**Informational Summary Report**

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# **Introduction**

Adidas, a global leader in the sportswear industry, recently experienced a major setback following the termination of its partnership with Ye, the rapper formerly known as Kanye West. What began as a lucrative collaboration quickly turned into a reputational and financial crisis due to a series of controversies. Examining the events leading to this fallout, along with the subsequent impact on Adidas, offers valuable lessons for managing future brand partnerships and avoiding similar pitfalls.

**The Problem: Controversial Celebrity Partnerships**

Celebrity endorsements have long been a powerful marketing tool, offering brands the opportunity to tap into the celebrity’s fan base and enhance their own image (Brooks, 2023). However, these partnerships come with significant risks, especially when the celebrity in question becomes embroiled in controversy. The Adidas-Ye partnerships serves as a prime example of how such collaborations can quickly turn from lucrative to damaging, both financially and reputationally (Gupta, 2023).

# **Overview of the Adidas and Ye Partnership**

The partnership between Adidas and Ye began in 2016 and was initially celebrated as a groundbreaking collaboration in the sportswear industry. The Yeezy line, developed under this partnership, quickly became a cultural phenomenon, blending high fashion with streetwear and sportswear. Yeezy sneakers were not only commercially successful but also helped Adidas re-establish itself as a leading brand in the highly competitive sneaker market. By 2019, Yeezy accounted for nearly 10% of Adidas’s annual revenue, a testament to the partnership’s success (Eddy et al., 2022).

Despite the early success, cracks began to appear in the partnership as Ye became increasingly vocal about his dissatisfaction with Adidas. In 2022, tensions escalated when Ye accused Adidas of copying his designs and making business decisions without his approval (Gupta, 2023). These issues were aired publicly, primarily though social media, where Ye’s criticism of Adidas became more frequent and severe. This public airing of grievances strained the relationship further, setting the stage for the eventual fallout.

# **Key Events Leading to the Fallout**

## **Public Criticisms and Social Media Outbursts**

Ye publicly criticized Adidas’s Adilette 22 sandals, calling them a “fake YEEZY” (Gupta, 2023). His dissatisfaction with Adidas’s management practices and product decisions was expressed through several now-deleted Instagram post. Ye accused the company of disrespecting his creative input, leading to a growing rift between him and Adidas. Ye even threatened to end the partnership before its official expiration date in 2026 (Gupta, 2023).

## **The White Lives Matter Controversy**

During Paris Fashion Week in October 2022, Ye wore a T-shirt emblazoned with the slogan “White Lives Matter.” This move, widely condemned as a hate statement, attracted significant negative attention (Eddy et al., 2022). The incident increased pressure on Adidas to sever ties with the artist and led to the company placing the Yeezy partnership under review (Eddy et al., 2022).

## **Antisemitic Remarks and the Final Straw**

In October 2022, Ye posted a series of antisemitic remarks on social media, leading to widespread condemnation and the suspension of his accounts on major platforms like Instagram and Twitter (Eddy et al., 2022). The backlash was swift, with numerous brands, including Balenciaga and Gap, cutting ties with Ye. Under mounting pressure, Adidas announced on October 25, 2022, that it was terminating its partnership with Ye, effective immediately, despite the significant financial and operation consequences (Eddy et al., 2022).

# **Impact on Adidas**

The termination of the partnership with Ye had immediate and far-reaching financial consequences for Adidas. The company estimated a $246 million hit to its 2022 profits due to the unsold Yeezy inventory and lost sales. The financial impact extended into 2023, with Adidas projecting a $1.3 billion loss in revenue for the year (Brooks, 2023). Despite these losses, Adidas managed to mitigate some of the financial damage by carefully selling off remaining Yeezy inventory in 2023, generating $437 million in revenue (McHugh, 2023). However, these sales were not enough to offset the overall financial damage caused by the abrupt end of the partnership.

Beyond the financial implications, the fallout from the Ye partnership also tarnished Adidas’s reputation. The delay in severing ties with Ye, despite his increasingly controversial behavior, led to criticism from various quarters, including the public, media, and even Adidas employees. The company was accused of prioritizing profits over principles, a perception that could have long-term consequences for its brand image (Eddy et al., 2022). However, Adidas attempted to repair some of the damage by committing to donate a portion of the proceeds from Yeezy sales to organizations fighting antisemitism and hate (McHugh, 2023).

# **Conclusion**

The Adidas-Ye partnership, once a shining example of successful collaboration, ultimately became a cautionary tale of the risk associated with celebrity endorsements. The financial losses and reputational damage suffered by Adidas underscore the importance of aligning brand values with those of potential partners and the necessity of having strong risk management strategies in place. Learning from this experience, companies must better navigate the complexities of celebrity partnerships and safeguard their brand’s integrity in the future.

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