Austin Holmes

Under Armour, Inc.

**Under Armour decided, after taking a 74 percent market share of the performance apparel industry, to enter the much larger running shoe market valued at upwards of $3.2 billion. In the first year, sales were slow in Under Armour’s new footwear division but grew by 60% the following year (Palmisano).**

**With an initial foray into the athletic shoe industry with football cleats, then baseball and softball cleats, Under Armour was able to establish itself as a player in the industry, capturing 20% and 11% of the markets, respectively (Gregory).**

Under Armour’s next undertaking was the cross-trainer-style athletic shoe. This was a much more competitive environment and included a much larger payoff if Under Armour could make it work. **To help make it work, Kevin Plank and the other directors brought Gene McCarthy to the mix as Senior Vice President of Footwear. This addition brought in a major knowledge base in the footwear industry with McCarthy having experience from Timberland as their President of the Authentic Youth Division and Group Vice President of Product and Design. Further, McCarthy served as Senior Vice President of Product and Design for Reebok International and in a variety of capacities for Nike, including Global Director of Sales and Retail Marketing for Brand Jordan (UABiz).** He seemed like just the individual to make this new venture a promising stream of new revenue and profit for the young organization.

**Competition from the Swoosh**

**Under Armour started off with the vision, “To be the World’s No. 1 Performance Athletic Brand.” In each new product offering they’ve ventured into, Under Armour experienced resistance with much of the pressure coming from Phil Knight’s company, Nike, Inc (Booen)**. Even while looking at Under Armour’s stock price, a Nike advertisement is likely to be seen (Yahoo!). **Nike beat Under Armour to the punch with the release of their own series of cross-trainers, which they had previously backed away from. Under Armour was not discouraged and CEO Plank came back with, “What makes Under Armour special is the fact that we don't make a bunch of crap for the mass market,” (Gregory).**

**Maintaining Relationships**

**While it gave him success in the past, Plank would have to rely on more than friendships with college football buddies for this new expansion (Palmisano).** Getting the space in the stores was critical for Under Armour and with two accounts--Dick’s Sporting Goods and The Sports Authority--making up for the over a quarter of their sales. It was a critical fight to get their support (10K). The record of quality both in product and service would play a major part in the continuance of the relationship between the sales accounts and Under Armour.

According to Under Armour’s annual SEC filing, “The independent and specialty retailers are serviced by a combination of in-house sales personnel and third-party commissioned manufacturer’s representatives and continue to represent an important part of our product distribution strategy and help build on the authenticity of our products. Our independent sales include sales to military specialists, fitness specialists, outdoor retailers and other specialty channels,” (10K). So beyond the high-level corporate selling to major chains, individuals must make the effort to create and maintain the rest of Under Armour’s business outlets in the wholesale side of their business.

**Help From SAP through Advanced Planning & Optimization(APO)**

One key step in being able to sell your product effectively is distribution and inventory control mechanisms. **Under Armour, in its quest to become number one, sought out the help of SAP (System Analysis and Program Development) to implement a sales forecasting system to make their sales efforts more effective. Kimberly Slinger, the demand planning analyst said, “In 2006, we really missed sales. The product was hot. People wanted it. And we didn't have it on hand to deliver. So in 2007, we purposefully raised the inventory levels and said, "How high is high? What can we do?" And then I think we had to draw it back. In 2008, we had to get it back on track because you can see the inventory was just growing. It wasn't turning as fast as we would have liked,” (Booen).**

The implementation of APO ran along roughly the same timeline as the release of Under Armour’s cross-trainers, its first major footwear product. This system is helping reduce the chance of another inventory mishap like those in 2006 and 2007.

*Net revenues by product category* are summarized below:

