

# Under Armour may be evolving into a fitness technology company

February 12 2015, by Lorraine Mirabella, The Baltimore Sun

---

With its latest expansion, sports apparel-maker Under Armour could find itself in the company of Facebook, Pinterest and other well-known online names.

That's because the Baltimore-based brand is on the verge of consolidating an online community that could put it in a league with the biggest social media sites.

As it sprinted past the \$3 billion sales mark with end-of-year results announced last week, the company announced it is investing \$560 million to acquire the creators of two mobile health and fitness applications, San Francisco-based MyFitnessPal and European app Endomondo.

By adding those apps to MapMyFitness, which it acquired in 2013, Under Armour will own sites where 120 million fitness enthusiasts regularly go for help getting in shape and staying healthy. Last month, Under Armour released its own fitness app, called UA Record, designed to aggregate users' data from a variety of fitness tracking devices and to create an online community in which users can follow, encourage and challenge one another.

For a brand that aspires to become the world's biggest in sports apparel, the big move into fitness apps represents more than just a cutting-edge advertising opportunity. Under Armour has made its biggest leap yet into the fast-growing digital fitness market, a move some see as an evolution

from sports clothing-maker to fitness technology company specializing performance-based apparel.

"Part of what this is starting to show is the divide between companies that make physical things that help people - shoes or clothing or food - and the digital experiences people have, those things are coming together," said Charles Teague, CEO of Boston-based Lose It!, a weight-loss app used by 20 million people since its 2008 launch.

"For all of us working hard building those communities, it's a great sign," he said. "Consumers are starting to become more active and taking care of their own health and wellness. And the first thing they look for is: 'Is there an app to help me with this?'"

Under Armour first got into fitness tracking in 2011 with its Armour39 biometric device. Then in December 2013 it acquired MapMyFitness, which now has 31 million registered participants who map, record and share their workouts using GPS and other technologies.

Under Armour expects its deal for San Francisco-based MyFitnessPal, for \$475 million, to close during the first quarter. It acquired Endomondo, based in Copenhagen, Denmark, for \$85 million last month.

With 120 million unique registered users linked to three apps, Under Armour said it has created the world's largest digital fitness and health community.

Only about 20 digital communities of more than 100 million people now exist, among them Facebook, Twitter and Pinterest, said Robin Thurston, Under Armour's chief digital officer. Under Armour's online community is the largest with a focus on health and fitness, he said.

"It's a unique moment in time," when everyone has a smartphone and dozens of wearable fitness trackers are widely and cheaply available, said Thurston, a co-founder of MapMyFitness who came up with the idea for the website MapMyRun while on a bike tour. And consumers want up-to-the-minute data and analysis on their activity and sleep and nutrition patterns, Thurston said.

"The authenticity the brand has and the expertise the brand has puts us in a position to provide tools to athletes ... and digital is the framework for that," he said.

Teague, for one, believes that's not a stretch for the apparel brand.

"You could look at Under Armour ... as an apparel company or brand, but the other way to look at them is they're a tech company and always have been," he said. "They pioneered technology for apparel that made it better for working out and now are trying to have a mobile and digital footprint for people."

Doing so will enable the brand to meet the needs of customers more comprehensively and deepen relationships, said Auburn Bell, an affiliate professor of marketing at Loyola University Maryland. Other industries have taken similar approaches in the past, he said.

Banks used to rely on checking and savings relationships with customers, but sought to meet broader financial needs by buying insurance companies, mortgage firms and brokerage services, he said. And he noted that Apple initially developed the iPhone as a telephone.

"Apple realized the bigger opportunity was a device that could go beyond person-to-person communications," Bell said.

Because Under Armour sees high-performance athletes as core

customers, "these two acquisitions provide critical support to two key drivers of (athletes') success: managing diet and training," Bell said. "The end benefit for UA: a stronger, more loyal relationship with its key customers."

Analysts who follow Under Armour applauded the move.

Sam Poser, a Sterne Agee analyst, noted that the three apps are expected to see as much as 50 percent growth in customers and already include 72 million women. Under Armour has said it expects sales of apparel and shoes to women, a key growth driver for overall sales, to eventually equal or exceed the men's business.

"Under Armour is using these acquisitions in order to further grow its women's business," Poser said in a report Thursday. "We believe the strategy will work."

That instantaneous and unrivaled access to sports enthusiasts could well be worth the "hefty" price tag in an area where the business models are unproven, he said.

"Owning three of the top fitness apps should help drive further brand awareness with millennial consumers, create an opportunity to introduce new international users to the ... brand and help UA gather data to help guide product and sales initiatives for both its own business and to help its wholesale partners around the world," wrote Michael Binetti, executive director and apparel and footwear analyst with UBS Investment Bank in New York, in a report last week.

Acquiring apps made more sense than entering into partnerships, Thurston said, and will allow for better coordinated sites and more effective expansion of functions. Under Armour's digital arm will employ about 400 people, many of them engineers and designers,

working in Baltimore, Denver, San Francisco, Copenhagen, and Austin, Texas.

The company envisions its new UA Record as the aggregation point for the various communities. MyFitnessPal has a strong focus on logging nutrition, calories and activity, while MapMyFitness includes websites such as MapMyRun, MapMyRide and MapMyWalk. The apps can be used through mobile devices, including smartphones, or with wearable fitness trackers such as Jawbone.

And more developments are on the horizon. Under Armour and smartphone maker HTC last month announced a partnership to design a series of products that integrate with the UA Record platform. No specific device or activity tracker has been mentioned, but HTC is expected to unveil the first product in March, Thurston said.

Teague said he will be among those watching how Under Armour develops its new sites and whether it makes money from them. His company's app, Lose It!, offers both a 12-month subscription and a free version supported by advertising.

"This sort of subscription model was right for this space," he said.

"We're a profitable company with hundreds of thousands of premium subscribers. ... I understand why Under Armour did this, and it makes a lot of sense, but there are still questions. We have to wait and see how they choose to monetize this community."

Under Armour already has figured out one way to sell in online communities. Last fall it partnered with Zappos.com, an online shoe and apparel site, on Gear Tracker, a function in the MapMyFitness apps that notifies users when its time to replace their athletic shoes and offers links to the latest offerings.

As Under Armour founder and CEO Kevin Plank put it: "The more someone exercises ... the more apparel and footwear they are going to ultimately buy. ... This will help us sell more shirts and shoes and reach more athletes."

©2015 The Baltimore Sun

Distributed by Tribune Content Agency, LLC

Citation: Under Armour may be evolving into a fitness technology company (2015, February 12)  
retrieved 27 April 2024 from

<https://phys.org/news/2015-02-armour-evolving-technology-company.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.