are simplicity, comfort and reasonable prices. Disadvantages are lack of brand awareness and lack of variety in styles.

- “The number of customers who use UA is gradually increasing, but brand awareness still needs to improve.”
- “Some of my colleagues have already become customers of UA.”
- “UA has novel styles, wonderful colors and fashionable designs. And it is comfortable to wear.”
- “If the price is right, athletes will certainly choose UA’s products.”
- “UA enjoys a good reputation among men. It offers both design and performance.”
- “Women pay more attention to aerobics apparel and yoga clothing.”
- “Teenagers consider UA’s products to be fashionable and comfortable.”

➤ Soccer coach, sponsored cyclist and competitive runner, Southern California; repeat source

Although this source continued to praise UA’s quality products, he said the brand’s pricing and lack of discounts have become a concern. He said UA is late to the game in terms of targeting women, teens and younger men. This source usually wears Asics shoes for running but has been satisfied with his UA shoes. Still, he is looking for lower price-point brands for his teams and himself. His high school soccer players predominantly wear Nike shorts and Asics and [New Balance Athletic Shoe Inc.](#) shoes.

- “When I go into Sports Authority, I haven’t seen any marked change [indicating a marketing shift] in UA women’s, teens and men’s apparel.”
- “The biggest drawback to UA is it’s expensive. We get 15% off coupons at Sports Authority; it includes Nike and everything else, but excludes UA gear.”
- “Because it’s a UA school, we use Under Armour for primary uniforms, but the downside is it’s too expensive.”
- “I love the UA products, but I’m getting pushback from parents about their contributions.”
- “I keep telling the girls that UA gear lasts and is comfortable. But in most cases, the majority come in with Nike shorts, even though I’m pushing UA.”
- “I’m trying to find stuff with no brand name for practice gear.”
- “I don’t know if people are switching from Nike to UA. I know we’ve had a problem with getting Nike orders on time for the competitive soccer clubs. Nike has not been able to fulfill the orders; it was worse this year than last. I don’t know if it’s the distributor we go through or specific to Nike.”
- “I have a UA parka that is probably better than Nike. And I like UA mock-turtlenecks better, but they’re \$50. I just paid \$14.99 for a nonbrand mock-turtleneck. It’s the same color as my UA one, and it’s just as warm.”
- “UA shoes are as comfortable as anything—like slippers. What I see the girls wearing for running are Asics, New Balance, a few Adidas, a couple Nike. But mostly Asics and New Balance.”

I keep telling the girls that UA gear lasts and is comfortable. But in most cases, the majority come in with Nike shorts, even though I’m pushing UA.

*Soccer Coach
Southern California*

➤ 24 Hour Fitness manager, Southern California; repeat source

This source has not seen an increase in people wearing Under Armour, and still believes UA apparel is too tight and geared toward athletes. Teens tend to wear school or team clothes and nonbranded apparel. Women carry Lululemon bags and wear the clothes, but they also wear nonbranded apparel. He sees mostly Nike shoes, but minimalist shoes are becoming more popular.

- “I have not seen any [UA] advertising that would indicate they are trying something different.”

Under Armour Inc.

- “The teens who are in this gym usually wear their high school gear. If they are athletes, they’ll wear their team stuff—football, basketball. They wear loose gym clothing, not necessarily anything branded.”
- “We offer yoga classes. I do see a lot of women carrying Lululemon bags, so I’d assume they wear the apparel too. There have been no significant changes in what women are wearing during the last three months.”
- “As far as men go, our crowd is a lot of military. It’s a mix. The more athletic guys will wear UA, but not your average gym enthusiast.”
- “People in their 30s aren’t interested in working out really hard. They’re interested in overall fitness. UA is viewed as a sports-specific brand. The clients I train might have Nike or Adidas pants and a regular T-shirt.”
- “The shoe trend I’ve noticed here are people wearing the funky, toed shoes. More people are wearing those.”

➤ Employee at a popular gym in Chicago

This source along with a source at a sister club said UA’s presence has not increased in the last six months and its expansion efforts are not working. For apparel, men wear UA while women prefer Lululemon. Members wear Nike and Adidas shoes.