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|   |    | **Year Ended December 31,** |   |
|   |    | **2009** |   |    | **2008** |   |    | **$ Change** |   |    | **% Change** |   |
| ***(In thousands)*** |    |   |   |    |   |   |    |   |   |    |   |   |
| Apparel |    | $ | 651,779 |    |    | $ | 578,887 |    |    | $ | 72,892 |    |    |   | 12.6 | %  |
| Footwear |    |   | 136,224 |    |    |   | 84,848 |    |    |   | 51,376 |    |    |   | 60.6 |    |
| Accessories |    |   | 35,077 |    |    |   | 31,547 |    |    |   | 3,530 |    |    |   | 11.2 |    |
|  |    |   |   |   |    |   |   |   |    |   |   |   |    |   |   |   |
| Total net sales |    |   | 823,080 |    |    |   | 695,282 |    |    |   | 127,798 |    |    |   | 18.4 |    |
| License revenues |    |   | 33,331 |    |    |   | 29,962 |    |    |   | 3,369 |    |    |   | 11.2 |    |
|  |    |   |   |   |    |   |   |   |    |   |   |   |    |   |   |   |
| Total net revenues |    | $ | 856,411 |    |    | $ | 725,244 |    |    | $ | 131,167 |    |    |   | 18.1 | %  |
|  |    |   |   |   |    |   |   |   |    |   |   |   |    |   |   |   |

*Net revenues by product category* are summarized below:

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|   |    | **Year Ended December 31,** |   |
|   |    | **2010** |   |    | **2009** |   |    | **$ Change** |   |   | **% Change** |   |
| ***(In thousands)*** |    |   |   |    |   |   |    |   |   |   |   |   |
| Apparel |    | $ | 853,493 |    |    | $ | 651,779 |    |    | $ | 201,714 |    |   |   | 30.9 | %  |
| Footwear |    |   | 127,175 |    |    |   | 136,224 |    |    |   | (9,049 | )  |   |   | (6.6 | )  |
| Accessories |    |   | 43,882 |    |    |   | 35,077 |    |    |   | 8,805 |    |   |   | 25.1 |    |
|  |    |   |   |   |    |   |   |   |    |   |   |   |   |   |   |   |
| Total net sales |    |   | 1,024,550 |    |    |   | 823,080 |    |    |   | 201,470 |    |   |   | 24.5 |    |
| License revenues |    |   | 39,377 |    |    |   | 33,331 |    |    |   | 6,046 |    |   |   | 18.1 |    |
|  |    |   |   |   |    |   |   |   |    |   |   |   |   |   |   |   |
| Total net revenues |    | $ | 1,063,927 |    |    | $ | 856,411 |    |    | $ | 207,516 |    |   |   | 24.2 | %  |
|  |    |   |   |   |    |   |   |   |    |   |   |   |   |   |   |   |

Wiki Invest

<http://www.wikinvest.com/images/thumb/e/e7/Footwear_market_shares.PNG/400px-Footwear_market_shares.PNG>

[http://www.wikinvest.com/stock/Under\_Armour\_(UA)](http://www.wikinvest.com/stock/Under_Armour_%28UA%29)

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| **Financial Highlights** |  |

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| **Fiscal Year** |
| Fiscal Year Ends: | Dec 31 |
| Most Recent Quarter (mrq): | Dec 31, 2010 |

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| **Profitability** |
| Profit Margin (ttm): | 6.44% |
| Operating Margin (ttm): | 10.56% |

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| **Management Effectiveness** |
| Return on Assets (ttm): | 11.50% |
| Return on Equity (ttm): | 15.27% |

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| **Income Statement** |
| Revenue (ttm): | 1.06B |
| Revenue Per Share (ttm): | 21.12 |
| Qtrly Revenue Growth (yoy): | 35.50% |
| Gross Profit (ttm): | 530.51M |
| EBITDA (ttm): | 143.68M |
| Net Income Avl to Common (ttm): | 67.93M |
| Diluted EPS (ttm): | 1.34 |
| Qtrly Earnings Growth (yoy): | 51.00% |

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| **Balance Sheet** |
| Total Cash (mrq): | 203.87M |
| Total Cash Per Share (mrq): | 3.98 |
| Total Debt (mrq): | 15.94M |
| Total Debt/Equity (mrq): | 3.21 |
| Current Ratio (mrq): | 3.73 |
| Book Value Per Share (mrq): | 9.71 |

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| **Cash Flow Statement** |
| Operating Cash Flow (ttm): | 50.11M |
| Levered Free Cash Flow (ttm): | 10.04M |

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<http://finance.yahoo.com/q/ks?s=UA+Key+Statistics>

HERES MY SOURCES FOR REFERENCE

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HERES SOME OF MY SOURCES FOR REFERENCE

So Under Armour, which owns 74 percent of the market share in the performance apparel category, defiantly soldiers on. And despite severe economic turmoil and slumping retail sales, Under Armour broke into the running shoe category at the end of January, a niche that Plank described as "a $5 billion market versus the $300 million markets we've been entering before." Though McGee characterized it as a $3.2 billion market, he noted that even if Under Armour is able to lock in one percent, the payoff would be "huge."

