

Nike cuts ties with Lance Armstrong

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Facing the loss of his cycling titles in a doping scandal, Lance Armstrong, his athletic reputation and personal brand forever sullied, has been dumped by Nike after stepping down from his charity.

"Due to the seemingly insurmountable evidence that Lance Armstrong participated in doping and misled Nike for more than a decade, it is with great sadness that we have terminated our contract with him," said the sportswear manufacturer Wednesday in an unsigned statement that cut the disgraced cyclist loose.

The terse missive is unlike "what you would usually get when companies face any kind of trouble with an athlete they sponsor," said Schulich School of Business marketing professor Detlev Zwick.

"If the athlete is limited in terms of his or her brand strength to their sport itself, then you usually get some kind of noncommittal, general sort of corporate statement. Armstrong is a brand that transcends his sport.

Nike now has to go above and beyond what they usually would do in order to separate their ties with this particular athlete."

It's a huge reversal for the company, which had stood by Armstrong after he announced on Aug. 23 that he would stop fighting the U.S. Anti-Doping Agency's charges that he had used performance-enhancing drugs, prompting them to suggest he be stripped of his seven Tour de France titles.

"I think (Nike) saw the writing on the wall, but they also didn't want to be seen as bailing from the ship before all the evidence was in," said Sprott School of Business marketing professor Robin Ritchie.

But release of a brutal report from the U.S. Anti-Doping Agency last week seems to have shaken Nike. The exhaustive document included first-hand accounts by teammates of Armstrong taking banned substances and undergoing blood transfusion and pressuring teammates to do the same.

The sports equipment and clothing giant, which also plans to remove Armstrong's name off the marquee fitness centre at its Chicago HQ, may be reacting strongly to some media reports that "Nike was not as ignorant as claim to be" about the cyclist's use of performance-enhancing drugs, said Zwick.

"There's more at stake for them than just having lost an iconic spokesperson; they're really concerned about being dragged into a mud slugging fest where Nike itself is implicated," he explained.

Armstrong's endorsements with Oakley, Anheuser-Busch and American Century Investments remained intact yesterday.

The Nike statement came after surprising news that the 41-year-old testicular cancer survivor was leaving the helm of the Lance Armstrong Foundation which has helped raise \$470 million (U.S.) —a significant portion through the one ubiquitous yellow "LIVESTRONG" bracelets —for cancer research since it was founded in 1997.

Armstrong, who will remain a member of the 15-person board, said he wanted "to spare the foundation any negative effects as a result of controversy surrounding my cycling career."

Nike's continuation as Livestrong's dominant corporate partner appeared contingent on Armstrong's resignation, said Quency Phillips, Chicago-based marketing agent for several professional athletes.

"It's not like Nike waited a day, or a week after his announcement; they released their statement so quickly it seems like there was some kind of agreement. And Livestrong is the one thing that they helped him develop that has superseded him."

"If Lance Armstrong continued to be associated with that charity I think it would have the stench of deception and cheating; it's very intimately linked with the man himself," added Ritchie. "If we could say one good thing about today, it's that Lance Armstrong had the presence of mind to say that the foundation is important enough that I need to do this for the sake of the foundation and the cause."

Armstrong, who has never admitted to the allegations against him, is a great loss to Nike —a rare recognizable face in the global cycling market, said Zwick.

"Today we've seen the collapse of one of the great sports brands," agreed Ritchie. "There are very few people like Lance Armstrong and Tiger Woods who become global brands. With Tiger Woods it was a failure of ethics, with Lance Armstrong it was a failure of ethics that goes to the heart of his performance as an athlete and at the heart of what Nike was buying when they were buying his endorsement.

"If Tiger Woods's golf does come back I think there are a lot of people who are willing to forgive a lot of things, first among them Nike. There's just no coming back from this for Lance Armstrong. The admission and the contrition will come sooner or later. The only question is when and how well does he manage it."

Why did Nike drop Lance Armstrong? Because it could

It was 1st company to end relationship

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Marketing experts said the likely reason Nike dropped disgraced Tour de France champion Lance Armstrong boils down to the fact that the cyclist's alleged actions directly related to his sport. / July 2004 photo by PETER DEJONG/Associated Press

By Mae Anderson

Associated Press

Philadelphia Eagles quarterback Michael Vick, once dropped over illegal dogfighting, re-signed with Nike in 2011.