- “I have not seen any increase in anyone wearing Under Armour, so I don’t think their expansion efforts are really working. I don’t see anyone new wearing it in the club. It is the same members.”
- “Compared to six months ago, I am seeing the same amount of UA.”
- “I see members wear Under Armour, and it is usually men. They wear their shirts and shorts.”
- “I see members wearing some Nike and some Adidas. No brand specifically stands out with the men.”
- “Lots of our women members wear Lululemon. It is the brand I see most women wear at the club if they are wearing name brand stuff to work out in.”
- “I don’t see very much UA in the club, and I have not seen a spike in it since the summer.”
- “For shoes I see a lot of Nikes, especially with the younger, more stylish clients.”
- “People are wearing more of the moisture-wick material to work out in compared to a few months ago.”

➤ Cross-country coach at an Under Armour-sponsored university in Maryland

The team has mixed feelings about Under Armour’s apparel and shoes. The products generally look and feel good but are not considered more comfortable or technologically advanced than other brands. The coach and team members are concerned about inconsistency in the quality and sizing of apparel and shoes as well as the product ordering process. Still, the school is likely to sign another deal with Under Armour in mid-2012.

- “I think it’s a positive image for them to wear Under Armour. That’s what I see from recruits when I tell them we have an Under Armour deal. I think it’s more the branding than anything else.”
- “They like the gear. They like the appearance of it ... the way it fits and feels.”
- “When they’re buying their own stuff, it’s really across the board [in what they buy.] I think it’s almost gotten to the point now where everybody’s stuff is pretty similar. Now, it’s more on looks.”
- “The quality [of UA products] is such a wide range. The sizing and quality vary widely, even in my gear. And I’m talking polo shirts and shorts and shoes. It varies a lot.”
- “My biggest concern with Under Armour is the inconsistency. There will be good products, and there will be products that aren’t the best. And with the sizing, some is true and some is not.”
- “We can order something that is a medium, and we can get a medium warm-up jacket that fits well but we get a medium shirt that doesn’t.”
- “Everything was made in a different place. Some of it was made in China, some in the Philippines, some in Vietnam, some in Sri Lanka.”
- “When we got the rain gear, we were disappointed in it. It wasn’t technical at all.”
- “It takes us so long to get any kind of Under Armour order. I have never seen anything like it. I had to put in an order for custom uniforms for next year; I put it in Oct. 1.”
- “We signed a four-year deal. We get all our gear at 40% off, and we get a certain amount of promotional stuff.”
- “This year is our fourth year in the deal. June 30, I believe, is the end of the deal. I think we’ll probably end up staying with Under Armour.”

My biggest concern with Under Armour is the inconsistency. There will be good products, and there will be products that aren’t the best. And with the sizing, some is true and some is not.

*Cross-country Coach
Under Armour-sponsored University
Maryland*

Under Armour Inc.

- “We haven’t seen the Charged Cotton yet. That was sort of a big thing last spring when Under Armour said they were coming out with Charged Cotton. We really haven’t seen it yet.”
- “I have tried the [Charge RC](#) shoes. Again, it’s a mixed bag on that. My track girls like them.”
- “Let’s just say the [Under Armour] shoes are still in the developmental stage. All my girls have one pair of Under Armour shoes. That’s for photos and travel. And for actually training, we buy whatever they want. ... For training, very few of them wear Under Armour [shoes]. Some of them say they’re comfortable.”
- “I haven’t done a lot of running in [Under Armour’s] shoes. I just wear them because I’m mandated to, at meets and at practice. And the sides split out on the shoe. I can’t even tell you what model they are. I don’t think they’re the Charge RC. They are new this year.”
- “I’ve had these for just over two months, and I’m having trouble with them.”
- “Among my distance girls, Asics is the No. 1 brand.”

5) APPAREL INDUSTRY SPECIALISTS

These three sources expect UA’s growth in the women’s sports apparel category to continue and for the brand’s sales and popularity to increase through the holiday shopping season. Brand strengths include superior technology, sophisticated styling, generous fit, sponsorship of female sports, and inoffensive advertising to women. Charged Cotton and Charged Cotton Storm Fleece products have been well-received. Sources were mixed on UA’s appeal to teens and men younger than 35. One source said UA will be challenged to disrupt the trend of teens migrating to Nike during high school. UA will have opportunities to expand into department stores’ lingerie sections. Its competitors in the women’s market include Lululemon and Gap’s Athleta.