Of course, this is a big "if." While fourth-quarter numbers for 2008 came in at $179.3 million in net revenue for an increase of 2.5 percent over the previous year, it still represented disappointing growth as the entire sports retail environment continues to reign in spending during the present economic downturn. Still, Plank's confidence stems from the business relationship he says that Under Armour maintains with its distributors.

Modell's Sporting Goods recently unveiled a large billboard in Times Square to promote the launch of Under Armour's new running shoe, a move that **Rich Lampmann**, director of promotions and PR, admits is hardly standard protocol.

"It's definitely above and beyond what we normally do," he says. "It's still very early to tell where it's going, but we're very positive. We've put a lot behind it and we feel Under Armour will be successful in what they do."

The economy will remain the great equalizer into the foreseeable future. And with Under Armour's running shoes projected to sell between $80 and $120, the question remains whether parents will shell out the big bucks to keep junior on top of his game as disposable incomes shrink.

"Hard to say," McGee says. "There's just a lot of entrenched running brands who have spent a lot of money and have niche audiences with hardcore runners."

In the end, however, Under Armour built its reputation on the strong foundation of the relationships it has made. And relationships might be the last thing that holds. Speaking in the context of the company's new running shoe, Plank seems to think it's still enough.

"Not too many companies out there with north of 93 percent of their business based in the United States can look at launching into a category that'll be a 100 percent allocated, where we have commitments that'll actually be sold for us," he says.

<http://sportsillustrated.cnn.com/2009/more/04/09/under.armour/1.html>

*Footwear*

We began offering footwear for men, women and youth in 2006, and each year we have expanded our footwear offerings. Our footwear offerings include football, baseball, lacrosse, softball and soccer cleats, slides, performance training footwear, running footwear and basketball footwear. Our footwear is light, breathable and built with performance attributes for athletes. Our footwear is designed with innovative technologies which provide stabilization, directional cushioning and moisture management engineered to maximize the athlete’s comfort and control. During 2010, we introduced basketball footwear, which had a limited introduction in the United States and Canada.

*Sports Marketing*

Our marketing and promotion strategy begins with selling our products to high-performing athletes and teams on the high school, collegiate and professional levels. We execute this strategy through outfittingagreements, professional and collegiate sponsorships, individual athlete agreements and by selling our products directly to team equipment managers and to individual athletes. As a result, our products are seen on the field, giving them exposure to various consumer audiences through the internet, television, magazines and live at sporting events. This exposure to consumers helps us establish on-field authenticity as consumers can see our products being worn by high-performing athletes. We are the official outfitter of the athletic teams at Auburn University (the 2011 BCS National Champions), Boston College, Texas Tech University, the University of Maryland, the University of South Carolina and the University of South Florida. We are the official outfitter of numerous other teams, including the football teams at the University of Hawaii and the University of Utah. We supply uniforms, sideline apparel and fan gear for these teams. In addition, we sell our products domestically to professional football teams and Division I men’s and women’s collegiate athletic teams. Since 2006 we have been an official supplier of footwear to the National Football League (“NFL”), a step we took to complete the circle of authenticity from the Friday night lights of high school to Saturday afternoon college game day to the marquee Sunday match-ups of the NFL. In 2010 we signed an agreement to become an official supplier of gloves to the NFL beginning in 2011 and combine training apparel beginning in 2012. This relationship enables NFL players to wear Under Armour products on the field and at the combine and enables Under Armour to reach fans at the highest level of competitive football.

We also have sponsorship agreements with individual athletes. Our strategy is to find the next generation of stars, like Milwaukee Bucks point guard Brandon Jennings, U.S. professional skier and Olympic gold medal winner Lindsey Vonn, professional lacrosse player Paul Rabil, Baltimore Orioles catcher Matthew Wieters, National League Rookie of the Year and World Series Champion Buster Posey, UFC Welterweight Champion Georges St-Pierre and the number one pick in the 2010 Major League Baseball Draft, Bryce Harper of the Washington Nationals. In addition, our roster of athletes includes established stars such as professional football players Tom Brady, Brandon Jacobs, Miles Austin, Vernon Davis and Anquan Boldin, triathlon champion Chris “Macca” McCormack, professional baseball players Ryan Zimmerman and Jose Reyes, U.S. Women’s National Soccer Team players Heather Mitts and Lauren Cheney, U.S. Olympic and professional volleyball player Nicole Branagh, U.S. Olympic swimmer Michael Phelps, and professional golfer Hunter Mahan.

