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ATHLETE ENDORSEMENT AS A MARKETING  
STRATEGY

A CASE STUDY OF NIKE AND MICHAEL JORDAN

*Degree Thesis  
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*I've missed more than 9000 shots in my career. I've lost almost 300 games. 26 times, I've been trusted to take the game winning shot and missed. I've failed over and over and over again in my life. And that is why I succeed.*

MICHAEL JORDAN



## **Abstract**

Companies try constantly to extend their markets by attracting different target customers and increasing their brand awareness. The present study investigates how and why endorsing their products by athletes is an always more extensively and popular tool in the companies' marketing mix. Michael Jordan, a retired American basketball star, who has gained lots of media attention, has endorsed numerous products. Especially his endorsement contract with Nike, Inc. has become an excellent case study for the current trend of athlete endorsement in the international market. The results of this case study provide insights into factors that may influence the success of athlete endorsement as a company's marketing strategy.

## **Resumen**

Las empresas intentan abrir mercados nuevos constantemente, logrando atraer a nuevos clientes objetivo y aumentar el reconocimiento de la marca. Este trabajo investiga el cómo y por qué el patrocinio de atletas, para que éstos representen los productos de una empresa, ya que es una herramienta cada vez más amplia y popular en el marketing mix de las empresas. Michael Jordan, una estrella retirada de baloncesto estadounidense, ha recibido mucha atención de los medios publicitarios y ha representado bajo patrocinio a varios productos. Especialmente su contrato de patrocinio con Nike, Inc. se ha convertido en un excelente caso de estudio para analizar la tendencia actual que supone patrocinar a atletas en el mercado internacional. Los resultados de este caso de estudio ayudan a entender los factores que pueden influir en éxito de las empresas cuando deciden patrocinar a un atleta como parte de su estrategia de marketing.

## **Resum**

Les empreses intenten obrir mercats nous constantment, aconseguint atraure nous clients objectiu i augmentar el reconeixement de la marca. Aquest treball investiga el còm i per què el patrocini d'atletes, per a que aquests representin els productes d'una empresa, ja que és una eina cada vegada més àmplia i popular en el màrqueting mix de les empreses. Michael Jordan, un estel retirada de bàsquet, ha rebut molta atenció dels mitjans publicitaris i ha representat sota patrocini a diversos productes. Especialment el seu contracte de patrocini amb Nike, Inc. s'ha convertit en un excel·lent cas d'estudi per analitzar la tendència actual que suposa patrocinar atletes en el mercat internacional. Els resultats d'aquest cas d'estudi ajuden a

entendre els factors que poden influir en èxit de les empreses quan decideixen patrocinar a un atleta com a part de la seva estratègia de màrqueting.

## **Keywords**

Marketing – Communication – Promotion – Advertisement – Athlete endorsement – Nike – Michael Jordan
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## **Introduction**

Athlete endorsement is a marketing promotional strategy that is frequently used by companies to reach a wider target audience, to outstand from their competitors, to create brand awareness as well as to make a higher profit. It is an always more popular tool that companies like to apply in order to achieve their goals.

The motivation that drove me to do research on this topic is my high interest in sports and marketing. Also I have a sister who plays international tennis tournaments and it is over there where I witnessed lots of times how companies are looking for young talents to endorse their products. Such endorsement contracts are always of great value for the athletes and they also mean an additional financial support. Nevertheless I always asked myself what the company was getting from it and how they could benefit themselves from it.

In order to get an answer to my wonderings, the aim of this thesis is to gain a deeper understanding of how companies use athlete endorsement as a marketing strategy. To achieve this purpose, the thesis describes and explains the company's objectives with athlete endorsement, the reason why they decide to endorse an athlete, the consumer perception of celebrities in advertisements, the effectiveness of celebrity/athlete endorsements, the drawbacks and the advantages associated with endorsement contracts and in a final step all the theory is illustrated in a practical case study.

The theory of the thesis was collected with the review of existing literature on endorsements, which included both books and article journals. Additional information was obtained from marketing and sports literature, which provides a deeper insight into the research topic and clarifies many important aspects related to the subject. The first part of the thesis defines the term marketing and explains how communication, and its components promotion and advertisement play a role in it. The second part is about the endorsement strategy as a marketing tool. It shows how it works, the different important factors that have to be considerate and also it comes up with the risks and advantages that come with the endorsement.

The third part is a case study about Nike, Inc. and the endorsement contract they signed with Michael Jordan, a former professional American basketball player in 1984. The study relies on the theoretical part of the thesis and it is compared with additional data research to complete it.

Build on the theory and on Nike's endorsement contract with Michael Jordan the findings show how valuable a well done and a well-chosen endorsement contract can be for a company as well as for the endorser. The conclusions are based on the comparison with the theoretical part and the results of Nike's case study. It shows why companies chose athletes to endorse their products and that convey their brand image effectively, as a promotional and marketing strategy.

It has been a great pleasure for me to work on this project. My sincere thanks goes to Josep Lluís del Olmo, my teacher for giving me an opportunity to work on this project whereby I was given a chance to study the impact of athlete endorsement as a marketing strategy, which helped me to expand my knowledge and practical thinking in that field. I thank him for his guidance and support throughout the time when I was working on this project. I also want to express my sincere thanks to my family and to my friends who encouraged me all the time throughout this project. Not at least I also want to thank everyone who made it possible to me to study abroad in the United States. It gave me the opportunity to make a great literature research on all the American literature I had access to.

# I. MARKETING

The roles of advertising and promotion are changing in modern marketing. In the past, companies often relied on advertising through the mass media to promote their products. Nowadays many companies are taking a new approach to marketing and promotion by integrating their advertising efforts with a variety of other communication techniques. These can be by using sales promotion, direct marketing, publicity, public relations, event sponsorship and/or celebrity endorsements. Advertising and other form of promotion are most effective when they are combined with another element of the marketing program. Using various elements together to promote a product or a service is what is known as an integrated marketing communication approach. The integrated marketing communication is applied to get competitive advantage over the company's competitors.

## 1. Marketing Definition

The overall marketing process consists of a mix of various terms of individual activities. The most popular conception people have about marketing is that it often involves sales. Nevertheless besides sales, there are other marketing activities such as market research, pricing or product planning. All these terms and activities are just a part of marketing. It involves more than just one of these individual elements, it needs the interaction of all of them.

The American Marketing Association (henceforth AMA), which represents marketing professions in the United States and Canada define marketing as "the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives." <sup>1</sup> According to P. Kotler the term *marketing* is defined as "a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others". <sup>2</sup>

Effective marketing requires that the company recognize the independence of such activities as sales and promotion and the way they can be combined to develop a marketing plan. Both definitions, the one from Kotler's as well as the one from the AMA, recognize that exchange is an essential concept in marketing. Exchange takes

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<sup>1</sup> AMERICAN MARKETING ASSOCIATION. "AMA Board Approves New Marketing Definition". *Marketing News*. [New York] (March 1<sup>st</sup> 1985), p. 1

<sup>2</sup> KOTLER, P. *Marketing Management: Analysis, Planning and Control*. 1st ed. Englewood Cliffs, New Jersey J: Prentice-Hall. 1967. P. 36  
ISBN 9780132613637

place when two or more parties have something of value for the other. There is a desire and an ability to give up that something they have to the other party, and there is also a way to communicate with each other. Advertising and promotion play an important role in the exchange process. Through these tools the target audience of a certain product or service is getting informed and convinced of its ability to satisfy their needs or wants. Customers will only be willing to do the exchange, if they feel that their needs and desires are being satisfied. Also the amount of money cannot be more than the amount the customers are prepared to pay to satisfy their need.

Nowadays most companies are seeking for more than just a one-time exchange transaction with their customers. The focus is changing and companies are trying to develop and sustain relationships with their customers. *Relationship marketing* is the word that describes this new emphasis. The term involves “creating, maintaining, and enhancing long-term relationships with individual customers as well as other stakeholders for mutual benefit”.<sup>3</sup> The movement towards relationship marketing started due to several factors. One reason is that companies have recognized that customers have become much more demanding than in the past. They look for personalized products and services adapted to their specific needs and desires. They are also looking for a superior value. A superior value is given when the product is from a high quality, when it is competitively priced and also supported by an excellent customer service. Another reason why relationship marketing is becoming more popular is because it is more cost effective for the company to retain old customers rather than acquire new ones.

## **2. Marketing Mix**

Marketing facilitates the exchange process and the development of the relationship between the company and the customers. The process goes from examining the needs and the wants of the customers, to developing a product or service that satisfies these needs and desires, offering a certain price, making it available through a particular place or channel of distribution, and developing a program of promotion or communication to create awareness and attract the interest. That process describes the four P's, also known as the elements of the marketing mix, which are product, price, place, and promotion. The basic task of marketing is to combine these four elements into a marketing strategy to facilitate the potential exchange with the company and its customers. The marketing mix requires a company's knowledge

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<sup>3</sup> BERRY, L. L. “Relationship Marketing of Services – Growing Interest, Emerging Perspectives”. *Journal of the Academy of Marketing Science*. Vol. 23 (1995), no. 4, p. 236

about the issues and options involved in each element of the marketing mix. The more the four elements are combined with each other, the more effective the marketing strategy becomes. Therefore a deep previous research is necessary. The customers are being analyzed through market researches and the obtained information serves to develop an overall marketing strategy.

### **3. Integrated Marketing Communication**

It is known that for many years, the promotional function in most companies was dominated by mass media advertising. Companies based their most of their marketing communication primarily on advertising agencies they were working with. Many companies had strong barriers around several marketing and promotional functions and they planned and managed them as separate practices, with a different view of the market and different goals and objectives. It took a while to recognize that the wide range of marketing and promotional tools must be coordinated to communicate effectively with the target audience in order to be reach certain objectives in their target market. "During the 1980s, many companies started to use more of a strategic integration of their promotional tools, by coordinating the various promotional elements and other marketing activities that communicate with a firm's customers"<sup>4</sup>. This process the companies were moving towards is referred as the *integrated marketing communication* (henceforth IMC).

The American Association of Advertising Agencies (henceforth 4As) developed one of the first definitions of integrated marketing communication. They describe IMC as "a concept of marketing communication planning that recognizes the added value of a comprehensive plan that evaluates the strategic role of a variety of communication disciplines – for example, general advertising, direct response, sales promotion, and public relations – and combines these disciplines to provide clarity, consistency, and maximum communication impact".<sup>5</sup> The 4As' definition focuses on the process of using all forms of promotion to achieve the most communication impact as possible. However according to Schultz<sup>6</sup> IMC requires all of a company's marketing activities, not just promotion, to communicate with its target audience. The reason of that is because a customer perceives a company and its brand through various aspects.

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<sup>4</sup> WARD FAWCETT, A. "Integrated Marketing-Marketers Convinced: Its Time Has Arrived". *Advertising Age*. [Chicago] (November 6<sup>th</sup> 1993), p. 2

<sup>5</sup> SCHULTZ, E. "Integrated Marketing Communications: Maybe Definition is the Point of View". *Marketing News*. [New York] (January 18<sup>th</sup> 1993), p.17

<sup>6</sup> SCHULTZ, E. "Integrated Marketing Communications: Maybe Definition is the Point of View". *Marketing News*. [New York] (January 18<sup>th</sup> 1993), p.19

That can happen through media advertisement, price, package design, direct marketing efforts, publicity, sales promotion, and messages on the Internet, or even through the type of store the product or service is sold. This broader perspective of IMC requires a company to develop a total marketing communication strategy, in order to communicate a consistent message about the company and the brand to their target audience. Also “IMC is one of the easiest ways a company can maximize the return on its investment in marketing and promotion”.<sup>7</sup>

## **4. The Role of Promotion**

The promotional variable is one of the elements of the marketing mix and therefore one of the four P's. Promotion is defined as “the coordination of all seller-initiated efforts to set up channels of information and persuasion to sell goods and services or promote an idea”.<sup>8</sup> The promotional strategy must be part of a viable marketing strategy and has to be coordinated with all the other marketing activities. A company can spend a large amount on advertising or sales promotion, but the chances of success are poor if for example the product is of poor quality, it is prized inappropriately or does not have any other adequate proprieties that are of value for the customer.

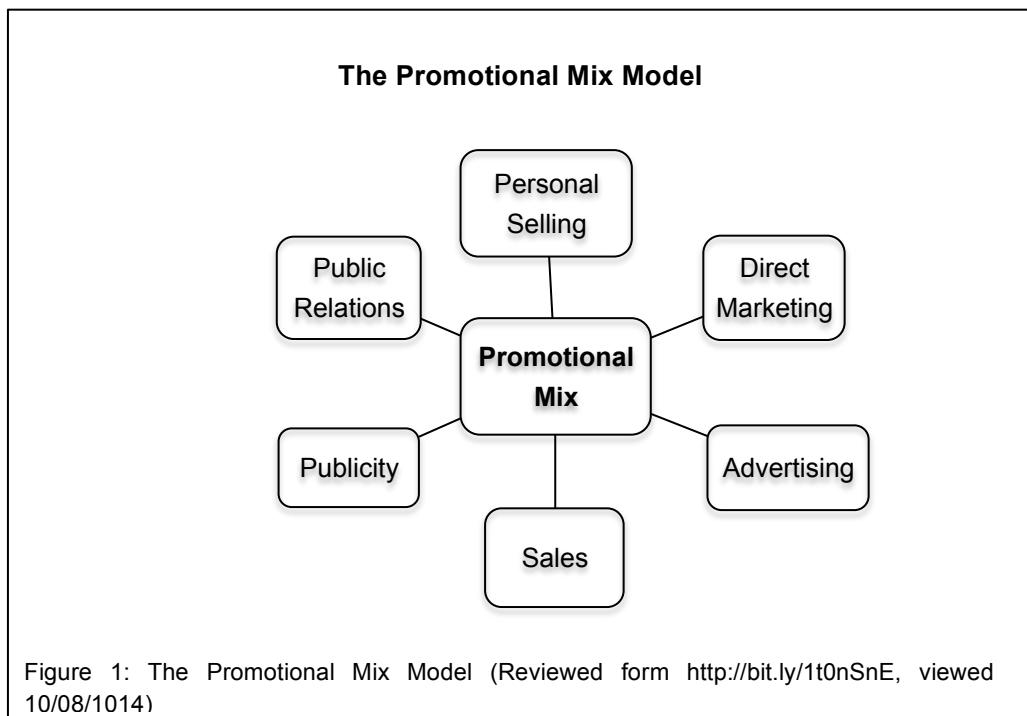
### **4.1. The Promotional Mix**

Implicit communication occurs through various elements of the marketing mix, which is not always controllable nor the perceived message is given on purpose. Nevertheless, most of the company's communication is planned ahead and controlled by the promotional strategy. The basic tools that are used to accomplish a company's communication objectives are referred as the promotional mix. The table below shows that advertising, direct marketing, sales promotion, publicity, public relations and personal selling are the components of the promotional mix. (Figure 1)

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<sup>7</sup> TORTORICI, A.J. “Maximizing Marketing Communications through Horizontal and Vertical Orchestration”. *Public Relations Quarterly*. Vol. 36 (1991), no. 1, p. 20

<sup>8</sup> RAY, M.L. *Advertising and Communication Management*. Englewood Cliffs 1<sup>st</sup> ed. New Jersey: Prentice Hall, 1981. P. 15



#### **4.2. Advertising**

Advertising is defined as “any paid form of non-personal communication about an organization, product, service, or idea”.<sup>9</sup> The paid aspect of this definition reflects the fact that the space or time for an advertising message generally must be bought. Non-personal means that advertising can transmit a message to a large target audience. It also means that there is no opportunity for an immediate feedback from the target audience. Whenever non-personal messages are being sent, the company must consider how the audience is going to interpret it and how they will occasionally respond to it, because there is not going to be an immediate response. Advertising is the best-known form of promotion and a powerful cost-effective promotional tool, especially for companies whose products and services are sold in a big market place and that therefore have a big target audience. Advertising can also be used to create an image and or any symbolic appeal for a company or for its brand. The customer’s attraction is attracted by advertising campaigns and if they respond properly, they can help to generate an increase of the sales volume, to raise awareness or to transmit a positive image for its products or the brand over a long time period. One often used and popular advertising tool to achieve certain company’s goals are doing it under endorsement contracts.