➤ Owner/president of a textile company that designs, manufactures and sells women’s sportswear; repeat source

UA continues to successfully market and promote athletic sportswear to women. Its designs are sophisticated yet functional, and it uses fabrics that function well for all sports. The source expects UA sales to increase in the coming months but added that the season is typically good for retailers. He could not comment on UA inventory or share.

- “I can’t speak to the men’s side of sportswear, but UA has done a good job of promoting and designing product lines on the women’s side. It is what I would call ‘sophisticated basic.’ I really like their stuff. ... They have done a good job of using performance technology in their fabrics so that the garments appeal to the serious athlete and the athletically-minded.”
- “We see and hear more about Lululemon than Under Armour. But I think UA’s popularity will increase in the next three to six months because it is a good time for retailers in general.”
- “They have good visibility. I see them in both department stores and as stores in shopping malls so that suggests a strong relationship to sales. I have no information or sense of inventory.”
- “Lululemon continues to impress and expand. The Gap is making a strong push into athletic apparel through Athleta. Although they have been discounting heavily on all of their other brands such as Old Navy and Gap, there has been no discounting of the Athleta brand. This suggests to me that they expect strong sales for women’s fitness apparel in the next several months.”

UA has done a good job of promoting and designing product lines on the women’s side. It is what I would call ‘sophisticated basic.’

Owner/President, Textile Company

We see and hear more about Lululemon than Under Armour. But I think UA’s popularity will increase in the next three to six months because it is a good time for retailers in general.

Owner/president, Textile Company

➤ Sports goods market analyst, repeat source

Under Armour’s Charged Cotton and Charged Cotton Storm Fleece products have been well-received. Running footwear in general is experiencing a surge in popularity; sales in November were up 70%, following a 35% sales increase for the third quarter. In women’s apparel, UA holds 10.8% share, a 0.4% increase year to year. UA has more room to grow with women than with men and children.

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- “I think in footwear the upside is for both [men and women]. For apparel, the opportunity is much greater in women’s. Overall in apparel, Under Armour has about a 12% market share in all genders. In women’s apparel, they have a 10.8% share. That’s up from 10.4% for the same period a year ago.”
- “Women’s is at 10.8% versus all genders at 12%-plus; that’s where the biggest opportunity is.”
- “I think they’ll grow their women’s business faster than their men’s business. I don’t know if they’re going to make up this margin gap in a couple quarters. It’ll take longer than that.”
- “Retailers are very happy with the brand right now. The Charged Cotton product did better than expected, and the Storm Fleece has been very successful.”
- “There were certainly some quality issues on [UA] footwear early, but I believe they have cleaned up a lot of that. I am not hearing that from retailers now.”
- “The sales [for Charge RC] have been good. It’s certainly limited in its presence in retailers right now. Their other styles have done much better than Charge RC.”
- “I think [the ‘Are You From Here’ basketball [campaign](#)] is as much a branding story. They have athletes they’re paying money to, so they want to try to leverage that. They have not made much of an imprint in basketball.”
- “In basketball apparel, it’s been one of the smaller categories because they haven’t had much of a presence in shoes. Their trend is in line with the industry. They have not made a big play there. And their market share in basketball apparel is only six percent.”
- “That category is really dominated by the Jordan brand and Nike. Between the two of them, they control 95% of the market.”
- “They have had a nice result in running footwear. For November, their sales were up about 70%. It’s important to note their market share in running footwear is only 1.1%. It’s still pretty tiny but a nice growth that was on top of third-quarter growth of 35%.”
- “I think their plan to hit \$2 billion in sales is very achievable. They’re rapidly expanding on retail, are getting into more categories—men’s underwear is an example in which they’re expanding into department stores—and they have a very good trend in retail right now in footwear and apparel.”
- “They still have work to do on the women’s side. My impression ... is that the teen kid switches from Under Armour to Nike. The middle-school kid is all over Under Armour. He switches to Nike when he gets to high school and college, and then it’s an older consumer who’s back in Under Armour.”
- “Under Armour has 16.4% market share in kids’ apparel. Of the three ‘genders’—what we call it in the industry—among men’s, women’s and kids’, they’re most popular in kids.”
- “The rate of growth of their own retail will likely slow. The ability to find the proper retail locations will become tougher and tougher for them.”
- “Over the last couple of years, Nike has come in, particularly to Dick’s Sporting Goods and built shops within shops. Now, Under Armour is attacking that same front.”
- “They’re just in the beginning stages of rolling that out. That could be a growth vehicle for them the next couple of years.”
- “This dedicated space is very key for Under Armour. In order to keep the ball rolling, they have to get more space. If they have dedicated 200 square feet, then maybe it needs to be 300 in a couple years to keep the engine burning.”