We are the title sponsor of The Under Armour (Baltimore) Marathon and we have a strong brand presence at several other major running events across the country. We are also the title sponsor of The Under Armour All-America Lacrosse Classic, as well as the All-America games in softball and volleyball for elite high school athletes. We believe these relationships create significant on-field product and brand exposure that contributes to our on-field authenticity.

*Retail Marketing and Product Presentation*

The primary component of our retail marketing strategy is to increase and brand floor space dedicated to our products within our major retail accounts. The design and funding of Under Armour concept shops within our major retail accounts has been a key initiative for securing prime floor space, educating the consumer and creating an exciting environment for the consumer to experience our brand. Under Armour concept shops enhance our brand’s presentation within our major retail accounts with a shop-in-shop approach, using dedicated floor space exclusively for our products, including flooring, lighting, walls, displays and images.

Across our many retailers, factory house and specialty stores we also use in-store fixtures and displays that highlight our logo and have a performance-oriented, athletic look. We believe our in-store fixtures and displays, including our life-size athlete mannequins, are exciting and unique. These displays provide an easily identifiable place for consumers to look for our products and are intended to reinforce the message that our brand is distinct from our competitors. We work with our retailers to establish optimal placement for our products and to have the brand represented in the many departments of our large national or regional retail chains.

*Wholesale Distribution*

In 2010, 73% of our net revenues were generated from wholesale distribution. Our principal customers located in the United States include national and regional retail chains such as, in alphabetical order, Academy Sports and Outdoors, Dick’s Sporting Goods, Hibbett Sporting Goods, Modell’s Sporting Goods, and The Sports Authority; hunting and fishing, mountain sports and outdoor retailers such as Bass Pro Shops and Cabela’s; and The Army and Air Force Exchange Service. Our principal customers located in Canada include national retail chains such as Sportchek International and Sportman International. In 2010, our two largest customers were, in alphabetical order, Dick’s Sporting Goods and The Sports Authority. These two customers accounted for a total of 27% of our net revenues in 2010, and one of these customers individually accounted for at least 10% of our net revenues in 2010.

In 2010, approximately 75% of our wholesale distribution was derived from large format national and regional retail chains. Additional wholesale distribution in 2010 was derived from independent and specialty retailers, institutional athletic departments, leagues and teams. The independent and specialty retailers are serviced by a combination of in-house sales personnel and third-party commissioned manufacturer’s representatives and continue to represent an important part of our product distribution strategy and help build on the authenticity of our products. Our independent sales include sales to military specialists, fitness specialists, outdoor retailers and other specialty channels. With the launch of our footwear, we expanded our distribution at the mall through national footwear retailers including Finish Line and Foot Locker.

**Product Design and Development**

Our products are manufactured with technical fabrications produced by third parties and developed in collaboration with our product development team. This approach enables us to select and create superior, technically advanced fabrics, produced to our specifications, while focusing our product development efforts on design, fit, climate and product end use.

We seek to regularly upgrade and improve our products with the latest in innovative technology while broadening our product offerings. Our goal, to deliver superior performance in all our products, provides our developers and licensees with a clear, overarching direction for the brand and helps them identify new opportunities to create performance products that meet the changing needs of athletes. We design products with “visible technology,” utilizing color, texture and fabrication to enhance our customers’ perception and understanding of product use and benefits.

Our product development team has significant prior industry experience at leading fabric and other raw material suppliers and branded athletic apparel and footwear companies throughout the world. This team works closely with our sports marketing and sales teams as well as professional and collegiate athletes to identify product trends and determine market needs. For example, these teams worked closely to identify the opportunity and market for our Catalyst products, which are the cornerstone of the Under Armour Green Collection. The fabrics of the Catalyst products are made from recycled plastic bottles and, like many of our products, are designed to keep an athlete cool and dry and protected from the sun’s harmful rays.