<sup>9</sup> AMERICAN MARKETING ASSOCIATION. “AMA Board Approves New Marketing Definition”. *Marketing News*. [New York] (March 1<sup>st</sup> 1985), p. 3

## 5. The Communication Process

Most companies are looking for celebrities and athletes who will not just attract attention but enhance the image of the company or brand they are endorsing. Their goal is to achieve a *halo effect* through a celebrity endorsement. “A halo effect or halo error is a cognitive bias in which one’s judgments of a person’s character can be influenced by one’s overall impression of him or her” <sup>10</sup> It is also known as “the *physical attractiveness stereotype* and the ‘*what is beautiful is good*’ principle, the halo effect, at the most specific level, refers to the habitual tendency of people to rate attractive individuals more favorably for their personality traits or characteristics than those who are less attractive. The *halo effect* is also used in a more general sense to describe the global impact of likeable personality, or some specific desirable trait, in creating biased judgments of the target person on any dimension.” <sup>11</sup> Companies take advantage of the halo effect to sell their products and services. When a celebrity spokesperson endorses a particular item, people tend to have positive evaluations of that individual. That positive perception can easily spread to the perceptions of the product or brand itself. For this reason, a famous face is usually a safe and effective method of selling an idea, lifestyle, product or brand. If a celebrity has it, then people are more likely to want it as well. Even former stars with likeable personalities and images as positive role models are still popular. Once an endorser, that is considered popular among their target audience, is chosen, the general popularity might lead to the halo effect. This means that the endorsed brand is going to become more popular and is going to attract its target customers. A good way to explain this theory is considering the example of Nike and its golf equipment selection. Nike has been the world leader company in the shoe market and in other general athletic equipment because of its superior quality, its broad market reach, its first mover advantage in many product categories and its consistent efforts at protecting and growing the brand, the brand was still not present at all in the golfing equipment industry. Despite all these good attributes the brand has, Nike was still not successful in the golf equipment market. Based on that weak point, Nike decided to sign a contract with golfing legend Tiger Woods to endorse Nike’s line of golfing equipment. Soon after this, Nike noticed a considerable sales increase in the golf equipment market.

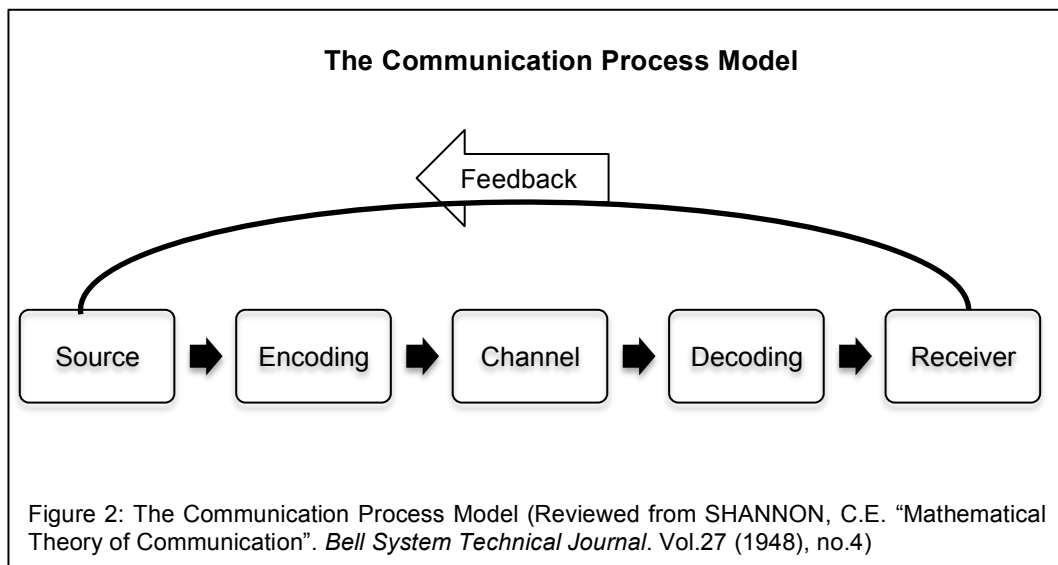
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<sup>10</sup> STANDING, L.G. *The SAGE Encyclopedia of Social Science Research Methods*. 1<sup>st</sup> ed. Thousand Oaks CA: SAGE, 2004. Vol.1. P.45  
ISBN 9780761923633

<sup>11</sup> STANDING, L.G. *The SAGE Encyclopedia of Social Science Research Methods*. 1<sup>st</sup> ed. Thousand Oaks CA: SAGE, 2004. Vol.1. P.47  
ISBN 9780761923633



There are several factors that influence the effectiveness of a persuasive communication model. (Figure 2)



Communication can be defined as “the process by which an individual (the communicator) transmits stimuli (usually verbal) to modify the behavior of other individual (the audience)”<sup>12</sup>. The major variables to understand the communication system are the source, the message and the channel through which the message is transmitted. Trustworthiness, expertise, status and likeability are important characteristics a communicator has to have in order to achieve a powerful communication. The source influences the reaction of the promotional messages. It is a huge responsibility that lays over the spokesperson. It can happen that an identical message may be attributed to two different sources, one with high credibility and one with low credibility. The more credibility a source is associated to, the stronger and more effective the message becomes. The *message* itself depends on how it is structured, the type of appeal it has, and how it influences its effectiveness. Therefore the way a message is transmitted plays an important role in the communication process. Two-side messages often do not lend to the same conclusion than one-side messages. Also feelings and the order of arguments lend to a different message. A two-sided message, for example, may increase attention but reduce comprehension. Same as, a high fear appeal may reduce attention but increase the acceptance. It should be made sure that the right factors help to understand the message as the company has planned to. Not to forget there are always going to be audience variables or individual differences, such as intelligence, personality, initial position or self-esteem. These different personal characteristics

<sup>12</sup> SHANNON, C.E. "Mathematical Theory of Communication". *Bell System Technical Journal*. Vol.27 (1948), no.4, p.623

also lend that the message is understood in one way or another. The final controllable variable of the communication process is the *channel*, also called medium, which is used to deliver the message to the target audience. There are a variety of methods to transmit the message in the marketing communication process. The way it is delivered can be classified into personal and non-personal media. A basic difference between personal and non-personal communication channels is the form it is communicated to the customers. Information received from personal influenced channels is usually more persuasive than the information received from non-personal media, like mass media. Source, message, and channel factors are controllable elements in the communication model. The persuasion matrix of the communication model helps the company to see how each controllable element interacts with the consumer's response process. The matrix has two sets of variables. Independent variables are the controllable components of the communication process, whereas the dependent variables show the steps a receiver goes through in being persuaded. The independent variables are the receiver, the channel the message is delivered, the message itself, and the source, which is the person, who delivers the message. The company cannot control with exactitude, who their receiver is going to be, but by selecting a certain endorser, they can select more or less their target audience. The company needs to know how decisions about each independent variable may influence the way a customer is going to be persuaded. Depending on if the customer was being persuaded or not, the company is going to face different results. By making different decisions throughout the independent variables, the persuasion matrix can be evaluated. (Figure 3)

<b>Persuasion Matrix Model</b>					
<b>Dependent variables:</b> Steps in being persuaded	<b>Independent variables</b>				
	Source	Message	Channel	Receiver	Destination
Message presentation					
Attention					
Comprehension					
Yielding					
Retention					
Behavior					

Figure 3: The Persuasion Matrix Model (Reviewed from McGuire. *A meditational theory of susceptibility to social influence*. 1<sup>st</sup> ed. Springer Berlin Heidelberg. Berlin, 1989. ISBN 978-3-642-73877-7

The source refers to the person involved in communicating a marketing message, which it can be either directly or indirectly. A direct source is a spokesperson or endorser who delivers a message and/or demonstrates a product or service. It is indirect when an endorser does not actually deliver a message but draws attention to and/or enhances the appearance of the ad. Companies are very careful when it comes to selecting the right endorser to deliver their messages. Many firms spend a huge amount of money for a specific person to endorse their products or services. The source affects the sales and the advertising message. An endorser who is going to maximize the message influence may be knowledgeable, popular, physically attractive, and have the power to connect with the target audience.

The communication process lends to the *source model* developed by Herbert Kelman<sup>13</sup>, which is going to be mentioned in the next chapter. The model is based on credibility, attractiveness, and power. These three basic attributes influence the recipient's attitude or behavior through a different process.

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<sup>13</sup> KELMAN H. C. "Processes of opinion change". *Public Opinion Quarterly*, Vol. 25 (1961), no.33, p.57

## II. ENDORSEMENT

### 6. Definition of Endorsers

Endorsers can be categorized into lay endorsers, experts, and celebrities. According to Tellis, lay endorsers are “initially unknown or fictitious individuals or characters used as spokesperson in an advertisement”<sup>14</sup>. Experts are defined as “individuals or organizations that the target population perceives as having specialized knowledge in a particular area”<sup>15</sup>. While celebrities are “individuals who are well known to the population because of the publicity associated with their lives”<sup>16</sup>. The same person can serve in more than one type of advertisement. For example, Roger Federer is an expert in an advertisement for tennis racquets while also a celebrity in a watch advertisement. Celebrities are people who enjoy public recognition by a large share of a certain group of people. Attractiveness, extraordinary lifestyle and/or special skills are examples that can be attributes to them. There are no specific common characteristics that can be observed. But it can be said that within a corresponding social group celebrities generally differ from the social norm and they enjoy a high degree of public awareness. Classic forms of celebrities are actors, models, sports athletes, entertainers, pop stars, and also some less obvious groups like businessmen or politicians. Celebrities appear in the public in different ways, also it can be said that mostly when they appear in public it is when they fulfilling their profession. As an example it could be any athlete who plays or performs their sport in front of an audience. Also, celebrities appear in public by attending special celebrity events, like Award events, or premieres. Furthermore, they are present in news, fashion magazines, tabloid press and other mass-media channels, which are important information sources about them and about their private life. Because of their famousness, celebrities are used to act as spokespeople in advertising to promote products and services as well.

### 7. Celebrity Endorsement Strategy

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<sup>14</sup> TELLIS, G. J. *Effective Advertising: Understanding When, How, and Why Advertising Works (Marketing for a New Century)*. 1<sup>st</sup> ed. Thousand Oaks CA: Sage Publications, 2003. P.180  
ISBN 978-0761922520

<sup>15</sup> TELLIS, G. J. *Effective Advertising: Understanding When, How, and Why Advertising Works (Marketing for a New Century)*. 1<sup>st</sup> ed. Thousand Oaks CA: Sage Publications, 2003. P.180  
ISBN 978-0761922520

<sup>16</sup> Tellis, G. J., (2003). “*Effective Advertising: Understanding When, How, and Why Advertising Works* TELLIS, G. J. *Effective Advertising: Understanding When, How, and Why Advertising Works (Marketing for a New Century)*. 1<sup>st</sup> ed. Thousand Oaks CA: Sage Publications, 2003. P.181  
ISBN 978-0761922520

The use of advertising has changed over the past 150 years, from the classical to the modern school rules. "In the modern advertising strategies various appeals are included, such as sexual, chock, emotional, fear and humor".<sup>17</sup> The main purpose of these appeals is to deliver the information that the company seeks to send to gain high brand awareness and brand recognition among their target audience. Nevertheless, when using any of these appeals there is always a person included, sometimes someone unknown or in most of the cases it is a well-known person. According to McCracken, "a well-known person tends to have a greater influence and effect on the consumers buying behavior"<sup>18</sup>. The reason for using celebrities as spokespersons goes back to their potential influence. Compared to other endorser types, famous people achieve a higher degree of attention and recall. "They increase awareness of a company's advertising, create positive feelings towards brands and are perceived by consumers as more entertaining."<sup>19</sup> Using a celebrity in advertising is going to have a positive effect on the consumers' brand attitudes and purchase intentions. This is especially because people can more easily identify themselves with this particular person.

