Environmental Scan – Under Armour Inc.

How to create value and sustain competitive advantage using the environmental scanning strategy

The environmental scanning strategy is all about acquiring information about a company’s business environment, interpreting it and using it to come up with plans or strategies aimed at improving the current situation of the organization (Rothaermel, 2015). It is imperative that organizations scan the external environment for any changes and forces affecting the organization for them to develop the most appropriate responses in a bid to prevent encountering any surprises, gain a competitive advantage over the other participants in the market and ultimately attain their long-term goals and objectives (Rothaermel, 2015). The value that can be attributed to environmental scanning for any organization is the fact that this strategy enables the organization to reconcile their internal organizational strengths with the opportunities from the environment in order to employ the available resources wisely and from an informed point of view thus helping management plan adequately for the organization’s future (Rothaermel, 2015). Scanning can be regular, continuous or ad-hoc. The most appropriate one is the continuous type because it is only through continuous planning that the organization can notice any slight changes in the environment to make plans toward a change of strategy (Rothaermel, 2015). For this reason, organizations have to make environmental scanning part of their research and development activities for them to enjoy the value derived from the strategy which is largely organizational growth and development (Rothaermel, 2015).

**Under Armour, Inc. External Environment**

Under Armour, Inc. has its headquarters in Maryland with some of its branches located in many of the states across America. It is a manufacturing company that specializes in casual wear, sports, and footwear. It is no doubt that the company is performing well given that it is one of the leading companies in its industry. Its major competitors include Adidas, Nike, and the Columbia Sportswear Company (Armour, 2015). These are the major competitors because they all produce high-quality sportswear and the only way Under Armour Inc. can compete favorably with them is to maintain a clean reputation. They have the largest market share, and it is only a higher or better reputation that can change the loyalty of customers. Under Armourshould, therefore, keep benchmarking to ensure that they are up to date with the latest market information to compete favorably with these companies. The opportunities it has from the environment are the increased participation in sports in markets that are recently emerging which means that the company has a chance to acquire and retain these new clients. Secondly, there is an increase in mobile and electronic commerce utilization which means that the company can take advantage of this by stocking up their online stores, employing more online customer care agents to serve their online clients well. This also means with the current generation having the completely embraced technology; the company has a chance of targeting these online users through online adverts and retaining them as well for company growth. Another opportunity is the growth of the performance apparel industry. Most institutions are encouraging their players to invest in good apparel which means the industry is growing and Under Armour Inc. can take advantage of this to grow their market share. The company also faces and has to deal with some threats from the environment which include the increasing shipping and raw materials costs, the bigger established companies like Nike and Adidas take advantage of their economies of scale to take over the market completely, patent ownership that is limited which makes other companies imitate their products and sell them at lower costs, and lastly, the increase in labor costs which makes talent unaffordable. Despite all these threats, the company can take advantage of its quality strength to counter and overcome them.

**Under Armour, Inc. General Environment**

Under Armour, Inc. is most definitely strategic given their mission, vision, and core competencies. All the measures taken in the organization are aimed at the achievement of the company mission which is ‘to make all athletes better through passion, design and the relentless pursuit of innovation.' This mission is being pursued relentlessly by the fact that the company is working to incorporate technology into its sports apparel for athletes to check their size and body weight through the platforms for digital fitness (Armour, 2015). The company has no vision, but its core competency is innovation. The company specializes in high-performance products that are aimed at maintaining a constant body temperature despite the weather condition the athlete may be operating in. As a result, they have the ‘heatgear,' ‘coldgear’ and ‘all season gear’ (Armour, 2015). One of the key strengths of the company is the steady growth it has exhibited over the years. This means that customers can view it as a reliable company for future contracts. The next strength of the company is the continuous innovation that is evident in all the products the company has been launching, the marketing campaigns that are highly visible, and the endorsements that the brand is associated with. Some of the weaknesses the company has are a failure to establish itself fully in most areas around the world. This is evidenced by the fact that a larger percentage of its profits was from North America in 2013. It also does not manufacture its products but instead, outsources the job to other suppliers. This means it is subject to some disruptions in its supply chain, a factor that can cost it a lot in revenues. Another weakness is that it does not have a FuelBand like its major competitor, Nike.

**Under Armour, Inc. Industry Operating Environment**

To analyze the company’s industry operating environment, Porter’s Five Forces Model is used. There is intense industry rivalry within the company’s industry as it is competing with larger organizations that have more resources (Porter, 2008). This means the threat of substitutes is high given the intense industry rivalry and competition from the bigger and more established companies (Porter, 2008). The supplier's bargaining power is low because the Under Armour has very many suppliers, and this gives them an opportunity to bargain with each of their suppliers and do business with the one that offers the lowest or most affordable price (Porter, 2008). The buyer’s bargaining power and the threat of new entrants can be said to be moderate because there is a need for a lot of capital to penetrate the market and that most of its products are of the best quality and so consumers have no better option which lowers their bargaining power (Porter, 2008).

References

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