The middle-school kid is all over Under Armour. He switches to Nike when he gets to high school and college, and then it’s an older consumer who’s back in Under Armour.

Sports Goods Market Analyst

► Principal of a women’s adventure and sporting event firm

UA continues to grow in popularity among female athletes, especially at the high school level. The garments’ strong appeal over other brands stems from clothing styles that offer a more generous fit and accommodate women of all sizes. This source praised the high-end performance technology used in UA’s Charged Cotton products. UA, more than any other brand, supports teenage women both as individual athletes and through sponsoring high school sporting events/leagues. UA also appears to highlight the pure athleticism of women in its advertising.

- “I think in general the brand is of interest to women. The women’s stuff they make fits better than other brands. It fits better than Nike and Adidas.”
- “They have a more respectful way of portraying women in ads and at sporting events. I am more comfortable with the way the company promotes the brand. Their portrayals are not sexual, and you don’t find the women in

Under Armour Inc.

the ads in compromising position. They are never just standing there, wearing the active-wear but with an emphasis on sexuality or physical beauty. Nike, for example, has published some very objectionable ads.”

- “UA has made a strong effort to support and sponsor women’s teams at the college level. They also sponsor and support female triathletes and women’s soccer teams and use the events as a way to give teenage girls a role model.”
- “They have done well in the base layer category rather than focusing on the outer layer. The garments fit against the skin in a way that will wick away the moisture but retain heat. Their Charged Cotton garments for women are more appealing to women as opposed to some of the other brands. It’s a very generous fit.”
- “The garments maintain their integrity over time and after washing. The brand holds up well. Yes, it may be more expensive, but it also will last longer. The UA brand is closer to the very high-end premium garments than to the Champion brand.”
- “I do believe their sales will increase in the next few months in part because the women’s sportswear category tends to sell well over the Christmas holiday.”

Secondary Sources

A review of websites and publications covering the sports apparel industry revealed that Northwestern University’s 19 NCAA sports now will be outfitted with UA gear. Also, the NBA will allow UA to showcase its footwear on its endorsers while in uniform. UA will be sponsoring the Tough Mudder series of endurance events, and is expanding its Baltimore headquarters. Women’s Wear Daily credited UA’s “[laser focus on athletes](#)” as the reason for the company’s success.

➤ Dec. 17 Yahoo.com news article

Northwestern University has become the first Big 10 member to be sponsored by UA. This brings the total number of colleges and universities sponsored by the company to nine.

<http://news.yahoo.com/under-armour-northwestern-university-athletics-form-multiyear-partnership-160222370.html>

- “Northwestern University and Under Armour, Inc. today announced a new multiyear partnership that designates Under Armour as the official outfitter of the university’s athletic program. The partnership represents Under Armour’s first outfitter agreement with an athletic program that competes in the Big Ten Conference.”
- “Under Armour’s first partnership with an athletic program in the distinguished Big Ten Conference extends the brand’s commitment to growing its on-field presence and showcasing its products at the highest levels of athletic competition. The brand currently outfits Division I varsity collegiate sports teams in the SEC, ACC, Big East, Pac 12 and the Big 12.”

➤ Dec. 13 NBA.com news release

The NBA will allow UA to showcase its basketball footwear products while its endorsers are in their NBA uniforms. The partnership also calls for the NBA and UA to refurbish basketball courts in local communities.

<http://www.nba.com/2011/news/12/13/ua-release/index.html>

- “Partnering with the NBA allows us to showcase our innovative basketball footwear and roster of young, talented players through a platform that represents the pinnacle of the sport,” said Matt Mirchin, Senior Vice President, Global Sports Marketing, Under Armour. “We share a passion with the NBA to help young basketball players get better, and our joint court refurbishment program will create more access to functional basketball courts where the next generation can hone their skills.”
- “An additional aspect of this new multiyear partnership is Under Armour’s commitment to refurbish five basketball courts in local communities. Through this refurbishment initiative, Under Armour will be able to reach the broad and passionate fan base of the NBA by supporting the game of basketball at a grassroots level. The court refurbishments will be undertaken with NBA FIT as part of the NBA Cares Community Caravan. Under Armour plans to refurbish an additional five basketball courts throughout the year.”