Celebrity endorsement strategies used as an advertisement tool and it has been recognized as a feature of modern marketing. Companies use celebrities as spokespersons to deliver their advertising message and convince consumers of their brands. According to H. Friedman and L. Friedman a "celebrity endorser is an individual who is known by the public for his or her achievements in areas other than that of the product class endorsed."<sup>20</sup>. Companies recognize and use the concept of celebrity endorsement because it has an effect that influences the message of the brand, which the company is trying to send from someone that the consumer feels a sense of similarity with. The consumers tend to evaluate information from a communicator, with whom they have similar goals, interests or lifestyle with a greater mind than if it would come from someone they do not feel bonded with. Celebrities have an ability to transfer their image to a specific product that is being advertised. Companies have taken this as its proper advantage and as an opportunity for using this as an advertisement tool, in order to gain a higher brand exposure, attention,

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<sup>17</sup> MCCRACKEN, G. "Advertising: Meaning or information?". *Advances in Consumer Research*. Vol. 14 (1987), no. 1, p. 122

<sup>18</sup> MCCRACKEN, G. "Who is the celebrity endorser? Cultural foundations of the endorsement process", *Journal of Consumer Research*. Vol. 16 (1989), no. 3, p. 95

<sup>19</sup> SOLOMON, M. R. *Consumer Behavior: Buying, Having, and Being*. 5th ed. New Jersey: Pearson Education, 2002. P.84  
ISBN 978-0131384323

<sup>20</sup> FRIEDMAN, H. H. and FRIEDMAN L. "Endorser Effectiveness by Product Type". *Journal of Advertising Research*. Vol. 19 (1979), no. 5, p. 69

interest, desire and action. Celebrities are people who enjoy a great amount of public recognition by a large share of a certain group of people, because they have certain valuable characteristics, such as attractiveness and trustworthiness. Therefore celebrity endorsement is a well-liked strategy that is used as a marketing communication tool. By using this advertisement tool, the company will create in the short run a high awareness among a larger target audience as well as an increase of the target market share.

Since celebrity endorsements have become an often-used advertising tool by the companies, the price level to pay celebrities is extremely high. Companies are ready to pay a large amount of money due to the effect the celebrity has on the consumer buying behavior. "Companies have taken advantage of celebrity endorsements since the late 19<sup>th</sup> century, when it was still difficult to employ celebrities in advertisement due to the limited number of *stars*"<sup>21</sup>. However since the late 1970s, the number of celebrity endorsers has increased. Back then, "an estimated 16% of the advertisement strategies employed celebrities to endorse their products"<sup>22</sup>. That percentage rose up to a "20% in 1988"<sup>23</sup>. Nowadays it has become a common marketing strategy to use endorsement contracts to represent a company, their product, the service and/or the brand. Companies are investing a large amount of money into celebrities to endorse their products, because they are considerate good promoters. Billions of dollars are spent each year on celebrity endorsement contracts, which indicates that celebrities play an enormous and important role in the advertisement industry. Due to that importance, an important issue upon the different attributes and personal characteristics the company looks for in a celebrity comes up. It is no longer a matter of personal taste nor a simply management decision to decide and to choose the right celebrity. Silvera & Austad state that "celebrities are effective endorsers because they are viewed as a highly believable, likeable, pursuable and trustworthy source"<sup>24</sup>.

The fit between the celebrity and the endorsed product is important in order to achieve a high level of effectiveness on the purchasing behavior. It becomes risky for a company when there is a lack of fit, or when a celebrity gets associated with

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<sup>21</sup> ERDOGAN, B. Z. "Celebrity endorsement: A literature review". *Journal of Marketing Management*. Vol. 15 (1999), no. 4, p. 29

<sup>22</sup> ERDOGAN, B. Z. "Celebrity endorsement: A literature review". *Journal of Marketing Management*. Vol. 15 (1999), no. 4, p. 29

<sup>23</sup> ERDOGAN, B. Z. "Celebrity endorsement: A literature review". *Journal of Marketing Management*. Vol. 15 (1999), no. 4, p. 31

<sup>24</sup> SILVERA, D.H. and AUSTAD B. "Factors predicting effectiveness of celebrity endorsement advertisements". *European Journal of Marketing*. Vol. 38 (2004), no 11, p. 34

negative publicity. Negative publicity occurs when negative information is spread around and associated with the celebrity. There have been several companies that have been badly affected when their high-priced endorsers were involved in messy scandals or other not wanted issues. This risk of entrusting the name and the image of the company becomes even bigger the smaller the company is. Risk management has become a more important for companies considering using athletes as endorsers. However, there are some companies that are willing to take chances on irreverent or rebellious celebrities whose nonstandard behavior draws attention to them.

### **7.1. Athlete Endorsement**

Athletes are among the most popular endorsers. First of all and unlike for many other kind of celebrities, there are performance, which includes winning/loosing statistics for athletes which are easily available for everyone and they often fluctuate over relatively short periods of time. Second, endorsement contracts are also a key source of income for athletes. In fact and according to Sports Illustrated 2011 “the top three highest-paid American athletes in 2010, golfers Tiger Woods and Phil Mickelson and basketball player LeBron James reportedly made over seven times as much from endorsements (\$147 million) than from salaries and winnings”. This trend seems to go up every year. Many companies have started offering bonus payments to athletes for major victories, such as it can be an Olympic Gold Medal for swimmer Michael Phelps or a Grand Slam win for tennis player Roger Federer. There are always more and more popular used endorsement strategies, such as lifetime deals that go beyond the athletes’ active playing days, revenue-sharing deals, or equity stakes. Third, it is risky to aligning the company’s brand with an athlete endorsement as an advertising strategy. Same as everyone, an athlete is over all just a person, they can struggle with a loss, pick up an injury, or get entangled in scandal.

“Athletes have become entrenched in the advertising culture by endorsing a variety of products and services”<sup>25</sup>. Much of the research in athlete-endorsed advertising has built upon theories of advertising research on celebrity endorsement. These studies generally conclude that “the persuasive effects of the athlete endorsement are enhanced when the athlete is perceived to be an expert or trustworthy, when there is a good fit between the athlete and the brand, or when the affective and

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<sup>25</sup> GRAU, S.L., ROSELLI, G., TAYLOR, C.R. „Where’s Tamika Catchings? A content analysis of female athlete endorsers in magazine advertisements“. *Journal of Current Issues and Research in Advertising*. Vol. 29 (2007), no. 1, p. 55

cognitive associations with the athlete transfer to the advertised brand”<sup>26</sup>. Athletes who appear in advertisements and who endorse a product or service generally enjoy public recognition and use their fame to help a company sell or enhance its image, products, or brand. Athlete endorsements is a valuable tool in enhancing a company’s competitive position by not only contributing to building a favorable brand image, but also by having a direct economic influence on the company, for example by increasing the sales volume.

There are several ways an athlete may endorse a product or service. The athlete can endorse a product or service both by simply appearing with certain brands or by providing actual brand testimonials in an advertisement. In addition, the athlete endorser can also have signed a long-term contract with the company, such as for example the endorsement relationship between Tiger Woods and Nike Golf.

## 8. Source Credibility and Source Attractiveness

Both Fill<sup>27</sup> and Solomon<sup>28</sup> present a full description of Herbert Kelman’s model of source characteristics<sup>29</sup>. According to the source characteristics model different words expressed or written by a different source have different outcomes. The source of the message can have a big impact whether the message is going to be accepted or not. The model describes how a customer’s attitude can change as well. The source and therefore the endorser can be chosen based on the level of attractiveness, its popularity, if the person is an expert or even how pleasant he or she acts towards others and its trustworthiness. There should be a match between the needs of the target audience and the potential rewards offered by the source. When this match occurs, the receiver is more likely to accept the message. A positive source can help to reduce risk and increase an overall message acceptance. *Credibility* and *attractiveness* are two source characteristics of importance and that determine the effectiveness of the source model. Each characteristic of the source model has a different way of influencing the attitude or behavior change in a

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<sup>26</sup> KOERNIG, S.K. and BOYD, T.C. „To catch a Tiger or let him go: The match-up effect and athlete endorsers for sport and non-sport brands“. *Sport Marketing Quarterly*. Vol. 18 (2009), no. 1, p. 27

<sup>27</sup> FILL, C. *Marketing Communications: Contexts, Strategies and Application*. 3rd ed. New Jersey: Prentice Hall, 2002.  
ISBN 0-273-65567-1

<sup>28</sup> SOLOMON, M. R. *Consumer Behavior: Buying, Having, and Being*. 5th ed. New Jersey: Pearson Education, 2002. P. 84  
ISBN 978-0131384323

<sup>29</sup> KELMAN H. C. “Processes of opinion change“. *Public Opinion Quarterly*, Vol. 25 (1961), no.33, p. 57



consumer. The source credibility and the source attractiveness model are two ways a company measures the effectiveness of the relationship between the endorser, the endorsed product and the target audience.

### **8.1. Source Credibility**

A source is a person or an organization that reports a message. The source's credibility is "the degree to which a viewer perceives the source to possess knowledge or an appropriate experience and do not provide biased information".<sup>30</sup> Credibility is the attribute that a target audience perceives when the source has relevant knowledge, skills, or experience. Through these characteristic the source is able to can give unbiased and objective information.

*Expertise* and *trustworthiness* are two important dimensions that define the credibility of the source. An endorser with expertise is more persuasive than one with less expertise. Expertise is defined as "the extent to which a communicator is perceived to be a source of valid assertions"<sup>31</sup> The source has to be trustworthy as well, which means that the endorser has to be honest, has to have a ethical behavior, and has to be believable. Trustworthiness is defined as "the degree of confidence in communicator' intend to communicate the assertions that he considers the most valid"<sup>32</sup>. If the target audience thinks or perceives that the person, who endorses a certain product or service, is doing it because of some underlying personal motives, the effectiveness of the source is going to be low. One of the most reliable effects found in communications research is that expert and/or trustworthy sources are more persuasive than sources who are less expert or trustworthy. Information from a credible source influences the customer's beliefs, opinions, attitudes and/or behavior through. This process is also known as *internalization process*, which occurs when the receiver adopts the opinion of the credible communicator since he or she believes information from this source is right. Once the receiver internalizes an opinion or an attitude, it becomes integrated into his or her belief system and may be maintained even after the source of the message is forgotten. A highly credible communicator is particularly important when the target audience has a negative position towards the product, service, company or brand promoted. If there is a

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<sup>30</sup> HOVLAND, C.I. and WEISS, W. "The Influence of Source Credibility on Communication Effectiveness". *Public Opinion Quarterly*. Vol.15 (1951), no. 2, p. 635

<sup>31</sup> HOVLAND, C.I. and WEISS, W. "The Influence of Source Credibility on Communication Effectiveness". *Public Opinion Quarterly*. Vol.15 (1951), no. 2, p. 647

<sup>32</sup> WOODSIDE, A.G. and DEVENPORT, W. "The Effect of Salesman Similarity and Expertise on Consumer Purchasing Behavior". *Journal of Marketing Research*, May 11<sup>th</sup> 1974, p. 198

negative position the credible source is likely to change the target audience's beliefs with counterarguments.

Companies want to use sources with high credibility because attitudes and opinions developed through internalization process becomes part of the customer's belief system. There are several techniques to convey the source expertise. Roobina Ohanian showed the importance of using expert sources in a study. She found out that "the perceived expertise of celebrity endorsers was more important in explaining purchase intentions than their attractiveness or trustworthiness"<sup>33</sup>. She also suggested that "celebrity spokespeople are most effective when they are knowledgeable, experienced, and qualified to talk about the product they are endorsing"<sup>34</sup>. Expertise is important but the source must be believable to the target audience as well.

## 8.2. Source Attractiveness

*Source attractiveness* is an effective way for companies to enhance the product that they are promoting. Attractiveness includes similarity, familiarity and likeability. "Attractiveness is the way that something can be considered more attractive depending on where it came from. This can be based on factors such as likeability or similarity to other comparable things."<sup>35</sup> *Similarity* is "the degree to which a source is perceived as similar to the audience in terms of attitudes, opinion, activities, interests or lifestyle"<sup>36</sup>. *Likeability* is "an affection of the source as a result of physical appearance, behavior, or other personal traits"<sup>37</sup>. People usually tend to like a commercial when they see an attractive spokesperson, or someone who will convince them that the product actually works. They admire their physical appearance, talent and/or personality. However it also depends on what the company is selling. For example if a company wants to sell sportswear, their goal would be to find a model with an athletic build or maybe a sports athlete. Source likeability can definitely heighten the appeal of the product or service, especially if a

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<sup>33</sup> OHANIAN, R. "The Impact of Celebrity Spokespersons' Image on Consumers' Intention to Purchase". *Journal of Advertising Research*. February/March 1991, p.46

<sup>34</sup> OHANIAN, R. "The Impact of Celebrity Spokespersons' Image on Consumers' Intention to Purchase". *Journal of Advertising Research*. February/March 1991, p.48

<sup>35</sup> BUSINESS DICTIONARY. <http://www.businessdictionary.com/definition/source-attractiveness.html#ixzz37ZA24xBJ> [Viewed: 14th of July 2014]

<sup>36</sup> O'MAHONY, S. and MEENAGHAN, T. "Research the Impact of Celebrity Endorsements on Consumers", *New Ways for Optimizing Integrated Communications*. 1998. The Netherlands, ESCOMAR, p. 5

<sup>37</sup> O'MAHONY, S. and MEENAGHAN, T. "Research the Impact of Celebrity Endorsements on Consumers", *New Ways for Optimizing Integrated Communications*. 1998. The Netherlands, ESCOMAR, p. 8

celebrity is promoting it. The advantages of this strategy influences the consumer purchase intentions, the brand awareness building, the positioning of the brand, and it also attracts new customers as well as it gives a brand the change to repositioning herself. *Familiarity* is “the extent to which the audience member feel that they know the endorser”<sup>38</sup>. *Sympathy* refers to the “presence or absence of the feelings which the message receiver would have towards the source information”<sup>39</sup>.

“Source attractiveness lends to persuasion through a process of identification, whereby the receiver it motivated to seek some type of relationship with the source and thus adopts similar beliefs, attitudes, preferences, or behavior.”<sup>40</sup> “The receivers of persuasive communication are more likely to be influenced by a message coming from someone they like and with whom they feel a sense of similarity.”<sup>41</sup> Therefore when seeking for an endorser, the company looks for similarity and likability as one of the main characteristics. If the communicator and the receiver have similar needs, goals, interests, and lifestyles, the hold position by the source is better understood and received. In order to establish a bond of similarity between the communicator and the receiver, and to increase the source’s level of persuasiveness, the endorser has to get the consumer to think that he or she could see him-/herself in this situation. The physical attractiveness, the lively personality and the charisma play an important role as well. Celebrities and athletes are high valuable spokespeople and through their image they have a favorable influence in the consumers’ feelings, attitudes, and purchase behavior. Therefore they are usually used to apply the principle of likability to the advertisement campaign.

