Under Armour and the Election of 2016: The Intersection of Politics and Business

Case

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Online Pub Date: January 02, 2019 | Original Pub. Date: 2018
Subject: Public Relations (Business), Business, Government, & Society, Crisis Management
Level: Intermediate | Type: Indirect case | Length: 2919 words
Copyright: © 2018. The Eugene D. Fanning Center for Business Communication, Mendoza College of Business, University of Notre Dame
Organization: Under Armour | Organization size: Large
Region: Northern America | State: Maryland
Industry: Manufacture of wearing apparel

Originally Published in:
Publisher: The Eugene D. Fanning Center for Business Communication, Mendoza College of Business, University of Notre Dame
DOI: http://dx.doi.org/10.4135/9781526489975 | Online ISBN: 9781526489975
Abstract

This case involves comments made by Under Armour’s CEO, Kevin Plank, shortly after Donald Trump became President of the United States. Plank’s comments were supportive of the President. A social media firestorm ensued and many of Under Armour’s highly-compensated endorsers made statements that seemingly distanced themselves from Under Armour. In the days following Plank’s comment regarding President Trump and the resulting backlash, Under Armour had to decide how to respond and what it should do.

Case

“People want to know where you stand and what issues you stand for.”—Kevin Plank, Chief Executive Officer of Under Armour, Inc.

Introduction

In February of 2017, Under Armour, Inc. (Under Armour) moved from an interested observer of the United States Presidential election to a polarizing, news-making participant. In the span of a few days, Under Armour CEO Kevin Plank’s focus quickly shifted from improving Under Armour’s existing products and introducing new ones to navigating a media firestorm surrounding not just Under Armour but him personally, as well.

News media outlets, political pundits, famous athletes and celebrities, and hundreds of thousands of people were criticizing Under Armour and the #boycottUnderArmour hashtag was trending across social media. Plank and his communication team needed to quickly find a way to diffuse the situation; the Under Armour brand and his standing as CEO likely depended on it.

Plank’s Comment About Donald Trump

On February 7, 2017, Kevin Plank appeared on Fast Money Halftime Report, a television show on CNBC, an American cable news channel with programming focused on business and markets. When asked for his thoughts about President Donald Trump, who had taken office less than three weeks earlier, Plank responded:

I think he’s highly passionate. To have such a pro-business President is something that is a real asset for the country. People can really grab that opportunity. He loves to build; I don’t think there’s any surprises here. When you look at the President, he wants to build things. He wants to make bold decisions and be really decisive. I’m a big fan of people that operate in the world of publish and iterate versus think, think, think, think, think. So there’s a lot that I respect there.

Blowback Following Plank’s Comment

Plank’s comment regarding President Trump created a firestorm on social media with many users vowing to boycott Under Armour. The hashtag #boycottUndearmour began appearing on various platforms. Many of Under Armour’s paid endorsers (Under Armour refers to them as “ambassadors”) quickly made public comments.
During an exclusive interview with the San Jose Mercury News, Stephen Curry said “I agree with that description – if you remove the ‘et’ from asset.” Curry’s jersey sales and shoe sales led the nation. According to Plank, Curry is Under Armour’s most important ambassador, saying that “the footwear division represented 17% of our business, with $700 million in revenues and a growth of 95% over the fourth quarter of last year.” The reason, Plank simply stated, was “Curry’s popularity.”

On February 9, 2017, Misty Copeland, a world-renowned ballet dancer and the first African-American Female Principal Dancer with the prestigious American Ballet Theatre, tweeted that she “strongly” disagreed with Mr. Plank and that she spoke with him “at length” about the issue.

Further exacerbating Under Armour’s public relations problem, Dwayne “The Rock” Johnson, an American actor, producer and professional wrestler, issued a multi-screen Twitter statement, saying that “his [Plank’s] words were divisive and lacking perspective.” Furthermore, Johnson added that Plank “inadvertently created a situation where the personal political opinions of Under Armour’s partners and employees were overshadowed by the comment of its CEO.” Johnson is arguably among Under Armour’s most famous ambassadors.

**Under Armour, Inc.’s History**

In 1996, Kevin Plank, then 23 years old, turned an idea born on the football field into a new product that changed the way athletes dress. For Plank, Under Armour began as an idea that sprang from his football playing days at the University Maryland. Cotton T-shirts were heavy due to perspiration and were uncomfortable under his football pads.

