

Michael Phelps: Strategy Formulation & Implementation

MICHAEL PHELPS, NICKNAMED MP, is the most decorated Olympian of all time. Competing in four Olympic Games,¹ the American swimmer won 22 Olympic medals, including 18 gold! In 2000 at the Sydney Olympics, Phelps at the age of 15 was the youngest U.S. athlete in almost seven decades. In 2008 at the Beijing Olympics, Phelps won an unprecedented eight gold medals, and while doing so set seven world records. Eight short days changed Olympic history and Phelps' life forever, making MP one of the greatest athletes of all time. Immediately after the event, *The Wall Street Journal* reported that Phelps would be likely to turn the eight gold medals into a cash-flow stream of more than \$100 million through several product and service endorsements.

Phelps did not rest on his laurels, however. In 2012 at the London Summer Olympics, Michael Phelps added another four gold and two silver medals, elevating him to superstardom. Phelps became an Olympic superhero against long odds. How was he so successful?

Strategy Formulation

In his youth, MP was diagnosed with attention deficit hyperactivity disorder (ADHD). Doctors prescribed swimming to help him release his energy. It worked! Between 2004 and 2008, Michael Phelps attended the University of Michigan, studying marketing and management. He had already competed quite successfully in the 2004 Athens Summer Olympics, where he won eight medals: six gold and two bronze. Right after the Athens Games, the then-19-year-old sat down with his manager, Peter Carlisle, and his longtime swim coach, Bob Bowman, to map out a detailed strategy for the next four years. The explicit goal was to win nothing less than a gold medal in each of the events in which he would compete in Beijing.

Bowman was responsible for getting MP into the necessary physical shape he needed for Beijing and



Michael Phelps, the most decorated Olympian
© DPA Picture Alliance/Alamy

nurturing the mental toughness required to break Mark Spitz's 36-year record of seven gold medals won in the 1972 Munich Olympic Games. Carlisle, meanwhile, conceived of a detailed strategy to launch MP as a world superstar during the Beijing Games. While MP spent six hours a day in the pool, Carlisle focused on exposing him to the Asian market, the largest consumer market in the world, with a special emphasis on the Chinese consumer. MP's wide-ranging presence in the real world was combined with a huge exposure in the virtual world. Phelps posts and maintains his own Facebook page, with 7.6 million "phans." MP is also a favorite of Twitter (1.6 million followers), YouTube, and online blogs, garnering worldwide exposure to an extent never before achieved by an Olympian. The gradual buildup of Phelps over a number of years enabled manager Carlisle to launch MP as a superstar right after he won his eighth gold medal at the Beijing Games. By then, MP had become a worldwide brand.

Frank T. Rothaermel prepared this MiniCase from public sources. This Mini-Case is developed for the purpose of class discussion. It is not intended to be used for any kind of endorsement, source of data, or depiction of efficient or inefficient management. All opinions expressed, all errors and omissions are entirely the author's. Revised and updated: August 10, 2015. © Frank T. Rothaermel.

A successful strategy can be based on leveraging unique resources and capabilities. Accordingly, some suggest that MP's success can be explained by his unique physical endowments: his long thin torso, which reduces drag; his arm span of 6 feet 7 inches (204 cm), which is disproportionate to his 6-foot-4-inch (193 cm) height; his relatively short legs for a person of his height; and his size-14 feet, which work like flippers due to hypermobile ankles. While MP's physical attributes are a *necessary* condition for winning, they are *not sufficient*. Many other swimmers, like the Australian Ian Thorpe (who has size-17 feet) or the German "albatross" Michael Gross (with an arm span of 7 feet or 213 cm), also brought extraordinary resource endowments to the swim meet. Yet neither of them won eight gold medals in a single Olympics.

Strategy Implementation

Although Phelps was very disciplined in executing his meticulously formulated strategy to win Olympic gold medals, this is much less true for his strategy implementation to monetize his stardom outside the pool. Following the Beijing Olympics, a photo published by a British tabloid showed Phelps using a bong, a device for smoking marijuana, at a party in South Carolina. Kellogg's immediately withdrew Phelps' endorsement contract. After the London 2012 Olympics, Phelps (then 25) announced his retirement from swimming. After 20 months, he announced that he would come out of retirement. Just a few months later, however, in September 2014, Phelps was arrested for driving under the influence (DUI). In 2004, Phelps had also been arrested for DUI. After the second DUI arrest, Phelps received a one-year suspended jail sentence and 18 months of supervised probation. Phelps also spent 45 days in an in-patient rehab center for alcohol abuse in Arizona. USA Swimming, the national governance body, suspended Phelps for 6 months from all competitions and from representing the United States at the 2015 world championships.

In the spring of 2015, Michael Phelps announced his intention to compete at the 2016 Rio Olympics.

Many experts predict that Phelps has a good chance of winning two more gold medals. What sponsors want to know, however, is whether the promised personal change is real, given that Phelps has made such promises before after his first DUI and then again when photographed smoking a marijuana pipe. Retaining a clean public image will also be critical for Phelps because he just launched his own line of swimwear MP, designed in collaboration with Aqua Sphere, a swimming equipment manufacturer. Phelps grew up idolizing Michael Jordan, and his goal is to change the public image and marketing of swimming to something akin to what Jordan accomplished with his Nike sponsorship in basketball.

DISCUSSION QUESTIONS

1. Olympians generally do not turn into global phenomena. One reason is that they are highlighted only every four years; e.g., not too many people follow competitive swimming or downhill skiing outside the Olympics. How did Michael Phelps (think Lindsey Vonn) turn into a global brand?
2. Which approach to the strategy process did Phelps, his coach, and manager use? Why was this approach successful?
3. Phelps was embroiled in a number of controversies outside the pool. What impact did these shortcomings have on his brand value? What do these incidents tell you about maintaining and increasing brand value over time?
4. What does Phelps need to do if he wants to play a similar transformative role in the marketing and sponsoring of swimming as Michael Jordan achieved in basketball?

Endnote

¹ Sydney in 2000; Athens in 2004; Beijing in 2008; and London in 2012.

Sources: This MiniCase is based on: "Michael Phelps confirms he's aiming to swim at 2016 Olympics," *The Baltimore Sun*, April 15, 2015; "Profile: Michael Phelps—A normal guy from another planet," *Telegraph*, August 15, 2008; "Now, Phelps chases gold on land," *The Wall Street Journal*, August 18, 2008; and "Michael Phelps' agent has been crafting the swimmer's image for years," Associated Press, September 14, 2008.