## 9. The Match-Up Hypothesis

Celebrity endorsers generate favorable attitudes and different behavioral responses among consumers. The *Match-up Hypothesis* investigates the fit or match between a celebrity and the product that they are endorsing. The most important fact of the hypothesis is that a good match between the celebrity and the product is more

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<sup>38</sup> O'MAHONY, S. and MEENAGHAN, T. "Research the Impact of Celebrity Endorsements on Consumers", *New Ways for Optimizing Integrated Communications*. 1998. The Netherlands, ESCOMAR, p. 8

<sup>39</sup> O'MAHONY, S. and MEENAGHAN, T. "Research the Impact of Celebrity Endorsements on Consumers", *New Ways for Optimizing Integrated Communications*. 1998. The Netherlands, ESCOMAR, p. 10

<sup>40</sup> O'MAHONY, S. and MEENAGHAN, T. "Research the Impact of Celebrity Endorsements on Consumers", *New Ways for Optimizing Integrated Communications*. 1998. The Netherlands, ESCOMAR, p. 12

<sup>41</sup> MILLS, J. and JELLISON, J. „Effect on Opinion Change Similarity between the Communicator and the Audience He Addresses“, *Journal of Personality and Social Psychology*. Vol. 9 (1969), no. 2, pp.153

effective than a poor match. The consumer/celebrity relationship has a huge importance. Everything is based on the consumers' perception of the celebrity endorser. There are studies that provide ample evidence that "consumers purchase and consume products congruent with their self-concept, either actual or ideal".<sup>42</sup>. This means that an endorser has an influence on the consumers' attitude and their choice might depend upon the perception they have of the endorser.

There are two aspects that have to be considerate when referring to the *Match-up Hypothesis*. The first one is the effect of a match between a "consumer's perception of the celebrity endorser and his/her own ideal self-concept"<sup>43</sup>, the second effect refers to the "fit between the celebrity endorser and the product. This can be measured according to the attitude toward the ad, the attitude toward the brand, and the purchase intention"<sup>44</sup>. The source credibility model shows that a celebrity generally has a greater impact on a consumer's attitude change and purchase intention than a non-celebrity spokesperson through an established credible image derived from their wide recognition and popularity. However assuming that the endorser effectiveness is higher when using a famous celebrity as a spokesperson is wrong. There are several possible reasons why some celebrities fail in turning their endorsements into success. Possible reasons of failure are overexposure and a wrong identification. The *Match-up Hypothesis* specifically suggests that the effectiveness depends on the existence of a fit between the celebrity spokesperson and the endorsed brand. (Figure 4)

Expertise, trustworthiness, and attractiveness are the three dimensions that a celebrity spokesperson has to have in order to be targeted with credibility. Physical attractiveness, expertise and trustworthiness have an important match-up factor and therefore it has an impact on the consumer's brand attitude. Expertise is given when a communicator is perceived to be a source of valid statements. It comes from knowledge, experience, or training that the spokesperson possesses in the related field. Trustworthiness refers to the audience's confidence in the source for providing information in an objective and honest way. Attractiveness refers to how likable or physically attractive the celebrity spokesperson is to the target audience, and the

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<sup>42</sup> SIRGY, M. J. "Using self-congruity and ideal congruity to predict purchase motivation". *Journal of Business Research*. Vol. 13 (1985), p. 195

<sup>43</sup> MACKENZIE, S. B. and LUTZ, R. J. "An empirical examination of the structural antecedents of attitude toward the ad in an advertising pretesting context". *Journal of Marketing*. Vol. 53 (1989), p.48

<sup>44</sup> MACKENZIE, S. B. and LUTZ, R. J. "An empirical examination of the structural antecedents of attitude toward the ad in an advertising pretesting context". *Journal of Marketing*. Vol. 53 (1989), p.49

more attractive a spokesperson is, the more effective the message is. Early studies<sup>45</sup> have found out that the *match-up hypothesis* is based mostly on of physical attractiveness. Attractive celebrities were supposed to be more persuasive when promoting products. Ohanian acknowledges that even if a celebrity has the power and the ability to create awareness and initial interest for an advertisement, this may not necessarily change consumer's attitude toward the endorsed brand. The author states, that "for celebrity spokespersons to be truly effective, they should be knowledgeable, experienced, and qualified to talk about the product."<sup>46</sup>

Recent studies have shown that expertise or the perceived congruence between the celebrity image and the product image are more effective match-up factors.<sup>47</sup> Doing research on the consumer personality variables provides a useful framework for understanding the consumer/celebrity relationship. These newer results together with the source credibility and source attractiveness model provide consistent empirical support, that a fit between an endorser and the product being endorsed is the key to understand the endorsement effectiveness. This is the base to set up the first two hypotheses of the Match-up Hypothesis model:

- H1: Perceived endorser credibility has a positive significant effect on:
  - o H1.1. The attitude towards the advertising
  - o H1.2. The attitude towards the brand
  - o H1.3. The intention to buy
- H2: Endorser expertise has a positive significant effect on:
  - o H2.1. The attitude towards the advertising
  - o H2.2. The attitude towards the brand
  - o H2.3. The intention to buy

Considering the source expertise dimension, Crano<sup>48</sup> showed that the subjects exposed to an expert source show more advertising appreciation than those exposed to a low expertise treatment. Also there is a support that shows the positive relationship between the source of credibility and persuasion. O'Mahony and

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<sup>45</sup> KAHLE, LYNN R. and HOMER, P. M. "Physical Attractiveness of the Celebrity Endorser: A Social Adaptation Perspective". *Journal of Consumer Research*. Vol. 11 (1985), no. 4

<sup>46</sup> OHANIAN, R. „The Impact of Celebrity Spokespersons' Image on Consumers' Intention to Purchase“. *Journal of Advertising Research*. February/March 1991, p.52

<sup>47</sup> TILL, BRIAN, D. and BUSLER, M. "Matching Products with Endorsers: Attractiveness versus Expertise". *Journal of Consumer Marketing*. Vol. 15 (1998), no. 6

<sup>48</sup> CRANO, W. "Effects of Sex, Response Order, and Expertise in Conformity: A Dispositional Approach". *Sociometry Journal*. September 1970, no. 33, p. 239

Meenaghan <sup>49</sup> state that attractive characters used in advertising lend to a more favorable attitude towards the advertising and therefore to higher purchasing intentions. The hypothesis 3 is then the following one:

- H3: Perceived endorser attractiveness has a positive significant effect on:
  - o H3.1. The attitude towards advertising
  - o H3.2. The intention to buy

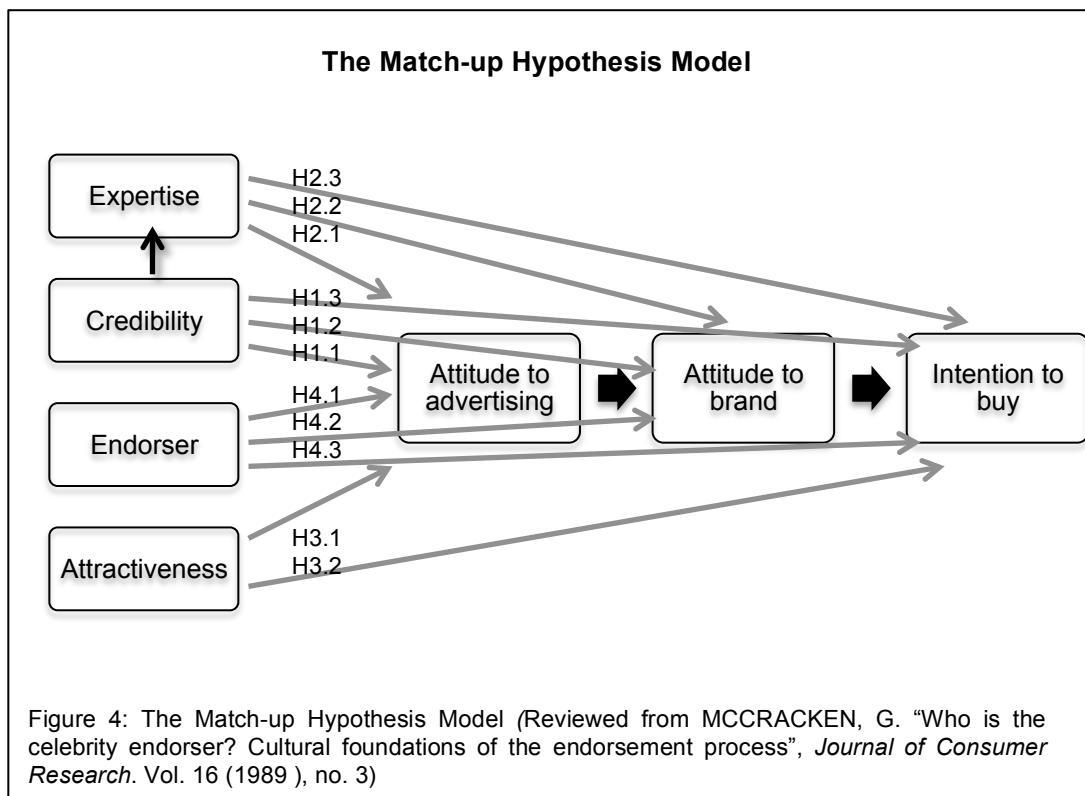
There are several studies that compare the effectiveness of celebrity endorsements with non-celebrity endorser. Almost all the advertisers believe that “the messages transmitted by celebrities provide a higher degree of call, attention that those delivered by the non famous ones” <sup>50</sup>. That means that famous endorsers are more effective than the non-famous ones. They have a greater influence towards advertising, the endorsed brand, and the purchase intentions. Therefore the 4th hypothesis states:

- H4: Celebrity endorser has a more significant positive effect than a non celebrity endorser on:
  - o H4.1. The attitude towards the advertising
  - o H4.2. The attitude towards the brand
  - o H4.3. Purchase to buy

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<sup>49</sup> O'Mahony, S and Meenaghan, T., (1997/1998), "Research the Impact of Celebrity Endorsements on Consumers", In: *New Ways for Optimizing Integrated Communications*, the Netherlands, ESCOMAR,

<sup>50</sup> Cooper, M., "Can Celebrities Really Sell Products?", *Marketing and Media Decisions*, 19th September 1984, p. 64



### 9.1. Balance Theory

Fritz Heider's<sup>51</sup> balance theory is a motivational theory of attitude change towards a psychological balance. It is useful in examining how celebrity endorsement affects consumers' attitudes toward products. The balance theory states that people like balance in their lives and if they have a positive attitude towards a celebrity and they see, due to the endorsement, that that celebrity is using a certain product or service, then they will most likely have a positive attitude toward the product or service as well, in order to achieve psychological balance. The principle of attractiveness says that people are more likely to listen to a message from someone they find attractive. Therefore, having an attractive celebrity delivering a brand message may broaden the target audience and increase the chance of the message being heard and remembered. Having a celebrity promoted a product can increase the familiarity of that product. The principle of familiarity and the mere-exposure is a psychological phenomenon that determines that "people are more attracted to things that are more familiar to them and also they tend to develop a preference for things just because they are familiar with them. However, if the person already had a dislike for the product being endorsed by the celebrity, they may begin disliking the celebrity. This

<sup>51</sup> HEIDER, F. *The Psychology of Interpersonal Relations*, 1<sup>st</sup> ed. New Jersey: John Wiley & Sons, 1982  
ISBN 978-0898592825

all happens again to achieve psychological balance”<sup>52</sup>. On the other way, a celebrity with a poor image can damage the image of a brand. This is the reason why celebrities lose their endorsement deals when they are involved in a public or personal scandal. It happened with Tiger Woods for example. The companies he had endorsements with, quickly withdrew their relationships with him because his personal negative issues were exposed and they did not fit anymore with the brand image.

## **9.2. The Match-up Effect of Athlete Endorsements**

Athletes are present in the advertising culture by endorsing a variety of products and services. Much of the research in athlete-endorsed advertising is built upon theories of advertising research on celebrity endorsement. It is generally concluded that the persuasive effects of the athlete endorsement are enhanced when “the athlete is perceived to be an expert or trustworthy”<sup>53</sup>, also “when there is a good fit between the athlete and the brand”<sup>54</sup>, or when “the affective and cognitive associations with the athlete transfer to the advertised brand”<sup>55</sup>

Although previous studies have ignored that fact, more recent studies have shown that factors related to the ethnic background of the athlete endorser matters. The ethnicity issue is critically important in understanding consumers’ responses to advertising. Burton already mentioned that “having a promotional strategy that is sensitive to the characteristics of various ethnic groups is beneficial”<sup>56</sup>. Also it is found out, “that a communicator who is in some respects, such as sharing the same ethnicity, similar to his or her audience tends to be more influential”<sup>57</sup>. “The ethnicity factor becomes even more important in the athlete-endorsed advertising context because athlete endorsers have diverse ethnic backgrounds”<sup>58</sup>. Within an ethnically

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<sup>52</sup> ZAJONC, R. B. "Mere Exposure: A Gateway to the Subliminal". *Current Directions in Psychological Science*. Vol. 10 (2001), no. 6, p. 37

<sup>53</sup> BOYD, T.C. & SHANK, M. D. "Athlete as product endorsers: The effect of gender and product relatedness", *Sport Marketing Quarterly*. Vol. 13 (2004), no. 2, p. 82

<sup>54</sup> KOERNIG, S.K. & BOYD, T.C. "To catch a Tiger or let him go: The match-up effect and athlete endorsers for sport and non-sport brands". *Sport Marketing Quarterly*. Vol. 18 (2009), no. 1, p. 25

<sup>55</sup> BROOKS, C.M. & HARRIS, K.K. "Celebrity athlete endorsement: An overview of the key theoretical issues". *Sport Marketing Quarterly*. Vol. 7 (1998), no. 1, p. 34

<sup>56</sup> BURTON, R., FARRELLY, F.J., & QUESTER, P.G. "Exploring the curious demand for athletes with controversial images: A review of anti-hero product endorsement advertising". *International Journal of Sports Marketing & Sponsorship*. Vol. 2 (2000), no. 5, p. 315

<sup>57</sup> MARTIN, B. A. S., LEE, C. K. & YANG, F. "The influence of ad model ethnicity and self-referencing on attitudes". *Journal of Advertising*. Vol. 33 (2004), no. 4, p. 30

<sup>58</sup> KAHLE, L. R. and RILEY C. *Sports marketing and the psychology of marketing communication*. 1<sup>st</sup> ed. Psychology Press, Mahwah: Lawrence Erlbaum Associates, 2004. P. 110  
ISBN-13: 978-0805857900



diverse audience it has to be considerate the influence of the ethnicity match between an athlete and the audience target on the communication process.

