



A woman with dark hair and glasses is seen from the chest up, holding a professional camera and looking through the viewfinder. She is on a red carpet, and a bright camera flash is visible in the upper left corner. The background is dark and out of focus, showing parts of other people and a car wheel.

UNLEASHING  
THE  
MAGIC OF  
TALENT  
ISSUE

# THE PRICE OF FAME

when a celebrity spokesperson turns toxic

BY JENNIFER ZIMMER

In October 2022, American recording artist and fashion designer Kayne West sparked widespread public outrage following a series of increasingly damning antisemitic remarks, which made international headlines. As West's bigoted rhetoric escalated, several companies and major brands—GAP, Balenciaga, Vogue and Creative Artists Agency—reacted swiftly by terminating their partnerships and condemning his comments.

One noticeable holdout was German sportswear group, Adidas. According to *Financial Times*, top staffers at Adidas had repeatedly raised concerns that the fashion giant was over-reliant on their Yeezy franchise—West and Adidas' flagship collaboration. However, the company was so heavily entrenched with West that Yeezy-branded products accounted for \$1.8 billion (USD) in annual revenue for Adidas, or 7% of their totals.

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### A Star is Born

Certain variables must be considered in order to minimize potentially negative impacts and ensure close alignment between a company's values and the views and behaviors of their celebrity partners.

When public outcry reached critical mass, Adidas finally relented. Across the media-sphere, Adidas' perceived inaction was widely covered in the press, with many pundits puzzled as to why they chose not to act sooner.

Then, in November 2022, Adidas issued a corporate press release stating that their updated net income forecast—which no longer included the Yeezy brand or any affiliation with West—was only *half* of what it had been (\$251 million [USD], down from \$500 million) just nine days earlier.

Furthermore, Adidas' inaction to cut ties with West only further painted the company into a corner, which was already facing the loss of two other profit centers—a sales plunge in China and lost marketshare in Russia following the company's decision to suspend sales and operations amid the invasion of Ukraine.

“A whole Adidas brand reset is probably needed,” wrote analyst Thomas Chauvet, head of luxury goods equity research at Citi, in a note to clients last November.

### Is it Worth It?

According to an assessment published by MarketWatch, a single, well-executed celebrity partnership can result in an immediate 4% sales increase for a brand. While this could equate to millions in revenue, Christopher R. Chase, a partner specializing in advertising and entertainment law at Frankfurt Kurnit Klein & Selz, advises clients to be careful what they wish for.

“Talent lawyers have said, ‘Listen, you’re hiring [so-and-so] because she’s a little out there, so I’m not going to let you terminate because she does something that’s a little out there,’” Chase told the *The Wall Street Journal*.

Interestingly, consumer attitudes may be shifting as well, especially among Millennials and Gen Z audiences. With approximately \$360 billion in disposable income, this combined demographic has the greatest buying power in the marketplace, according to *Bloomberg*, yet may be largely immune from a celebrity's ability to influence sales.

A study by Roth Capital Partners found that 40% of Millennials say paid endorsements erode a celebrity's credibility, as well as that of the brands they represent.

For many companies, the decision to partner with a high-profile spokesperson may seem like a sound practice to drive sales in the short term and brand awareness over time. However, when the partnership sours to the point of damaging the brand or company, when is the right time to cut ties—and how?

### Don't Wait—Act Now

Relatively few companies are well positioned to react quickly and effectively when a celebrity spokesperson becomes a liability. Often paralyzed by fear of creating negative disruptions that could impact a brand's reputation, supply chain or stock price, the longer a company hesitates, the greater the damage, says Alan R. Friedman, partner at entertainment industry law firm Fox Rothschild.

"Every day that you delay may be damaging your brand," said Friedman to *Financial Times*.

Similarly, corporate bureaucracy can also slow decision-making in moments of crisis, notes Mark DiMassimo, founder of New York-based advertising agency DiMassimo Goldstein. In an interview with *Forbes*, DiMassimo posited that, "When something comes up that requires a fast, human, unambiguous action, very few companies are prepared."

Part of the issue, says DiMassimo, is that most major brands tend to lean heavily on their respective advertising and public relations agencies to gauge public opinion before issuing any statements or taking action on a response. Internally, competing narratives can arise that also facilitate more delays, DiMassimo says.

According to Chase, companies can sometimes quietly terminate basic

contracts, such as licensing a celebrity's likeness to sell products. However, in situations where the collaborator owns a portion of intellectual property, as West did with the Yeezy brand, finding an off-ramp can be much more complex.

"If the talent retains some ownership, then you have to stop making the product entirely instead of just taking their name off," Chase told *The Wall Street Journal*. "This is literally shutting down the factory to some extent."

Case in point, as 2022 came to a close, Adidas was still determining how to offload \$530 million worth of Yeezys in inventory, according to the *Financial Times*.

Even when front loading agreements with such clauses, companies are still at risk if and when a celebrity partner acts in a way that is inconsistent with a brand's values, which in recent years has led to several very public and messy breakups.

### Finding The Right Match

Despite the risks, many brands will continue to seek collaborations with high-profile, influential personalities.

According to Forbes Council Member, Mo Mostashari, certain variables must be considered in order to minimize potentially negative impacts and ensure close alignment between a company's values and the views and behaviors of their celebrity partners. Paramount to this is a shared passion and mission between the brand and the ambassador.

"Finding a celebrity collaborator who is emotionally invested in the success of your company ensures they will go above and beyond in their promotional efforts for the brand," wrote Mostashari in a *Forbes* op-ed. "Having a passion for the company that runs so deep that the celebrity wants to be actively involved in the day-to-day business should be the mentality of most partnerships."

By following this approach, Mostashari believes brands can "expand their reach and have an instant association with the celebrity they choose to work with," he says. "Be sure to really invest some thought into these types of collaborations and evaluate how a partnership will be perceived by the public." **IQ**



## Win Some, Lose Some

Although they can bear fruit, celebrity endorsements are not always a slam dunk for a company's bottom line.

4%

The average sales bump from a well-executed celebrity partnership.

40%

Millennials who say paid endorsements erode celebrity credibility, as well as that of the brands they represent.

\$530

The amount, in millions (USD), worth of unsold Yeezy's now collecting dust in Adidas' inventory.