Plank conducted extensive research on the use of synthetic materials which led to the creation the first Under Armour HeatGear© T-shirt. The company’s first major sale was to the Georgia Tech University football program. By the end of 1998, Under Armour outgrew its humble beginnings and moved its headquarters and warehouse operations to downtown Baltimore.

Over the next few years, Plank secured a league-wide deal from NFL Europe and reached an agreement with Warner Brothers to feature Under Armour products in Any Given Sunday and The Replacements. Realizing the incredible opportunity to leverage the exposure from these movies, Under Armour bought its first print advertisement in ESPN The Magazine, thereby generating awareness and a $750,000 sales increase. With tailwinds in its favor, Under Armour obtained league-wide deals with the National Hockey League (NHL), Major League Baseball (MLB), and Team USA Baseball.

By 2005, the company was an official supplier for the four major sports organizations in the United States, and Under Armour decided to become a public company. Under Armour’s IPO opened at $13 per share and closed that day $25.30, earning the company $157 million to invest new product lines outside of moisture-wicking material.

From 2005 to 2010, the company launched product lines in golf, football cleats, and running shoes with a goal to equip its athletes from “head to toe.” By 2010, Under Armour reached revenue of $1 billion and was one of the hottest stocks on the market with an annual growth over 20% for nine straight years.

From 2010 to 2016, the company grew from $1 billion in revenue to $4.82 billion. In 2013, Under Armour executed endorsement contracts with Stephen Curry and Jordan Speith. Its aggressive marketing continued as it secured merchandise deals with some of the premiere college sports programs in the United States,
including with the University of California-Los Angeles, to the largest collegiate deal ever at $280 million.\textsuperscript{13}

Under Armour’s mission is to make all athletes better through passion, design, and the relentless pursuit of innovation. Its commitment to that mission has led to countless game-changing products that give athletes an advantage. The brand’s 20th year concluded with one final triumph: a 10-year uniform deal with Major League Baseball and by 2020, all MLB uniforms will be made by Under Armour.\textsuperscript{14}

The North American Athletic Apparel Industry

The global sports apparel and shoe market generates approximately $175 Billion in revenue worldwide with a recent compound Annual Growth Rate (CAGR) of 4.3%.\textsuperscript{15} North America is the largest revenue-generating region in the global market.\textsuperscript{16}

While numerous factors have led to substantial growth in the sector, increases in disposable income, fitness conscious consumers, increases in participation in fitness and sports by women, and the emergence of trendy and fashionable sports apparel intended to be worn for non-athletic daily purposes have all made the industry successful.

Under Armour has experienced substantial growth during its 20-year existence with revenue increasing every year it has been operation. Nonetheless, Under Armour’s sales account for 15% of the North American market, well behind Adidas at 32% and Nike at 51%.\textsuperscript{17} In other words, despite its steadily consistent year-over-year growth, Under Armour still trails its two largest competitors.

The 2016 Presidential Election

Hillary Clinton and Donald Trump had the two highest unfavorability ratings that Gallup has ever measured, which includes all major-party nominees since 1956.\textsuperscript{18} Some 52% of voters viewed Clinton negatively while a record-breaking 61% of voters viewed Trump negatively. Even George Wallace, the former Governor of Alabama who was a vocal proponent of segregation, had a lower unfavorability rating of 32% when he ran for President in 1968.\textsuperscript{19}

Conversely, Trump had the lowest favorability rating ever recorded (36%) and Clinton had the third lowest favorability rating ever recorded (47%).\textsuperscript{20} Taken as a whole, the 2016 Presidential election is the only one to ever “feature two broadly unpopular candidates … [and] Trump and Clinton are the two most negatively reviewed U.S. presidential candidates of the modern era, and probably ever.”\textsuperscript{21}

Likewise, the 2016 Presidential election is likely the most partisan election in modern history: 97% of Trump supporters viewed Clinton unfavorably while 95% of Clinton supporters viewed Trump unfavorably.\textsuperscript{22} By comparison, 75% of Obama supporters viewed John McCain unfavorably while 72% of John McCain supporters viewed Obama unfavorably in the 2008 election.\textsuperscript{23} Four years later in the 2012 election, the partisan divide was more significant but still not as high as the 2016 election with 87% of Obama supporters viewing Romney unfavorably while 91% of Romney supporters viewed Obama unfavorably.\textsuperscript{24}