The attitude toward the athlete, the perceived athlete-brand fit and the preexisting attitude toward the brand are three factors that explain the attitude toward the brand and the purchase intention across different ethnic target groups.

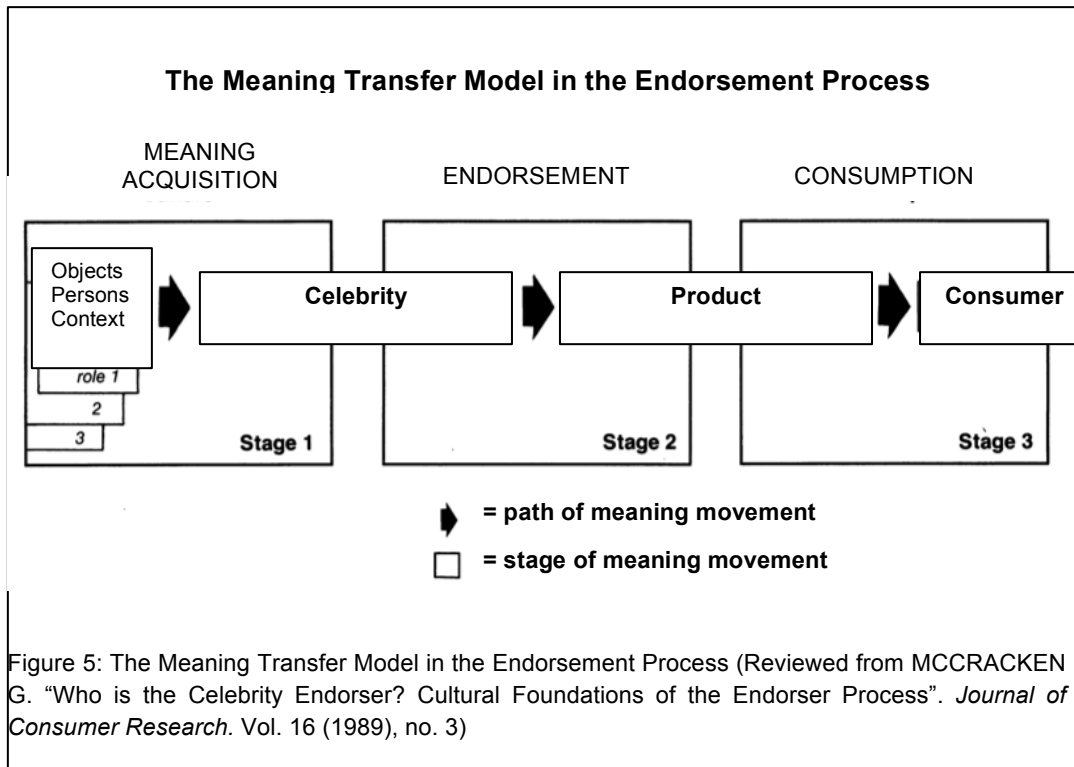
## **10. The Meaning Transfer Model**

“Advertisers must try to match the product or the company’s image, the characteristics of the target market, and the personality of the celebrity”<sup>59</sup>. The image celebrities project to their target consumers can be just as important as their ability to attract attention. Grant McCracken offers a model based on the *meaning transfer*, which explains how and why celebrity endorsements work and he shows that credibility and attractiveness is not the only thing that explains why the relationship between the consumers and the celebrity spokesperson is working well. According to the meaning transfer model, there are various symbolic meanings a consumer associates with a celebrity. Therefore those meanings are transferred to the product being promoted by an endorser. If the right meaning is transferred, the consumer will purchase and consume the product or service. Also some celebrity endorsements work better than others due to a natural match between the celebrity and the product in terms of different cultural meanings and images.

A celebrity’s effectiveness as an endorser depends on different cultural meanings he or she brings to the endorsement process. Each celebrity contains many meanings, which include status, class, gender, and age as well as personality and lifestyle. The meaning transfer model is composed of three following stages. (Figure 5)

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<sup>59</sup> Michael A. Kamins, (1990), “An Investigation into the ‘Match-up’ Hypothesis in Celebrity Advertising”. *Journal of Advertising* 19, no.1, p.7



In the first stage of the meaning transfer model McCracken notes that “celebrities draw these powerful meanings from the roles they assume in their television, movie, military, athletic, and other careers. Each new dramatic role brings the celebrity into contact with a range of objects, persons, and contexts. Out of these objects, persons, and contexts are transferred meanings than then reside in the celebrity.”<sup>60</sup> That means that the famous person moves from the endorser to the product or to the brand. Comparing with non-celebrities, celebrities add a certain value to the brand image. Their exposed lifestyles and personalities give an extra meaning of power and depth to the brand. The author also underlines that a famous person represents not only one single meaning, but also he or she expresses a variety of different meanings. Due to the fact that celebrities provide a wide range of characteristics that consumers will eventually transfer to the brand and that therefore this supports consumers in evaluating the brand, celebrities are used as a successful and effective marketing tool. Especially the athletes’ personality is an important factor in influencing specific target groups. Mostly because they are easily recognizable and much admired.

<sup>60</sup> MCCRACKEN G. “Who is the Celebrity Endorser? Cultural Foundations of the Endorser Process”. *Journal of Consumer Research*. Vol. 16 (1989), no. 3, p. 315

In the second stage the different meanings that are attributed to the celebrity become associated with the brand in the consumer's mind. Companies that use a celebrity endorser try to capture the exact amount of meanings that were looked for when selecting the celebrity, and they try to avoid unwanted meanings as well.

In the third and final stage of the model, the meanings the celebrity has given to the product are transferred and acquired by the consumer. It shows the importance of the consumer's role in the process of endorsing brands with famous people. The last stage is complicated and difficult to achieve. McCracken notices that the way that consumers take possession of the meaning the celebrity has transferred to a product is the least understood part of the process.

The meaning transfer model has some important implications for a company using celebrity endorsers. The company must first decide which image or what symbolic meanings about their particular product, service, or for the company they want to transmit to their target customers. After specifying that criteria, the company must then determine which celebrity best represents the meaning of the image that should be projected. An advertising campaign must be designed in a way that captures the meaning in the product and this meaning should then move to the consumer. It is important for the company to do research in order to determine the consumer's perceptions of celebrities' meaning with the actual supposed meaning they want to give to the product/brand in the beginning. Choosing a celebrity endorser does not rely on intuition, there are several factors that must be considered when selecting the right person. Once the brand's features are determined, the company has to look for and select the celebrity who has the appropriate characteristics, and the one who will best be able to produce the most favorable response from consumers. A way to measure the effectiveness of the endorsement campaign is tracking the campaign's outputs. It is important to make sure that the celebrity continues to be effective in communicating the proper meaning to the target audience. Also celebrities who are no longer projecting any significant meaning to the endorsed product may lose their contract.

## **11. Celebrity Selection**

### ***11.1. On-field and Off-field Attributes***

First of all, the company has to find a celebrity who fits best and represents the image of the product and/or brand and its meaning. The credibility of the celebrity is

important to create a believable relationship between the meanings, which is associated with the celebrity, and the product. A celebrity spokesperson has to have expertise, trustworthiness, and physical attractiveness in order to be targeted with credibility and also to come up with the match-up factors between the celebrity and the consumer's brand attitude. Every product has its own personality and if the celebrity and product's personality is very close to each other or very similar with each other then the results will be more effective. Sports athletes and celebrities draw huge attention from corporate sponsors and its endorsement creates exposure for the brand. An athlete endorsing a product can transform a brand. It starts with recognition, consideration, favorability, and loyalty, which lends to an increase of the sales volume of a product. However, it can also fail and create an undesired outcome as initially desired. In a successful product endorsement, the athlete does so much more than just selling the product. The athlete actually becomes a *human brand*. To describe that fact, the key attributes have to be considered. They are divided into two groups, the ones that are seen on the field and those off of it. Also these two groups have to be congruent in consistency and authenticity.

The *on-field attributes* are referred to the athlete's performance quality, to its winning record, the skills, the style and the potential they have. Brands want their endorsers to be successful and solid, to be skillful and to play the game with style. Also the potential plays a role in the endorsement process. Usually that is the case when companies sign a contract with an athlete at a young age. They see the athlete's potential and the positive return they would give to their brand. The personality, physical attractiveness, uniqueness or unique personal background, being a role model, having a good relationship with fans are the *off-field attributes* that a brand looks for when endorsing an athlete. David Beckham is a classic case of an athlete that has a strong personality. His looks are unique and he maintains a good relationship with his fans, which strongly appeal to the endorsed brands and products. Beckham, now 39 years old, plays no longer in the strongest leagues in soccer. So, probably his on-field attributes are not as high as they were back in time. However, Beckham still earns millions of dollars a year, where much of that income is derived from his endorsements contracts. Also a good example of an endorser with a lot of physical attractiveness is the retired Russian tennis star Anna Kournikova. She was often targeted as a sports loser, because she never won a WTA singles tournament on her tennis career. Despite lack of a title, she earned about \$10 million in 2002 and her sponsors included Lycos, Omega watches, Berlei lingerie, Adidas and Yonex. In a press article in July 2002, David Schwab, a spokesman from her agency, Octagon, commented, "she's a great tennis player, has a great look, and has

global appeal. Those are the combination of characteristics companies look for when they partner with athletes”<sup>61</sup>. All of the off-field behaviors have the risk that they are less easy to anticipate, the impact is harder to measure, they are often out of the sponsor’s control, and they influence the achievement of the company’s objectives. However, the sponsors are not able to control the consumer’s psychological attributes. Also the new media plays an important role in any consideration of scandal relating to the off-field behavior of the athletes. “The media can affect what issues the public think about and how they think about those issues”<sup>62</sup>. This fact lends to the famous statement from Cohen that suggests that “the media not only tells news consumers which issues to think about, but how they should be thinking about them”<sup>63</sup>. Nevertheless the company has the ability to exercise some control over some off-field risks associated with their sports properties. Considering those risks and those influences, the off-field attributes become an important subject in morals clauses in endorsement contracts.

### **11.2. TEARS Model**

Those on- and off-field attributes are represented in the TEARS model of Shimp<sup>64</sup>. Basically this model states that “there are two general attributes, credibility and attractiveness that play an important role in facilitating communications effectively”<sup>65</sup>. These attributes are also important when it comes to determining how effective an endorser may be. Shimp also says that the first general attribute *credibility* refers to the tendency to believe or to trust someone. When an endorser is perceived as credible, the attitude of the audience seems to change through a psychological process called internalization. This process occurs when the receiver accepts the endorser’s position on an issue as his or her own. Two important sub attributes of the endorser’s credibility are trustworthiness and expertise.

The T in the TEARS model stands for *Trustworthiness*. It refers to being seen as

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<sup>61</sup> ISIDORE, C. *Anna can keep winning off the court*. CNN. Atlanta: CNN, 8th July 2002. [http://money.cnn.com/2002/07/05/commentary/column\\_sportsbiz/anna/](http://money.cnn.com/2002/07/05/commentary/column_sportsbiz/anna/) [Viewed: 14th of July 2014]

<sup>62</sup> FORTUNATO, J. A. “Restoring a reputation: The Duke University lacrosse scandal”. *Public Relations Review*. Vol. 34 (2008), no. 2, p. 118

<sup>63</sup> COHEN, B. C. *The Press and Foreign Policy*, 1<sup>st</sup> ed. New Jersey: University of California Institution. December 1993, p. 33  
ISBN: 978-0877723462

<sup>64</sup> SHIMP, T. A. *Advertising, promotion, and supplemental aspects of integrated marketing communications*, 5th ed. Fort Worth TX: The Dryden Press. 2000  
ISBN: 978-0030103520

<sup>65</sup> SHIMP, T. A. *Advertising, promotion, and supplemental aspects of integrated marketing communications*, 5th ed. Fort Worth TX: The Dryden Press. 2000. P. 153  
ISBN: 978-0030103520

believable, dependable and someone who can be trusted. The celebrity earns the trust by his or hers accomplishments, like it could be on the sports field or in public. The trustworthiness of an endorser lays on the audience's perception of the endorser's motivation. If the consumer believes that the endorser is endorsing a product for self-interest, the persuasive effect of the endorser will be lower than if the target audience sees the endorser as someone having nothing to gain by endorsing the brand. The second sub attribute and the E component of the TEARS model is *expertise*. The expertise is about having specific skills, knowledge or abilities that can be related to the endorsed brand. It is all about how the target audience perceives the endorser. If the endorser is perceived as being an expert he or she is more likely to be able to change the opinion of the target audience than if the endorser is not perceived as an expert. The third attribute is *attractiveness* and it is a key component in many endorsement relationships. It does not refer just to physical attractiveness, but to all the different characters that the audience can perceive in an endorser like it can be intellectual skills, personality properties, lifestyle characteristics and athletic skills. When the consumers find something in the endorser that they like, they may be persuaded through identification. Identification means that the consumers are likely to adopt the endorser's behaviors, attitudes, interests or preferences if they find the endorser attractive. Attractiveness can be divided in to three sub attributes, physical attractiveness, respect and similarity. As mentioned in the on- and off- field attributes, a good example of a successful attractive endorser is tennis player Anna Kournikova who has never won a tournament on her WTA tour. She was selected to endorse different brands due to her physical attractiveness and not because of her credibility or respect for her exceptional tennis abilities. Research supports the idea that attractive people are more likely to produce more favorable evaluations of advertised brands than less attractive endorsers. *Respect* is the R in the TEARS model and represents the quality of being admired due to one personal qualities and accomplishment. Celebrities can be respected for their acting abilities, athletic skills, political arguments and personality. A respected celebrity who endorses a brand can improve a brand's equity through the positive effect the consumers may get towards the brand. The final sub attribute S, stands for *similarity*. This refers to how the endorser matches with the target audience in terms of age, gender, ethnicity or social class. It is an important attribute because the target audience tends to better like individuals who are sharing the same characteristics. A celebrity endorser is more likely to be seen as trustworthy the more he or she matches with the audience's gender, age, and ethnicity etc. A research done on ethnical minorities by R.