**If the financial condition of our retail customers declines, our financial condition and results of operations could be adversely impacted.**

We extend credit to our customers based on an assessment of a customer’s financial condition, generally without requiring collateral. We face increased risk of order reduction or cancellation when dealing with financially ailing customers or customers struggling with economic uncertainty. A slowing economy in our key markets or a continued decline in consumer purchases of sporting goods generally could have an adverse effect on the financial health of our retail customers, which could in turn have an adverse effect on our sales, our ability to collect on receivables and our financial condition.

**A decline in sales to, or the loss of, one or more of our key customers could result in a material loss of net revenues and negatively impact our prospects for growth.**

In 2010, approximately 27% of our net revenues were generated from sales to our two largest customers in alphabetical order, Dick’s Sporting Goods and The Sports Authority. We currently do not enter into long term sales contracts with these or our other key customers, relying instead on our relationships with these customers and on our position in the marketplace. As a result, we face the risk that one or more of these key customers may not increase their business with us as we expect, or may significantly decrease their business with us or terminate their relationship with us. The failure to increase our sales to these customers as we anticipate would have a negative impact on our growth prospects and any decrease or loss of these key customers’ business could result in a material decrease in our net revenues and net income.

 <http://sec.gov/Archives/edgar/data/1336917/000119312511044799/d10k.htm>

The Under Armour success story, like many others, all started with a vision: “To be the world’s No. 1 Performance Athletic Brand.” Although that particular goal may have seemed a bit ambitious back in 1996 when Under Armour’s only customer was the Georgia Tech football team, the UA execs never lost sight of that vision. Under Armour was able to grow from a $17,000 company run out of founder Kevin Plank’s basement in 1996 into what it is today, which is a multinational, leading sportswear provider. [**Nike might have something to say**](http://www.supplychaindigital.com/industry-focus/supply-chain/just-do-it-nike-supply-chain-swooshes-around-globe-and-back)about Under Armour claiming to be the top athletic brand. If nothing else Under Armour is on Nike founder Phil Knight’s radar.

The Under Armour brand grew mostly by word of mouth, but it caught a major break when it was featured in Oliver Stone’s football movie “Any Given Sunday.” Plank introduced Under Armour to the world by strategically planning a full-spread advertisement in ESPN the Magazine to coincide perfectly with the release of “Any Given Sunday.” Those two adverts helped Under Armour net close to $750,000 in sales alone. I can’t help but smile knowing that the Under Armour brand exploded onto the US scene only after we saw Jamie Foxx footballing it up as hot-shot quarterback Willie Beamen. In the film you couldn’t find Beamen unless he was decked out in UA-branded jockstraps, compression shirts and skull caps. It may be the single greatest product placement in cinematic history.

Don’t remember Willie Beemen? We got your back. [**Click here to find out who “Steamin” Willie Beamen**](http://www.youtube.com/watch?v=LBAZCUioicw) was and what he was all about.

Thank you, Jamie Foxx. Anyways back to the point of this article, why you clicked in here in the first place. Under Armour has to have a tight grip on its supply chain. With its headquarters in Baltimore, Maryland and offices in Denver, Hong Kong, Guangdong, Toronto and with distribution out of Japan, Under Armour must successfully manage its sales forecasting and demand planning process. Inventory reduction is the key for any retailer, but when you have aspirations to the be the very best in what you do, then it is absolutely necessary.

**RELATED:** [**SAP, Oracle and Accenture weigh in on Inventory Reduction**](http://www.supplychaindigital.com/magazines/4092/72)

Naturally, Under Armour turned to SAP to help it handle its planning. In May of 2009, Under Armour launched SAP Advanced Planning & Optimization (APO) to help develop sales projections, plan inventory seasons, synchronize strategic financial plans and launch market-shattering new products. The interactive solution from SAP is a planning tool that links all three of Under Armour’s planning departments: Demand Planning, Merch Planning, and Sales Planning.

Speaking at a SAP conference in 2009, Kimberly Slinger, the demand planning analyst in the IT group with Under Armour said: “Why did we choose APO over some of the other forecasting tools out there? I think because we were building a large, scalable business, we needed a tool that would help support that growth. And as the Company grew and we offered more products in more countries via more distribution channels, it was – we just outgrew the legacy system. They were good to us when we were small when we were making five digits instead of five figures.”

***RELATED***: [**Oracle’s Top Tips for Supplier Relationship Management**](http://www.supplychaindigital.com/magazines/4092/50)

Singer leads the APO project and said the benefits from the implementation were seen almost immediately. She noted increased levels in confidence of data, knowledge of functionality, agreement on process and stability of system performance.

