

## POTENTIAL YEEZY BACKLASH FOR ADIDAS

### ADIDAS FACES POTENTIAL LOSS DUE TO YEEZY INVENTORY



### Adidas Yeezy backlash

Germany-based sneaker giant Adidas has warned that it could potentially lose up to €1 billion, which is equivalent to \$1.07 billion in operating profits if it fails to successfully **offload** its inventory of Kanye West-designed Yeezy merchandise. The announcement was made as part of the company's financial guidance for 2023.

Adidas **dropped** Kanye West, who now goes by Ye, in October 2022 following the rapper's racist and anti-Semitic remarks. Adidas had previously derived approximately 10% of its total annual revenues, or \$2 billion, from its Yeezy line, making it a significant contributor to the company's overall revenue.

Ye's remarks have cost him business deals with virtually all other major brands with which he had previously had relationships, including Gap, Balenciaga, Footlocker, and TJ Maxx. However, the impact to Adidas' bottom line looks to be the most significant. Although some analysts had forecast that Adidas would be able to **repurpose** the Yeezy inventory if it was stripped of the Yeezy label, Adidas also warned Friday that it could decide to not do so, resulting in the company's operating profit falling by an additional €500 million, or \$533 million.

#### "The numbers speak for themselves"

The company expects one-off costs of as much as €200 million, or \$213 million, no matter what, it said. Adidas CEO Bjørn Gulden said, "The numbers speak for themselves. We are currently not performing the way we should. 2023 will be a year of transition to set the base to again be a growing and profitable company."

The announcement has led to shares in Adidas **plummeting** as much as 11% Friday in trading on the Frankfurt, Germany stock exchange. The loss is significant and may impact the future of the company's financial stability.

# Lesson 29: Adidas faces potential loss due to Yeezy inventory

**Part 1: Comprehension - Read and summarize the article thinking of who, what, when, where & why.**

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## **Part 2: True or False Questions**

- a) True or False - Adidas expects to lose up to €1 billion in operating profits if it cannot sell its Yeezy inventory. T/F
- b) True or False - Kanye West has not been working with Adidas since 2022. T/F
- c) True or False - Kanye West is good friends with Ye. T/F
- d) True or False - Adidas are performing better than they expected. T/F

## **Part 3a: Guess the meaning of unknown vocabulary/phrases.**

- a) "Offload" \_\_\_\_\_  
\_\_\_\_\_
- b) "Dropped" \_\_\_\_\_  
\_\_\_\_\_
- c) "Repurpose" \_\_\_\_\_  
\_\_\_\_\_
- d) "Plummeting" \_\_\_\_\_  
\_\_\_\_\_

## **Part 3b: Vocabulary in Use - Write an example sentence using the words from 3a.**

- a) Offload:  
\_\_\_\_\_  
\_\_\_\_\_
- b) Dropped:  
\_\_\_\_\_  
\_\_\_\_\_
- c) Repurpose:  
\_\_\_\_\_  
\_\_\_\_\_
- d) Plummeting:  
\_\_\_\_\_  
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## Part 5: Talking Points

1. Why do you think brands often hire famous people to endorse their products or represent their brand? What benefits can this bring to the brand?
2. Can you name some examples of famous people who have been hired by brands for endorsements or advertising campaigns? What do you think makes these endorsements effective?
3. Do you believe that using famous people in advertisements influences your purchasing decisions? Why or why not?
4. Are there any risks involved for brands when they hire famous people for endorsements? Can you think of any examples where it didn't work out well for the brand?
5. What qualities or characteristics should a famous person have to be a successful brand ambassador?
6. Do you think it's important for the famous person to have a genuine connection to the product they are endorsing? Why or why not?
7. How do you think social media has changed the way brands use famous people in their marketing strategies?
8. In some cases, brands have faced backlash when the famous person they hired for an endorsement was involved in a controversy. Do you think brands should be held responsible for the behavior of the people they hire as ambassadors?
9. Can you think of any instances where a brand hired a famous person from your country for an endorsement? Did it have a positive impact on the brand's image?
10. If you were in charge of a marketing campaign for a brand, how would you choose a famous person to represent the brand? What factors would you consider?

## Part 6: Role play Scenarios

### **1. Customer Service Scenario:**

You work for Adidas customer service, and a customer calls in to ask about the Yeezy merchandise. They want to know if Adidas will still be selling the Yeezy line and what the prices will be like. Roleplay the conversation, and explain the situation to the customer.