Ohanian<sup>66</sup>, reveals that when a spokesperson matches the audience in ethnical terms, the spokespersons trustworthiness is enhanced. This adds more favorable attitudes towards the endorsed brand.

## 12. Risks

Even if a celebrity is a good fit for the brand, using endorsements has its own set of possible risks. There are several factors that must be considered when a company decides to use a celebrity as a spokesperson. Besides the obviously monetary investment, when companies use celebrities in their ads they also take on the risk of damaging their brand, company and/or product image. There is a danger of overshadowing the product. Also appearing in too many advertisements would lend to overexposure of the athlete, which would have a negative impact on the brand's credibility. The target audience's receptivity and the brand's reputation are other risks as well

*Overshadowing the product* happens when the consumer may focus their attention just on the celebrity and fail to note the brand and the advertising message. This is a particular danger when celebrities endorse multiple products at one time. When athletes have gained a lot of popularity they usually endorse a lot of companies at once. If they are representing too many products or they are in too many ads, that person may lose their credibility and/or lose the *turning heads* effect that is usually generated when endorsers are overexposed. Working with many companies makes that the celebrity's credibility may suffer. It is known that "Endorsers often create tremendous value for the companies that rely on their services - that is why the best endorsers are so richly compensated, and why most top athletes in America make more money from sponsorships than from salary or winnings".<sup>67</sup> This is a reason why people may become skeptical and feel that the celebrity will endorse anything to make an income. Companies can protect themselves against overexposure with an exclusivity clause limiting the number of products a celebrity can endorse. However such clauses are usually expensive and most celebrities agree not to endorse similar products anyway. Actually celebrities must be careful as well by not damaging their own credible image and devastating their career by appearing in too many

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<sup>66</sup> OHANIAN, R. "Construction and validation of a scale to measure celebrity endorsers' perceived expertise, trust- worthiness, and attractiveness". *Journal of Advertising*, Vol. 19 (1990), no. 6

<sup>67</sup> ELBERSE, A. *Risks and rewards of celebrity endorsements*. CNN. Atlanta: CNN, 16<sup>th</sup> December 2009. <http://edition.cnn.com/2009/OPINION/12/16/elberse.athlete.endorsements.tiger.woods/> [Viewed: 20th of July 2014]

advertisements <sup>68</sup>. *Target Audiences' receptivity* depends on the celebrity's knowledge. A celebrity may have less influence towards consumers who have knowledge about a certain product or service or have strong established attitudes than those with little knowledge or neutral attitudes. A study found out "that college-age students are more likely to have a positive attitude towards a product endorsed by a celebrity than were older consumers" <sup>69</sup>. The younger target group is usually more receptive to celebrity endorsers, as evidenced by the frequent use of entertainers and athletes in advertisements. Even though there is a risk of bad *reputation* for the company, which is usually generated by bad publicity in gossip and social-networking web sites, celebrity endorsements, are still a popular marketing tool. While the strategy is inherently risky, endorsers are people, after all, and people make mistakes. Companies who rely on athlete endorsers know they could be on a rocky road. The endorsers can suffer from injuries, a loss of form, scandals, rumors, and a range of other woes.

From a legal perspective, the most common way of reducing this type of risk is by including a so-called *conduct* or *morality clause* in the endorsement contract. The company relies on this agreement to determinate its relationship with the athlete where they have acted that a negatively image affects their image or public perception and so, as far as the endorsement is concerned, it would have a detrimental effect on the endorsed brand. Companies try to control the brand's image, but the fact is, even when an athlete agrees to the contract terms, it is hard to control what they say or do, and a wrong step could lead to years of damage to the brand. But after all the clauses in the contracts celebrities can still make mistakes or something can happen to them. If the brand's reputation is affected, it needs to be adapted. Companies take off the risk and do not cut back the strategy by endorsing an athlete, because after all endorsers generate a considerable value for the brand.

### **13. Advantages and Economic Value**

Sports endorsement is a gigantic industry. Companies spend huge amounts of money annually on celebrity endorsement contracts because they believe that celebrities are effective spokespeople for their products or brands. By some estimates "14% to 19% of advertisements that aired in the United States in recent years featured celebrities that endorsed products and brands, and the number was

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<sup>68</sup> RAE S. "How Celebrities Make Killings on Commercials". *Cosmopolitan*, January 1997, p. 164

<sup>69</sup> ATKIN C. and BLOCK M. "Effectiveness of celebrity Endorsers". *Journal of Advertising Research*. Vol. 23 (1983), no.1, p. 57



over twice as high in certain foreign markets”<sup>70</sup>. A very common example of an athlete and his wide range of endorsements is Michael Jordan. Some of the brands he endorses are Nike, Coke, Wheaties, Mc Donald’s, WorldCom, Oakley, and also Gatorade. Big name brands are willing to spend a big amount of money on athlete endorsements for many reasons. Both celebrity endorsers and the companies are getting a benefit from the celebrity endorsement strategy. “In return for the large expenditures in celebrity endorsement, companies expect to reach their objectives by capturing the attention of consumers, increasing brand awareness, strengthening recall of the brand, reinforcing the image of the product, supporting marketing communications and increasing the likelihood of consumer purchase”<sup>71</sup>. According to Erdogan and Baker, some of the reasons why companies chose celebrity as endorsers are “standing out or shorthand, awareness or attention getting, celebrity values define, and refresh the brand image, celebrity add new dimensions to the brand image, instant credibility or aspiration, PR coverage, desperate for ideas and convincing clients”<sup>72</sup>. There have been some other researches done on the economic worth of celebrity endorsements to prove whether they actually increase the marginal value of the advertisement effort or not. The economies’ worth of celebrity endorsers justify the large costs the company has to incur in. Using a celebrity to endorse the products or the brand in an advertising campaign can help generating better return on investment particularly in intangible assets for the sponsoring companies. Also there are some other studies that prove that an investment in an athlete endorsement will lend to future sales revenues and profits in a long term run.

Several studies<sup>73</sup> give insight into how a company’s stock price tends to react when the firm signs a celebrity endorser. Other studies<sup>74</sup> show the impact on sales when

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<sup>70</sup> CRESWELL, J. “Nothing Sells Like Celebrity”. *New York Times*. [New York] (June 22<sup>nd</sup> 2008), p. 36

<sup>71</sup> SHIMP, T. A. *Advertising, promotion, and supplemental aspects of integrated marketing communications*, 5th ed. Fort Worth TX: The Dryden Press. 2000, p.48  
ISBN: 978-0030103520

<sup>72</sup> ERDOGAN, B. Z., BAKER, M. J., & TAGG, S. “Selecting celebrity endorsers: The practitioner’s perspective”. *Journal of Advertising Research*. Vol. 41 (2001), no. 3, p. 43

<sup>73</sup> AGRAWAL, J., and KAMAKURA, W. A. “The Economic Worth of Celebrity Endorsers: An Event Study Analysis”. *Journal of Marketing*. Vol. 59 (1995), no. 3

DING, H., MOLCHANOV, A. E. and STORK, P. A. “The Value of Celebrity Endorsements: A Stock Market Perspective”. *Marketing Letters*. Vol. 22 (2011), no. 2

<sup>74</sup> MATHUR, L. K., MATHUR I. and RANGAN N. “The Wealth Effects Associated with a Celebrity Endorser: The Michael Jordan Phenomenon”. *Journal of Advertising Research*. Vol. 37 (1997), no. 3

LOUIE, T. A., KULIK, R. L. and JACOBSON R. “When Bad Things Happen to the Endorsers of Good Products”. *Marketing Letters*. Vol. 12 (2001), no. 1

something happens to the endorser's reputation or when there is any other unexpected change of the celebrity's relationship with the brand. *Sales movements* are often more directly relevant to advertising and marketing decisions than stock-price movements are. The sales movements help to make a decision what might be a reasonable fee for endorsers, how compensation schemes can best be structured, whether a celebrity-endorsement strategy fits the advertising strategy designed to help for example a brand to gain market share over the competing brands. They also show how distribution levels and other marketing-mix instruments have to be managed over the course of the endorsement contract. "Sales for brands in a variety of consumer-product categories increased an average of 4% in the six months following the start of a celebrity endorsement deal, even after controlling for advertising expenditures and other factors that could be expected to drive up sales"<sup>75</sup>. There are even some brands where "the sales rise with more than 20% after teaming up with an endorser. And important to managers, the strategy seemingly helps to differentiate brands from their competitors, which did not experience any spillover of increased sales"<sup>76</sup>. It is even proved that the stock market responds favorably to athlete endorsements. "On the day an endorsement is announced, the endorsed firm's stock can be expected to increase nearly a quarter percent"<sup>77</sup>. Also "the stock prices increase every time the athlete secures a victory. In fact, athletes with a strong winning record come up as particularly effective endorsers"<sup>78</sup>.

Celebrities help firms to tap into their fan base. By endorsing a certain product, they *open new markets*. Finding and keeping new customers is hard for some companies. Using a celebrity to endorse a company's product or service can attract new customers. As an example, tennis star Maria Sharapova promotes fashion label Cole Haan. This is encouraging her most devoted fans to visit its shops, allowing Cole Haan to perhaps attract a younger and more diverse demographic. Considering the sports business, sporting goods manufacturers provide athletes in the sport related field with free sporting product and with free clothes and equipment as long as the athlete uses the manufacturer's brand exclusively. Advertising in this way is not inexpensive, but it makes sure that the brand is visible for fans and other players of

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<sup>75</sup> ELBERSE, A. *Risks and rewards of celebrity endorsements*. CNN. Atlanta: CNN, 16<sup>th</sup> December 2009. <http://edition.cnn.com/2009/OPINION/12/16/elberse.athlete.endorsements.tiger.woods/> [Viewed: 20th of July 2014]

<sup>76</sup> ELBERSE, A. *Risks and rewards of celebrity endorsements*. CNN. Atlanta: CNN, 16<sup>th</sup> December 2009. <http://edition.cnn.com/2009/OPINION/12/16/elberse.athlete.endorsements.tiger.woods/> [Viewed: 20th of July 2014]

<sup>77</sup> DING, H., MOLCHANOV, A. E. and STORK, P. A. "The Value of Celebrity Endorsements: A Stock Market Perspective". *Marketing Letters*. Vol. 22 (2011), no. 2, p. 49

<sup>78</sup> DING, H., MOLCHANOV, A. E. and STORK, P. A. "The Value of Celebrity Endorsements: A Stock Market Perspective". *Marketing Letters*. Vol. 22 (2011), no. 2, p. 51

the sport. If the athlete stands out in his sport, fans may be encouraged to buy the manufacturer's product maybe in hopes that it will positively influence their own playing of the sport.

Usually it is difficult to the consumers to assess true quality of the products or services, at least not before they have been consumed. Having a celebrity endorsing a certain product, and therefore having the celebrity's name attached gives good reputation to a product and may help to reduce the uncertainty about the product and add an unconsciously *quality standard* to it. Famous people, consciously or unconsciously, they make their target audience trust in the product. Rafael Nadal, who endorses Babolat tennis rackets, serves as an example. He would only endorse those products if they truly were of premium quality. After all, Nadal himself would not risk of damaging his reputation by endorsing Babolat rackets if they would not be quality products. Celebrities who are well known and liked can instantly add credibility to a product or service. Consumers may have the attitude, that if this celebrity is backing the product or service, it must be good. Also it is common to assume that if the product is good enough for the celebrity, it is good enough for oneself.

A celebrity endorsement helps the company to differentiate its brand from their competitors by *positioning the brand*. The celebrity adds some important information about an attribute that helps to differentiate a brand from its competitors. This is particularly helpful for attributes that are hard to explain, to demonstrate, or to measure. Also celebrities are being used to position a brand. Product positioning is a process of convincing the consumers that the product that is being promoted is the best in the market. In general, athletes are seen in society as wholesome, hardworking, fun and successful. The image projected by athletes and their related sports is the image many companies wish to be identified with. *Brand awareness* is an indicator that measures how familiar people are with a particular product or service. Celebrity endorsements can build higher brand awareness. Also they can help revive a product or service that is losing market share.

## **14. Legal side**

Endorsement contracts, as defined by California State law, are "any contract or agreement pursuant to which a person is employed or receives remuneration for any value or utility that the person may have because of publicity, reputation, fame, or

following obtained because of athletic ability or performance”<sup>79</sup>. Athlete endorsement contracts are divided into two categories of licensing agreements. The first one is “where the athlete grants the right to use his or her identify for specific backing of a product or service”<sup>80</sup>. The second agreement is where “the athlete grants the right to develop products associated with him- or herself and his or her sport”<sup>81</sup>. Endorsement agreements give the company the right to exploit the athlete’s commercial potential. In exchange, the athlete will receive equipment, financial support, or other monetary compensation. The athlete is supposed to represent faithfully the endorsed brand in accordance with the terms of the parties’ agreement.

Legally endorsements are created through an endorsement agreement between the individual athlete and the brand, which they are endorsing. The endorsement agreement includes, the term of the agreement, the amount of money that the company is going to pay to the athlete and the promotional work that will be required for the athlete.

Also companies who hire athletes as spokespersons for their products or services have to deal with a variety of risks from such agreements. Risks such as injury or death are relatively easy to insure against, either contractually or through a third party. Meanwhile there are other risks, such as using steroids, criminal conductories or other non desired on-field attributes. To hedge against those risks, companies have included *moral clauses* in their endorsement contracts with the athletes. Moral clauses, “also called *public image, good-conduct or morality clauses*, are provisions included in an endorsement contract granting the endorsee the right to cancel the agreement in the event the athlete does something to tarnish his or her image and, consequently, the image of the endorsee or its products”<sup>82</sup>.