“Buying the right product at the right time for the consumer, that's the name of the game, having the right inventory at the right time and -- it's a success for us that in just 30 days, we were able to save about $1.2 million in purchases,” said Slinger.

At the conference Slinger told the story about when Under Armour first needed to come up with a forecasting solution for its apparel.

“In 2006, we really missed sales. The product was hot. People wanted it. And we didn't have it on hand to deliver. So in 2007 we purposefully raised the inventory levels and said, "How high is high? What can we do?" And then I think we had to draw it back. In 2008, we had to get it back on track because you can see the inventory was just growing. It wasn't turning as fast as we would have liked.”

In turn, Under Armour turned to SAP first in 2006 for ERP systems, and then again in 2009 for the APO process.

With implementation of APO, Slinger said, “We're no longer extracting and transforming and maintaining data. Now we're analyzing it. We're adjusting the models and we're addressing the alerts that show us where the big problems are. And we've replaced the manual imports with interfaces, and I think that's one of the huge -- the biggest things that we could have done was really take that maintenance out of the hands of the demand planners and just say, "Okay, come in in the morning, and your data's there. The new styles are showing up. The fact that we changed it from a compression to a training top -- the new data's there, and they can get going on the forecast.’”

Hey, they never said that becoming, “The World’s No. 1 Performance Athletic Brand” was going to be easy and that you wouldn’t run into a few glitches along the way.

<http://www.supplychaindigital.com/tags/erp/under-armour-success-story-how-sap-improved-ua-supply-chain>

A poster hangs over the desk of Kevin Plank, CEO of Under Armour, the red-hot athletic-apparel brand that has joined Nike, Adidas and New Balance as a major player on the market. Under Armour pitchman Eric Ogbogu, a former NFL lineman, is flexing his impressive pecs; underneath him, the tagline reads protect this house.

That slogan has been at the center of the company's marketing campaign, and Under Armour has an equally muscular business: over the past five years, the company's comfy, moisture-wicking shirts and shorts have helped it grow at a blistering 65% annual rate. Under Armour, which had $640 million in sales over the past year, had been scoring on the stock market too, making Plank's shares worth some $1 billion at the peak. But as Plank prepares to move the Under Armour brand out of its comfort zone into the cutthroat, $18.3 billion athletic-footwear market, he is exposing Under Armour's house to a tornado.

You know, one that sounds like a roaring, rollicking Swoosh? Nike, the $18 billion sporting giant, knows a tough competitor when it sees one, and when it sees one, it attacks. So it surprised no one that as Under Armour announced it would try to revive the long-dead cross-training category (which basically describes shoes you can use to run, lift weights, jump rope or channel surf), Nike pounced. The company launched its SPARQ trainers--as the company puts it, kicks built for Speed, Power, Agility, Reaction and Quickness--a month ahead of the May debut of Under Armour's Prototype Trainers.

Nike is trying to relaunch cross-training and deny the space to Under Armour. (The aerobics craze made Reebok, remember.) The Swoosh blitzed the airwaves with SPARQ ads during the NCAA basketball tournament; MY BETTER IS BETTER THAN YOUR BETTER went the tagline. SPARQs retail for $70 to $90, while Under Armour's shoes are in the $80-to-$100 price range.

It's not just marketing. Both Nike and Under Armour are latching onto a new approach to training that's more dynamic than lifting weights and sprinting. At [Nike.com](http://nike.com/) athletes can access drill videos from "SPARQ Master Trainers": You're a basketball player, and you want to improve your quickness? Have your coach drop tennis balls at your feet, and catch them before they bounce above your knees. Under Armour will also post cross-training drills on its site this summer. "Nike is going after them with a vengeance," says John Shanley, an analyst at Susquehanna Financial Group. "They want to make sure the introduction of the cross-trainer is as painful as possible for Under Armour."

So why would Under Armour risk the punishment? The company's apparel business is solid--up 37% in 2007--so Under Armour certainly doesn't need to jump into a new category to grow. "Maybe I'm a little naive as we approach the footwear market," says Plank, a former University of Maryland football player who started the company in his grandmother's basement more than a decade ago. "Maybe we don't recognize the fact that we're walking on a tightrope on the 55th floor. But the fact of the matter is, it feels right. And that's what brands are."