Nike stood by Tiger Woods after the golfer admitted to a string of infidelities and had a brief stint in a rehabilitation center.

NEW YORK -- Nike forgave Tiger Woods after he apologized for cheating on his wife. It welcomed back Michael Vick once he served time for illegal dog-fighting. But the company dropped Lance Armstrong faster than the cyclist could do a lap around the block.

What's the difference? A marketer's prerogative.

The world's largest clothing and footwear maker has stood by athletes through a number of scandals over the years, but last week it became the first company to sever ties with Armstrong in the wake of allegations that he used illegal drugs to boost his performance during his 20-plus-year racing career.

At least five other companies followed Nike's lead, highlighting the tricky relationship that evolves when marketers sign multimillion-dollar deals with celebrities and athletes to endorse their products.

Everything a celebrity endorser says and does could negatively impact the company he or she represents. And when something goes wrong, companies act as the judge and jury when deciding whether to continue those deals. They consider everything from the offense itself to the fallout.

"The tighter the association and the more intimate the relationship, it can sort of be like breaking up a marriage," said Allen Adamson, managing director of branding firm Landor Associates.

Endorsement deals have been around for decades. The value of such deals are a closely held secret, but companies often shell out millions of dollars for celebrities to wear their shoes, use their equipment or appear in their commercials.

The practice is even more common in the world of sports, where companies are willing to do almost anything to have their brand associated with the high performance of a top athlete. Think of the endorsement deal between sneaker maker Adidas and soccer player David Beckham or General Mills' deal to have Olympic Gold medalist Gabby Douglas appear on a box of Wheaties cereal.

Companies typically add a "morals clause" to the deals. The language can vary, but the clause basically allows a company to cancel the contract if a celebrity does something that reflects poorly on the brand -- or the celebs themselves.

History is dotted with companies dropping celebs after public mishaps. In 1986 the American Beef Industry Council dropped actress Cybill Shepherd as its spokeswoman after she told an interviewer that she tried to avoid red meat in her diet. And in 2007, Verizon severed ties with singer Akon after he drew widespread criticism for a sexually charged dance onstage with a 14-year-old girl during a spring concert in Trinidad.

"It's really hard to know today when an issue will spin out of control or just go away," said Adamson, the branding expert. "The cost of a celebrity endorsement is huge, so pulling the plug is a really big decision."

Sometimes letting go of a celeb can cause a company more problems. For example, apparel and underwear company Hanesbrands dropped Pittsburgh Steelers running back Rashard Mendenhall from its lineup in 2011 after he made controversial remarks about the death of Osama bin Laden and the Sept. 11, 2001, terrorist attacks over social-media websites.

Mendenhall now is suing the company and seeking \$1 million for breach of contract, claiming Hanesbrands wrongly terminated him. The case is still being heard in the U.S. District Court in North Carolina.

Perhaps no other company is better known than Nike for its history of having to decide the marketing fate of its celebrity endorsers. The company with the popular "Just Do It" slogan has been endorsing athletes for most of its 48-year history.

When Nike was founded in 1964, it first got attention by providing shoes to runners. Its first official endorsement was the late runner Steve Prefontaine in the early 1970s. Nike's most high-profile endorsement came in the 1980s when it inked a deal with then-professional basketball player Michael Jordan. The deal is widely seen as one of the most successful endorsements of all time.

Nike, which is based in Beaverton, Ore., now spends millions each year on endorsements. Of the \$7.4 billion it spent on advertising, promotions and endorsements in the fiscal year that ended in May, 11% or \$800 million, was for endorsements. That included its sponsorship of activities such as college and professional sports teams.

As a result of its large investment in endorsements, Nike has had to make some tough decisions over the years. It stood by Woods after the golfer admitted to a string of infidelities and had a brief stint in a rehab treatment facility for sex addiction.

Marketing experts said the likely reason Nike dropped Armstrong boils down to the fact that the cyclist's alleged actions directly related to his sport.

"Nike is about 'just doing it' and that doesn't mean drugs," said Atlanta-based marketing consultant Laura Ries. "It means hard work and ethics. And this flew in the face of it."