## 15. Measuring the Return on Investment (ROI)

Advertising increases the sales volume. An increase in the investment of advertising and promotional strategies, such as endorsement contracts, lend to an increase of the sales. In the Return on Investment method (ROI), advertising is considered as an

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<sup>79</sup> CAL. BUS. & PROF. CODE § 18895.2(d) (West 1997 & Supp. 1998)

<sup>80</sup> DAVIS, K. “Marketing the Individual and Endorsement Contracts for the Sports Industries”. *Sportsbusiness Journal*. Vol. 1 (2003), no. 1, p. 153

<sup>81</sup> DAVIS, K. “Marketing the Individual and Endorsement Contracts for the Sports Industries”. *Sportsbusiness Journal*. Vol. 1 (2003), no. 1, p. 153

<sup>82</sup> CARLIN, S. “Forget What (Kobe’s) Commercial Says: Image is Everything”. *Fort Worth Business Press*. Vol. 5 (2003), no. 9, p. 89

investment, thus because the investment in the endorsement contract leads to certain returns. While the ROI method looks good on paper, it is hard and rarely possible to track measure its effectiveness and the returns provided by the endorsement. Once a company has set aside the budget and has signed a celebrity endorsement contract, the next step is to track the performance of the investment. Tracking and measuring the ROI becomes problematic in the field of branding. It is hard to measure the initial objectives of an endorsement agreement such as it could be for example an increase of the brand awareness. Unless the celebrity endorsement has been selected with a purpose of increasing the sales, the ROI method is not going to work. Usually when a company tries to measure how much return they are getting from the endorsement, the question is going to remain unanswered, and the ROI method keeps being a virtually unused method for measuring the endorsement effects.

### III. A CASE STUDY OF NIKE AND MICHAEL JORDAN

#### 16. Nike, Inc.

##### 16.1. Company Information

Nike, Inc. is an American multinational corporation, that was founded on January 25<sup>th</sup> 1964, as Blue Ribbon Sports, by Bill Bowerman and Phil Knight, and officially became Nike Inc. on May 30<sup>th</sup> 1971. The company has its headquarters near Beaverton in Oregon, and it is one of the “largest and most successful brands of athletic footwear and apparel, sports equipment, accessories and services”<sup>83</sup>. “Nike is the largest seller of athletic footwear and athletic apparel in the world”<sup>84</sup>. Nike’s revenues were “US\$ 25.3 billion in its fiscal year 2013”<sup>85</sup>. By end of Nike’s fiscal year 2013, they were employing “around 48,000 people worldwide, in over 110 sales offices and approximately 90 administrative offices, leasing more that 750 retail stores worldwide”<sup>86</sup>.

Nike sells all its products to retail accounts, through Nike-owned retail stores, through internet websites and trough a mix of independent distributors and licensees, in virtually all countries around the world. Independent contractors manufacture all the products. All footwear and apparel products are produced outside the United States, mostly in Vietnam, China, Indonesia, Thailand, Sri Lanka, Pakistan, Malaysia, Turkey, Mexico, and Cambodia, while equipment products are produced both in the United States and abroad. The brand sells all of the following products under its own brand as well as: Nike Golf, Nike Pro, Nike+, Air Jordan, Air Force 1, Nike Dunk, Foamposite, Nike Skateboarding, and their subsidiaries Jordan, Hurley International and Converse.

##### 16.2. Brand Image

The Swoosh logo is the Nike’s graphic design logo created by Caroline Davidson, a student at Portland State University in advertising, in 1971. It represents the wing of

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<sup>83</sup> SAGE, A. *Nike profit up but shares tumble on U.S. concerns*. Reuters. San Francisco: Reuters, June 26<sup>th</sup> 2008. <http://uk.reuters.com/article/2008/06/26/business-nike-results-dc-idUKWNAS924120080626> [Viewed: 20th of July 2014]

<sup>84</sup> NIKE, INC. *Annual Report on Form 10-K*. Nike, Beaverton: Nike, June 2013. [http://investors.nikeinc.com/files/doc\\_financials/AnnualReports/2013/docs/nike-2013-form-10K.pdf](http://investors.nikeinc.com/files/doc_financials/AnnualReports/2013/docs/nike-2013-form-10K.pdf) [Viewed: 3rd of August 2014]

<sup>85</sup> NIKE, INC. *Annual Report on Form 10-K*. Nike, Beaverton: Nike, June 2013. [http://investors.nikeinc.com/files/doc\\_financials/AnnualReports/2013/docs/nike-2013-form-10K.pdf](http://investors.nikeinc.com/files/doc_financials/AnnualReports/2013/docs/nike-2013-form-10K.pdf) [Viewed: 3rd of August 2014]

<sup>86</sup> NIKE, INC. *Annual Report on Form 10-K*. Nike, Beaverton: Nike, June 2013. [http://investors.nikeinc.com/files/doc\\_financials/AnnualReports/2013/docs/nike-2013-form-10K.pdf](http://investors.nikeinc.com/files/doc_financials/AnnualReports/2013/docs/nike-2013-form-10K.pdf) [Viewed: 3rd of August 2014]

the Greek goodness of victory. In spring of 1972, the first shoe with the Nike Swoosh was introduced. Phil Knight, one of the founders of the company, asked Caroline to design the logo, in return he gave her \$35.00. Nowadays and according to Forbes<sup>87</sup>, the brand, excluding its autonomous brands like Cole Haan, Converse, Umbro, and Hurley, has a value of US\$15.9 billion, and is the number one of the most valuable brands among sports businesses.

Nike has a well established and strong brand identity with a well recognized and distinguished brand name and brand logo. The Swoosh facilitates the differentiation of its products from the company's competitors. The brand name is simple and easily to memorize. The Nike brand image that the company had since the beginning on is that it is perceived as a high performance brand. Nike has created a reputation as a provider of high quality running shoes designed especially for athletes. The shoe design is durable and lightweight; they use leather for example in their fabrics because it lasts more than other material. Innovative is another attribute that characterizes the brand. They introduced a lot of innovative products in the sports market, like the Marathon shoe introduced in 1965 or the innovative new crushing technology that was used with running shoes for the first time in the 70's, followed by the introduction of the *Air* technology in basketball shoes in 1988.

Nike builds brand equity through brand association with famous athletic celebrities, who have similar personalities as the brand. They are achievers, winners, determinant, and accomplishment oriented, nontraditional and legendary. This brand association conveys an image of Nike as a serious and high-performed brand. Furthermore, the personification of the brand increases the brand awareness. In addition, one of the most important attributes is the high-perceived quality. The company never followed the trends of other shoemakers, like Reebok for example, but instead they designed shoes that satisfied the needs for high performance and quality, making athletes wear them. Brand credibility is another attribute Nike features, mostly through their commitment throughout the years to deliver what they promise. Good relationship with its customers lend to a higher brand loyalty. For example the company always used to speak to the athletes in their language and listen to their feedback. This strategy created a high amount of attachment of the athletes towards the brand.

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<sup>87</sup> OZANIAN, M. *The Forbes Fab 40: The World's Most Valuable Sports Brands*. Forbes, New York: Sportsmoney, 17<sup>th</sup> October 2012. <http://www.forbes.com/sites/mikeozanian/2012/10/17/the-forbes-fab-40-the-worlds-most-valuable-sports-brands-4/> [Viewed: 28th August 2014]

### **16.3. Endorsement Strategies**

Endorsement contracts are a vital strategy of Nike's company and of their promotional and communicational strategy. They are a corner stone in Nike's global brand equity. Nike has built a strong brand image along the years through a successful brand association with legendary athletic heroes. One of the high valuable endorsement contract the company made, was with the retired American basketball super stars Michael Jordan. The success persisted for about 18 years, from 1984 until 1999 and the endorsement contract led to a development of a new sub brand, the *Air Jordan* line of sport shoes which "generated about 9.5 billion of \$ for Nike"<sup>88</sup>. Another huge endorsement contract was made between Nike and the golf player Tiger Woods, which increased the brand performance in the golf equipment market. The benefits of the celebrity endorsement exceeded the monetary benefits of an increasing volume of revenues. Through the well-selected endorsers, the brand was being personalized and the brand image got stuck in the consumer's mind. The successful brand association strategy of Nike is based on three main attributes: the attractiveness of the endorser, its credibility and the personality match between him or her and the brand. For a successful endorsement Nike made sure that the endorser are attractive to the target audience in aspects such as physical appearance, intellectual capabilities, athletic competences, and their lifestyle. The more attractive an endorser is, the better it enhances with the image of the brand.

Nike is known as a sports and Apparel Company. Their main target customers are mostly the youth. Nike is the idolized view of the target audience for their athletic heroes. That is why they choose young energetic players in different sports, like Michael Jordan, the legendary basketball player, Michael Johnson, the famous American sprinter, Ronaldinho, the Brazilian soccer magician. On the other hand, when Nike wanted to enter new markets, like the golf market, they selected Tiger Woods to endorse their products. Also when the brand wanted to become more feminine, they used Maria Sharapova and Serena Williams, two of the best female tennis players to represent their brand. Nike selects endorsers who have a high credibility level among the target audience, what would increase the acceptance of the consumer for the endorsed product. The company also makes sure that there is a significant match between the brand and the athlete they endorse, in terms of identity, personality, the position they have in the market, the life style of their competitors, so that the endorser is able to have a strong influence in the thought

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<sup>88</sup> MATHUR, L. K., MATHUR I. and RANGAN N. "The Wealth Effects Associated with a Celebrity Endorser: The Michael Jordan Phenomenon". *Journal of Advertising Research*. Vol. 37 (1997), no. 3, p. 57



process of the target consumers and in the creation of a positive perception of the brand.

Consistency and long-term commitment in the Nike endorsement strategy is another attribute that makes the brand so strong. The company maintains long-term agreements with their endorsers. An examples is the 18 years long endorsement contract with Michael Jordan or the still continuing agreement with the Brazilian soccer national team, which started in the early 90's. The consistent and long term agreement established a strong and solid personality which identifies Nike throughout the years. Nike keeps on monitoring the behavior, the conduct and the public image of their endorsers, in order to minimize any potential of negative publicity, which would affect the brand itself as well. In case an athlete would bring any negative publicity through an undesired behavior, the company makes sure to eliminate that negative image making the athlete stand for it. Charles Barkley, a retired American professional basketball player, serves as an example for negative publicity. When Nike sensed negative responses because of the negative attitude of their endorsement they had with Barkley, the company made him state that he is not a role model in a famous Nike commercial by saying *I am not a role model*.

The company puts an important focus in their endorsement strategy when it comes to selecting their unique endorsers. They differentiate from the company's competitors and in the same way they make sure that the athlete will not sign another endorsement contract for any of their competing companies. An important aspect that Nike understood is that endorsement is not a tool in itself to build the brand, but it is part of building a brand and also it cannot replace the comprehensive brand building process. The company works on building the brand image Nike with attributes like brand awareness, brand loyalty and the perceived quality. Afterwards they authenticate and strength this image with the endorsers. With the endorsement Nike has, they want people to perceive the brand as a successful brand with high performance, that achieved something and also as innovative. As part of their globalization strategy the company also choose global and well-recognized athletes like Michael Jordan, Michael Schumacher or Tiger Wood. Such endorsement agreements moved Nike from being a local American brand to become a global brand.

## **17. Michael Jordan**

### **17.1. Background Information and Economic Value**

Michel Jordan is a former American basketball player, who was born on February 17<sup>th</sup> 1963 in Brooklyn, New York. He moved to North Carolina when he was very young with his parents and two brothers and two sisters. They lived in the countryside of North Carolina, with not much around them, Michael's father put up two basketball hoops in the backyard, one on each side and that is how the boys started to play basketball all day long. Jordan loved sports but failed to make it into the high school basketball team as a sophomore. He continued to practice and made it into the team the following year. After high school he accepted a basketball scholarship to the University of North Carolina, where he played under head coach Dean Smith. In Jordan's first season at North Carolina he was named *Atlantic Coast Conference (ACC) Rookie of the Year* for 1982. The team won the *ACC championship*, and Jordan made the clutch jump shot that beat Georgetown University for the championship of the *National Collegiate Athletic Association (NCAA)*. Jordan led the ACC in scoring as a sophomore and as a junior. The Sporting News named him college player of the year for both years. He left North Carolina after his junior year and was selected by the *Chicago Bulls of the National Basketball Association (NBA)* as the third pick of the 1984 draft. Before joining the *Bulls*, Jordan was a member of the summer 1984 United States Olympic basketball team that won the gold medal in Los Angeles, California.

When the Chicago Bulls drafted Jordan they were a losing team, attracting only around six thousand fans to their home games. Jordan turned that around. His incredible leaping ability and hang time amazed fans in arenas around the league. His leaping ability, illustrated by performing slam-dunks from the free throw line in slam-dunk contests, earned him the nicknames *Air Jordan* and his *Airness*. In his first season he was named to the *All-Star team* and was later honored as the league's *Rookie of the year*.

According to Forbes <sup>89</sup> Michael Jordan has become a billionaire by having a net worth that tops over a US\$1 billion. Also even though Jordan has not played professionally in over a decade, he still earns an estimated \$80-100 million per year from endorsements and various other business ventures. The most powerful endorsement contract, and the one that makes him earn the most, is the one he enjoys with Nike, Inc. "Jordan made an estimated US\$90 million last year (2013)

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<sup>89</sup> CHASE, C. *Forbes: Michael Jordan just became a billionaire*. Forbes, New York: USA Today Sports, 13<sup>th</sup> June 2014. <http://ftw.usatoday.com/2014/06/michael-jordan-billionaire-net-worth> [Viewed: 28th August 2014]

thanks to the rich partnership he enjoys with Nike”<sup>90</sup>. During his playing days, Jordan set sport records by being the first athlete to earn over \$30 million per year in salary, which happened from 1996 to 1998 while he was playing for the *Chicago Bulls*. Jordan accomplishments include five *Most Valuable Player Awards (MVP)*, ten *All-NBA First Team* designations, nine *All-Defensive First Team* honors, fourteen *NBA All-Star Game* appearances, three *All-Star Game MVP Awards*, ten scoring titles, three steals titles, six *NBA Finals MVP Awards* and the 1988 *NBA Defensive Player of the Year Award*. Besides all those achievements, he also holds several NBA records for highest career scoring average of all time and he was named the *greatest North American athlete* of the 20<sup>th</sup> century by ESPN<sup>91</sup>. In 2009, for his individual career and in 2010 as a member of the 1992 United States men’s Olympic basketball team he was included twice in the *Basketball Hall of Fame*. Throughout his impressive career and even through to the present, Michael Jordan has been a spokesman for many corporate brands including Nike, Gatorade, Wheaties, McDonald's, Coca-Cola, Chevrolet, Ball Park Franks, Rayovac, Hanes, and MCI.

### **17.2. Influence on Nike’s Values**

Nike uses brand association through getting endorsements with famous American and non-American athletes. Endorsement strategy was Nike’s cornerstone in building their brand image first in the US and then outside the US. They conveyed through these association Nike as a masculine, serious, high performance, winning brand linked with professional level of competition. They played on making Nike a pure American icon that portrays the American spirit of competition, superiority and even arrogance. Nike’s image was totally different from other US local competitors like Reebok, who personified their brand as a fun, soft, fashionable brand through association with non competition sports like the aerobics that is famous among females more that between the male customers.