The stock market doesn't feel that way. In January, when Under Armour announced heavy marketing costs, including a $4.4 million Super Bowl ad for the launch of the training shoe, its stock dropped 33%, to $28.80 a share, over a two-day period. Under Armour also announced that $28 million in first-quarter marketing expenses, an increase of 103%, helped send profits down 71% for that quarter.

Throughout Under Armour's history, Plank has relished fighting the doubters. It's in his DNA: when describing his playing style at Maryland, the 5-ft. 11-in., 210-lb. (1.8 m, 95 kg) walk-on says, "I put my head down and hit you. That was my gig." He still has a locker-room mouth--"We give a s\_\_\_ about what we do every day"--and rarely minces words. "What makes Under Armour special is the fact that we don't make a bunch of crap for the mass market," he says.

As a strategist, though, Plank is more brains than brash. Many analysts admire his approach to expanding his brand. Under Armour could have jumped right into one of the two biggest sports-footwear categories--running and basketball--to try to steal share from Nike, Adidas and other Bigfeet. Instead, the company chose a more disciplined approach. Under Armour tested the footwear landscape about two years ago, when it started making American-football cleats. Selling soccer shoes against Adidas and Nike would have been suicidal. Football is a small, specialized market--about $250 million in the U.S. "Our No. 1 goal was authenticating ourselves as a footwear brand," says Plank. "Does the consumer accept putting the Under Armour logo on a shoe?" Yes, as it turns out: Under Armour now has a 20% share in football cleats, according to SportsOneSource, a research firm. Next, Under Armour tried on baseball and softball cleats and grabbed an 11% share in that $200 million market. "If Under Armour is going to become a full-service athletic brand, it has to go after footwear," says Shanley. "And by taking these small steps, they're being smart. They're doing the right thing."

Plus, as Under Armour moves beyond cleats to sneakers with broader appeal, it is picking an ideal entry point: the training-shoe market is ripe for a revival. Nike popularized cross-trainers in the late '80s and early '90s with its famous "Bo Knows" campaign, which depicted the multisport star Bo Jackson playing hoops, football and tennis and weight-lifting in his Nikes. Since that heyday, the sporting life has become more specialized but training more diverse.

Under Armour sees today's young, hyperfocused athletes as "95-5" players, who spend 5% of their time on the playing field of their sport and 95% training for that sport--either by pounding weights, sprinting or doing more high-tech plyometrics, which involves a lot of leaping and side-to-side movements. The company's pitch: During that 95% training time, don't use some dumb running shoe; wear our Prototype. The company is offering three types of sneakers: the Speed Trainer is the lightest, most breathable shoe, designed for athletes who spend the bulk of their time trying to get quicker. The Power Trainer is for the bulky guys; it comes with extra cushioning at the bottom to absorb the downward force of a squat thrust.

Then there's the Evade sneaker for jocks who make more lateral moves in their drills. "The shoe becomes a piece of equipment," insists Raphael Peck, Under Armour's senior vice president and shoe guru. But will young athletes really spend $100 for a shoe to lift weights in? "They're spending $40 on a T shirt," quips Plank, nodding to the premium price that consumers are paying for Under Armour's sweat-sopping gear.

Read more: [http://www.time.com/time/magazine/article/0,9171,1806798-1,00.html#ixzz1K0KRrHjj](http://www.time.com/time/magazine/article/0%2C9171%2C1806798-1%2C00.html#ixzz1K0KRrHjj)Still, at Under Armour's modest bricks-and-mortar headquarters on the Baltimore waterfront, it's pretty much all about the shoes. Plank and Peck are sitting at a table, talking kicks. "People know you're real when you're focused," Peck says, when asked if Under Armour's specialized trainers exclude a swath of potential customers--like weekend warriors and the average Joe who just wants something, anything, for the treadmill. Plank is preaching: The brand has proved itself in apparel and cleats and is ready for the next step. "We've paid our dues," he says. True. But how much will Nike raise the cost of membership?

[This article contains a table. Please see hardcopy of magazine.]

The Prototype Trainer UNDER ARMOUR DAVID VS. BIGFOOT Under Armour is hot, but Nike has the money to kick it into the ground The SPARQ trainer NIKE $640 million Sales\* $17.9 billion $45.5 million Earnings\* $1.8 billion $1.7 billion Market cap\*\* $32.2 billion Ray Lewis Famous endorser LeBron James

\*Past four quarters \*\*As of May 12, 2008

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