The rhetoric of the Presidential campaign was as vicious as ever witnessed in the era of modern media. During the Republican primary process, Trump publicly provided Senator Lindsey Graham’s personal cell phone
number, questioned John McCain’s status as a war hero, lewdly commented about a debate moderator’s menstrual cycle, criticized Carly Fiorina’s and Rand Paul’s physical appearances, suggested that Marco Rubio sweats abnormally, accused John Kasich of being a slob and a sloppy eater, made a racially-charged remark toward Elizabeth Warren, criticized Ted Cruz’s wife’s physical appearance, mocked a handicap reporter, and accused various media outlets of being liars and enemies of the state.25

For her part, Clinton characterized “half” of Trump’s supporters as belonging in a “basket of deplorables … the racist, sexist, homophobic, xenophobic, Islamaphobic – you name it.”26 Clinton surrogates criticized Democratic primary challenger Bernie Sanders’ religious views and called him a “damn liar.”27

Competing Views Corporate Executive Public Participation in Political Races

Kevin Plank is not the first high-profile corporate executive who has waded into the treacherous waters of commenting on political races. Yet, the Trump influenced political climate in ways that are unprecedented. Experts diverge on whether executives should involve themselves in purely political matters.

Jeffrey A. Sonnenfeld, dean of leadership studies at the Yale School of Management, says that “there’s never been anything to compare to this … boards are having ad hoc conference calls [and] people are very worried and concerned.”28 Sonnenfeld believes that executives should participate in the political process: “chief executives have a moral duty to use their position as a bully pulpit and to speak out.”29

Regarding Under Armour and Plank, Sonnenfeld, acknowledges that “the risk of blowback is especially acute for companies like Under Armour,” but acknowledged that speaking out on social issues can also enhance a brand.30

On the other hand, Charles Elson, professor and director of the John L. Weinberg Center for Corporate Governance at the University of Delaware, argues that corporate executives should remain uninvolved in political matters:

Chief executives don’t have the luxury of ventilating their personal political opinions, whatever they might be. They shouldn’t let their personal views influence their business decisions. If they really feel strongly about something, they can always resign and then say whatever they want.31

Francisco Codina, former Executive Group Vice President of Sales and Marketing of the Ford Motor Company, says that “C-suite level executives should be careful when commenting on political races because you are likely to offend half of your customers.”32 Codina notes though that when candidates and politicians are discussing policy, the company may very well need to “use its resources, including lobbyist in Washington, D.C. to advocate its position in order to protect and promote the business.”

Codina addresses what he believes a company should do when it is faced with a public relations issue like Under Armour does following Plank’s comments:

It is very important to appoint one person who ultimately decides what the company should do and what it should say publicly. While the lawyers, marketing department, communications department, and others can offer valuable input, it is imperative that a company speak with one voice and that can only be done when there is one ultimate decision maker.

In this case, it is also critical for Under Armour to reach out to their endorsers such as Curry and
Johnson and try to engage them in the process of moving forward.

Ultimately, there is a 24-hour news cycle, and it is almost always in the best interest of the business to exit the news cycle as soon as possible. You don’t want to extend that to 48 hours, 72 hours, or even longer. Most of the time, continuing to publicly defend and explain only lengthens the lifespan of the story. Hopefully for Under Armour’s sake, it can partner with its endorsers to extinguish the story as soon as possible.33

Under Armour’s Decision

In the days following Plank’s comment regarding President Trump and the resulting backlash, Under Armour had to decide how to respond and what it should do. If an avalanche of boycott and outrage ensued, Plank’s tenure as CEO of the company and perhaps the viability of the company as a whole hung in the balance.

Discussion Questions

1. What do you make of Kevin Plank’s response to the CNBC question asking for his thoughts on the newly elected President Trump? How would you have responded to the question?
2. How do you recommend that Under Armour respond to the criticisms lodged by Stephen Curry, Dwayne “The Rock” Johnson, and other brand ambassadors? Do you think Under Armour should publicly respond to these criticisms?
3. Who are the key stakeholders in this case? Who are the interested parties?
4. Moving forward, what lesson(s) should Under Armour and other customer-facing apparel manufacturers learn from this incident?
5. Given the substantial difference in opinion offered by Professor Soddenfeld, Professor Elson, and Francisco Codina, what do you think are the costs and benefits of each? Do you agree strongly with any of these views? Do you disagree strongly with any of these views?

References


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http://dx.doi.org/10.4135/9781526489975