➤ Dec. 5 Baltimore Business Journal article

Under Armour signed another sponsorship deal with an endurance event program call Tough Mudder. Tough Mudder attracted more than 150,000 participants in 2011, and has 32 events planned for 2012.

<http://www.bizjournals.com/baltimore/news/2011/12/05/under-armour-signs-deal-with-tough.html>

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- “Founded in the fall of 2009 by a Harvard MBA student, Tough Mudder sends runners on a 12-mile course that features freezing water, barbed wire, a fire pit and live electric wires, among other obstacles. Last year, the series attracted approximately 150,000 participants. For 2012, the series has grown to 32 events, including stops in Squaw Valley, Calif.; Sydney, Australia; and Tokyo”
- “Tough Mudder and Under Armour also will launch a co-branded training program for the events in 2012. The details of that program have not been decided.”
- “Dan Weinberg, sponsorship director for Tough Mudder, said the series was in discussions with Reebok as well as Under Armour for the category. ‘It’s hugely important and will help with the credibility factor,’ Weinberg said.”

► Dec. 8 *Baltimore Business Journal* article

Under Armour received approval from Baltimore’s Urban Design and Architecture Review Panel for its headquarter expansion plans of 400,000 square feet. All that remains is approval by the Baltimore city council itself.

<http://www.bizjournals.com/baltimore/news/2011/12/08/UnderArmour.html>

- “Under Armour Inc. plan to expand its Tide Point campus in South Baltimore by 400,000 square feet, starting with a 20,000-square-foot retail store it hopes to open in 2013, has taken another step forward.”
- “Baltimore’s Urban Design and Architecture Review Panel voted Thursday to approve a proposed restructuring of Under Armour’s so-called planned unit development for the waterfront property. The designation gives developers the ability to build more than what ordinary city zoning allows.”

► Dec. 1 *Women’s Wear Daily* report

This special report credited Under Armour’s recent \$1 billion in sales to its “unrelenting focus on innovation.”

<http://www.wwd.com/markets-news/markets-features/under-armour-scores-1-billion-in-sales-through-laser-focus-on-athletes-5402930> (Subscription required)

- “In his letter to shareholders in the 2010 annual report, Plank writes: ‘When we first brought the idea of moisture-wicking compression apparel to the market in 1996, our goal was to make athletes rethink expectations for their apparel.’”
- “For Plank, that’s one of the keys to Under Armour’s success. ‘Our mission statement is to make athletes better,’ he said. ‘Brands are about trust and being honest with consumer expectations.’”
- “With sales now exceeding that number [\$1 billion], Plank said Under Armour is embarking on “another chapter of growth.” He has said publicly that he expects sales to double by 2013 and surrounds himself with those who have no doubt the company can attain that goal.
- “This unrelenting focus on innovation is perhaps the most important element of the company’s goal ‘of becoming the athletic brand of this generation,’ according to Plank’s letter to shareholders. Fulks has a road map in his head on how to get there.”
- “The company dresses professional and collegiate teams and is the official outfitter of Auburn University, Boston College, Texas Tech University, the University of Maryland and others. Since 2006, it has been the official supplier of footwear to the NFL, an association that has since expanded into gloves and will include training apparel next year. It also supplies performance footwear to Major League Baseball. Internationally, the company dresses the Hannover 96 soccer club and the Welsh Rugby Union. It also sponsors high-profile athletes including skier Lindsey Vonn, football player Tom Brady, Ironman triathlete Chris McCormack, swimmer Michael Phelps and golfer Hunter Mahan.”

Next Steps

Blueshift will continue to monitor Under Armour’s efforts to broaden its demographic to include women and teens, and will assess the company’s success at expanding its retail floor space in sporting goods stores and department stores. We will research how UA’s premium pricing structure may affect sales growth and how higher material and production costs in Asia may affect the company’s margins.

Under Armour Inc.

Additional research by Carolyn Marshall, Dann Mauro, Erica Franklin, Kyle Stack, Lindsay Gadsby and Tina Strasser

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