### **2. Business Meeting Scenario:**

You are a business analyst who works for Adidas, and you need to present a report to the senior management team about the potential loss of profits due to the Yeezy line. Roleplay the meeting, and discuss the report's findings, including potential solutions to mitigate the loss.

### **3. News Report Scenario:**

You are a news reporter, and you need to write a news report about Adidas' financial guidance for 2023 and the potential loss of profits due to the Yeezy line. Roleplay the report, and include quotes from Adidas CEO Bjørn Gulden and other relevant sources.

### **4. Stock Market Scenario:**

You are a stock market analyst, and you need to write a report for investors about the impact of the Yeezy line on Adidas' stock prices. Roleplay the report, and include data and analysis of the stock prices before and after the announcement.

## Part 7: Writing Activity Present Simple Tense - Describe your favorite clothing brand or store in as much detail as possible.

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## Part 8: Critical Thinking - Brand Ambassador

Your company/school has asked you to think of a brand ambassador that would be a good fit for your company/school.

In groups choose a suitable brand ambassador for your school/company and create a presentation outlining the reasons for your decision.

Then after all presentations and Q&A sessions have finished, reach a consensus on the best brand ambassador.

# Lesson 29: Adidas faces potential loss due to Yeezy inventory

**Part 9: a) Below are some articles/videos for additional reading, read/watch and see if you can find similar grammar points or vocabulary.**

1. Adidas set to lose \$1.2 billion euros on unsold Yeezy inventory: <https://www.youtube.com/watch?v=5FPu5N7N77M>

2. Adidas is facing a problem even bigger than Yeezy: <https://www.businessinsider.com/adidas-problems-run-deeper-than-yeezy-analysts-say-2-2023-2>

**Answers:**

## Part 1: Comprehension

The main idea of the article is that Adidas is potentially facing a significant loss of up to €1 billion in operating profits due to its inventory of Kanye West-designed Yeezy merchandise. The article explains that Adidas previously derived around 10% of its total annual revenues from the Yeezy line, making it a significant contributor to the company's overall revenue. The article also highlights that Kanye West's racist and anti-Semitic remarks cost him business deals with various major brands, including Adidas, and the impact to Adidas' bottom line is expected to be the most significant. The article was written to report on Adidas' financial guidance for 2023 and the potential impact of the Yeezy inventory on the company's operating profits.

## Part 2: True or False

A: True B: True C: False D: False

## Part 3a: Guess the meaning of unknown vocabulary or phrases.

### a) "Offload"

Answer: I think it means to get rid of something by selling it or giving it away; in the context of the article, Adidas needs to successfully offload its inventory of Yeezy merchandise to avoid losing operating profits.

### b) "Dropped"

Answer: I think this means to stop working with or to let go from the company because in the article they state that Kanye West made anti-semitic remarks and they no longer wanted to work with him.

### c) "Repurpose"

Answer: I think it means to adapt something for a different purpose; in the context of the article, analysts had forecasted that Adidas could repurpose Yeezy inventory by removing the Yeezy label to sell it under a different brand.

### d) "Plummeting"

Answer: I think it means to fall or drop quickly at a high speed; in the context of the article, shares in Adidas plummeted 11% after the announcement that the company may lose up to €1 billion in operating profits due to its Yeezy inventory.

## Part 3b: Vocabulary in Use - Write an example sentence using the words from 3a. (examples)

### a) Offload:

I need to offload some old furniture from the garage.

### b) Dropped:

The musician was dropped from the music label after a string of unsuccessful albums.

### c) Repurpose:

She decided to repurpose the old wooden pallets into a stylish coffee table.

### d) Plummeting:

The company's stock experienced rapid plummeting during the economic crisis.

## Part 7: Writing (example)

One of my favorite clothing brands is Nike. Nike is a famous brand known for its sports and casual clothes. They have a simple logo, a curved swoosh, that everyone recognizes. What I really like about Nike is that they make clothes and shoes that not only look good but also work well. For example, their running shoes are comfortable and great for running or just walking around. They also have a lot of different styles and colors, so you can find something you like. Nike cares about the environment, too. They try to make their products in ways that are good for the planet. Overall, Nike is a cool brand that makes clothes and shoes that are both stylish and useful.