NBA basketball has a lot of individual brilliance. “Michael Jordan is thus the perfect figure for entrepreneurial capitalism, for the era of individual achievement and excellence. Professional basketball is also the perfect high-tech television sport, fast-paced, full of action, and brilliant with spectacle”<sup>92</sup>. By associating Nike with Michael Jordan in 1984, the brand personified their core values of achievement, success,

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<sup>90</sup> BADENHAUSEN, K. *How Michael Jordan made \$90 Million in 2013*. Forbes, New York: Forbes, 27<sup>th</sup> February 2014. <http://www.forbes.com/sites/kurtbadenhausen/2014/02/27/how-michael-jordan-made-90-million-in-2013/> [Viewed: 28th August 2014]

<sup>91</sup> KIGER, F. *Air Supreme*. ESPN. Bristol: ESPN.com. <http://espn.go.com/sportscentury/> [Viewed: 28th August 2014]

<sup>92</sup> KIGER, F. *Air Supreme*. ESPN. Bristol: ESPN.com. <http://espn.go.com/sportscentury/> [Viewed: 28th August 2014]

seriousness, highest level of performance, aggressiveness and innovation. This collaboration persisted for about 18 years from 1984 until his retirement in 1999 and it also led to the development of a new sub brand, the *Air Jordan* line of sport shoes. His *Airness*, a popular nickname for *the man that flies*, represents the sports spectacle on the playing field. The sentence *there is nothing he cannot do* is frequently used to describe Jordan's value as a superstar sports celebrity. Nike represents that value working together with Jordan and their corporate slogan *just do it*, which signifies that everyone can be like Michael Jordan and do whatever he or she wants to do.

Michael Jordan was perceived as a *black spectacle*. He was the first black athlete to break advertising's color barrier, paving the way for lucrative contracts for the next generation of black athletes. The publicity claimed Jordan as transracial, Nike had broken the sport clutter between races by endorsing Michael Jordan, a black professional sports superstar. Michael Jordan is a person that encodes conflicting meanings and values. He also stands for national values of hard work, competitiveness, ambition, and success. Being a black superstar, he represents the fantasy that anyone can make it in the society of competition and status, that one can climb the class ladder and overcome the limitations of race and class. As a national and global superstar, he represents different things to different people in different countries. He became a role model for the black youth, as his slogan *Be like Mike* says, and therefore he helps to mentor young athletes. He is a symbol of the African American who has transcended race and who is integrated into the American society, representing the dream of assimilation, wealth, and success.

As one of the biggest brands in the sports business, Nike had in its moves towards a globalization strategy in the early 90s negative perception about their brand. They got a lot of criticism in the 90s when activists began to announce the bad labor conditions in its overseas contract factories, mostly in Southeast Asia, where a lot of the Jordan-endorsed products were manufactured. Also with the Asian financial crisis, the situation the Nike workers were facing made the situation even worse. As a consequence of that Jeff Balliger, the director of Nike's workers' rights group made Jordan say in a cover story for the magazine ESPN, "I want to go to Southeast Asia to see the Nike plants for myself... when basketball is done"<sup>93</sup>. A visit would highlight the negative publicity Nike had back then. In the following years, however, the company's policies and practices changed to a responsible engagement with its stakeholders. Michael Jordan embodies all good and wholesome values. That is

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<sup>93</sup> JOCKBEAT. January 20-26. 1999

what gave Nike the credibility in their change to a more responsible corporation strategy with Southeast Asia.

By collaborating with Michael Jordan, in addition to increasing their brand awareness, the company managed to change their brand image benefiting from Jordan's personality. Besides being perhaps the greatest basketball player of all time, "Jordan is one of the most successfully managed idols and icons of media culture. Therefore, Michael Jordan is a perfect icon improving Nike's American and global culture, combining extraordinary athletic power, various records of success and victories, high entertainment value, and an ability to exploit his image into a strikingly impressive business success"<sup>94</sup>.

### **17.3. Air Jordan**

After Michael Jordan signed his endorsement contract in 1984, and as a result of this agreement Nike released Michael Jordan's brand and franchise the *Air Jordan* one year later. Each year, a new pair of *Air Jordan* is brought out. There is an annual event since its debut in March 1985, which lots of attention from the media, the industry and the customers. Michael Jordan's brand dominates the market in sales and demand. Also they establish with each year's model higher standards in design, innovation and performance for the entire athletic footwear industry. Before the *Air Jordan*, all basketball shoes were white. Jordan's shoes were black and flashy instead of the standard white. They were so different that they violated the NBA's uniform restrictions, and the NBA actually fined Jordan for wearing them. Nike paid the league's fines every time Michael Jordan was playing and more over the company used the controversy to build excitement around their brand.

### **17.4. Effect Measuring and Economic Value**

The endorsement contract between Michael Jordan and Nike persisted for about 18 years from 1984 to 1999 and in 1985 it also led to the development of a new sub brand, the *Air Jordan* line of sport shoes. The *Air Jordan* generated a total of about "9.5 billion US\$ for Nike" since its introduction<sup>95</sup>.

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<sup>94</sup> MATHUR, L. K., MATHUR I. and RANGAN N. "The Wealth Effects Associated with a Celebrity Endorser: The Michael Jordan Phenomenon". *Journal of Advertising Research*. Vol. 37 (1997), no. 3, p. 34

<sup>95</sup> BADENHAUSEN, K. *How Michael Jordan made \$90 Million in 2013*. Forbes, New York: Forbes, 27<sup>th</sup> February 2014. <http://www.forbes.com/sites/kurtbadenhausen/2014/02/27/how-michael-jordan-made-90-million-in-2013/> [Viewed: 28th August 2014]

Jordan broke all endorsement records when Nike agreed to pay him US\$500'000 per year for the following five years. But nothing compares the wide-reaching results it had. Within the first year, *Air Jordan* generated US\$100 million in revenues for the company. The brand continued dominating the basketball shoe market. Nowadays, according to Forbes, “the *Air Jordan* are the most worn shoes in the world, 58% of all basketball shoe sales are *Air Jordans*”<sup>96</sup>, and in 2013 the numbers showed that “half of all basketball shoes sold in the U.S. are Jordan-branded”<sup>97</sup>. Nike’s financial consolidated statements from 2013<sup>98</sup> show that the retail shoe sales for the *Air Jordan* brand in the U.S. grew 11% from 2012 to 2013 and the annual sales for Nike went up to US\$2.7 billion. Michael Jordan got out of this amount for himself about US\$75 million. The international *Air Jordan* business, which means the sales at the Nike stores, contributed about US\$2 billions of revenues to the total sales of US\$26 billion that the company made in 2013. The total sales include all the Nike products and services.

Not a long time after signing the US\$500'000 annual worth endorsement contract with Nike in 1984, Jordan also started to acquire stock options and turned his own brand into a franchise. According to Forbes<sup>99</sup>, Jordan earned around US\$7 million over the first five years. Not just Nike but so as Jordan is still making money from his endorsement contract. Nike made a good valuable catch, choosing Michael Jordan as their endorser. The company not just changed and strengthens their brand image, but also, by launching the *Air Jordan*, they increased enormously their sales volume, and they became the leader of the sports and shoe market. It can even be said that “with a market share of 92%, Nike has a near monopoly in the basketball shoes market”<sup>100</sup>.

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<sup>96</sup> CHASE, C. *Forbes: Michael Jordan just became a billionaire*. Forbes, New York: USA Today Sports, 13<sup>th</sup> June 2014. <http://ftw.usatoday.com/2014/06/michael-jordan-billionaire-net-worth> [Viewed: 28th August 2014]

<sup>97</sup> CHASE, C. *Forbes: Michael Jordan just became a billionaire*. Forbes, New York: USA Today Sports, 13<sup>th</sup> June 2014. <http://ftw.usatoday.com/2014/06/michael-jordan-billionaire-net-worth> [Viewed: 28th August 2014]

<sup>98</sup> NIKE, INC. *Annual Report on Form 10-K*. Nike, Beaverton: Nike, June 2013. [http://investors.nikeinc.com/files/doc\\_financials/AnnualReports/2013/docs/nike-2013-form-10K.pdf](http://investors.nikeinc.com/files/doc_financials/AnnualReports/2013/docs/nike-2013-form-10K.pdf) [Viewed: 3rd of August 2014]

<sup>99</sup> BADENHAUSEN, K. *How Michael Jordan made \$90 Million in 2013*. Forbes, New York: Forbes, 27<sup>th</sup> February 2014. <http://www.forbes.com/sites/kurtbadenhausen/2014/02/27/how-michael-jordan-made-90-million-in-2013/> [Viewed: 28th August 2014]

<sup>100</sup> BADENHAUSEN, K. *How Michael Jordan made \$90 Million in 2013*. Forbes, New York: Forbes, 27<sup>th</sup> February 2014. <http://www.forbes.com/sites/kurtbadenhausen/2014/02/27/how-michael-jordan-made-90-million-in-2013/> [Viewed: 28th August 2014]

## Conclusions

In the introduction of this thesis the main issue was how and why athlete endorsements are used as a company's marketing strategy. The research has shown that there are several objectives that conduct a company to select an athlete to endorse their products. The primary objectives are to build a higher brand awareness, to expand themselves in a broader market and therefore to increase sales or revenues. Athlete endorsements are a popular marketing tool to achieve a company's objectives. There is such a great impact on the brand, that companies are willing to pay a large amount of money.

It is important for the company to choose the right athlete in order to achieve a fit between the athlete and the endorsed brand and remain focused on the goals that want to achieve through it. The importance and the values of a right fit are shown in the Match-up Hypothesis. It states the an endorser has an influence on the consumer's purchase behavior and their choice whether to buy the product or not may depend upon the perception they have of the celebrity. The only way a company can measure the effectiveness of the relationship between the athlete, the endorsed product and the target audience is through the source credibility and source attractiveness model. The source credibility model states that the effectiveness of the message is determined by the expertise and trustworthiness of the endorser. On the other side, the source attractiveness model says that similarity, familiarity, and likability of the endorser determines the effectiveness. The more effective an endorser is, the more brands in different categories he or she can endorse. Also the more effective an endorser is, the higher the company's brand awareness is. A higher brand awareness means a wider consumer target group, which lends to a higher financial output through an increase of the sales volume. The perception of the brand and of the quality is determined by the image the athlete gives to it.

While speaking of athletes, Michael Jordan's endorsement contract with Nike, Inc. has shown how successful such a relationship can be. By giving his image to the company and by bringing out his own shoe brand *Air Jordan*, not only has he increased massively the sales volume, but also he has strengthened Nike's brand image and has turned the company into the leader of the sports and shoe market. He stands for a man who has revolutionized sports marketing at the start of his professional career. Jordan provides an example and proves how athletes can be of an enormous value to the company.

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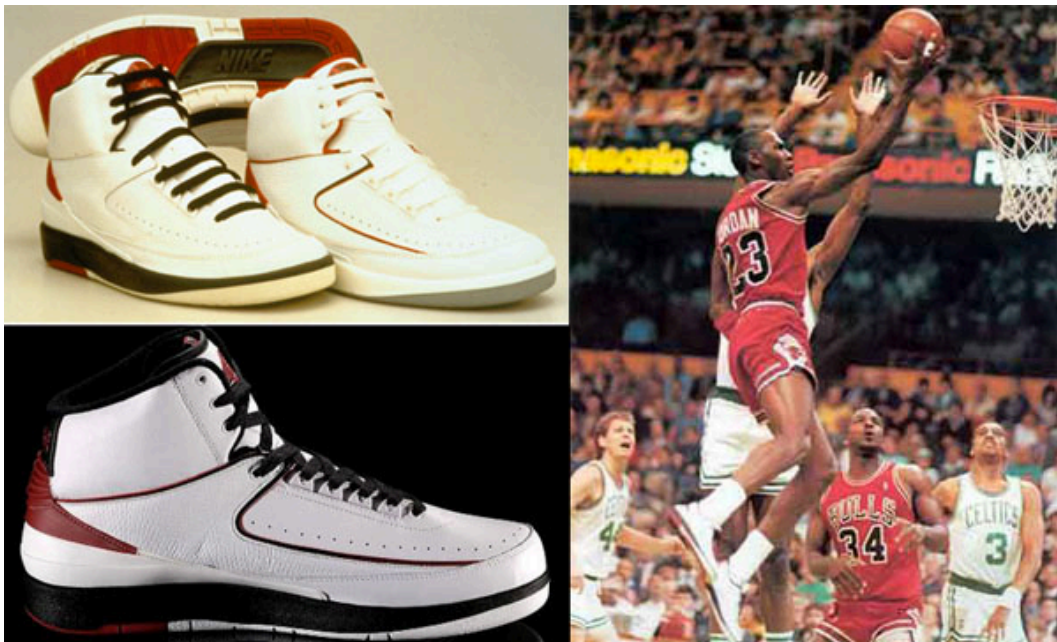
## Appendix

### Appendix 1: Evolution of Nike's Air Jordan Shoe Series: 1984-2014

**Air Jordan I – Notorious – 1984-85**



**Air Jordan II – Italian Stallion – 1987**



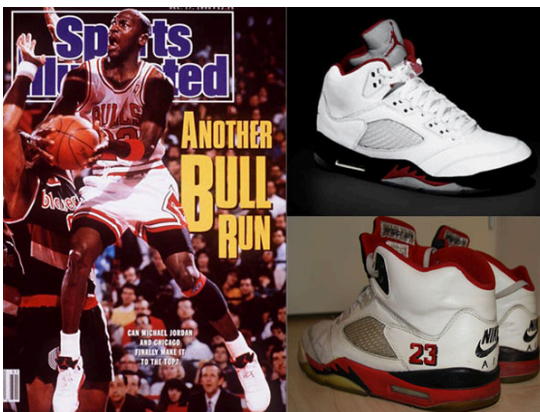
**Air Jordan II – Gotta Be the Shoes – 1988**



**Air Jordan IV – Taking Flight – 1989**



**Air Jordan V – The Fighter– 1990**



**Air Jordan VI – Promised Land – 1991**



**Air Jordan VII – Pure Gold – 1992**





**Air Jordan VIII – Strap In – 1993**



**Air Jordan IX – Perfect Harmony – 1994**



**Air Jordan X – The Legacy Continues – 1995**



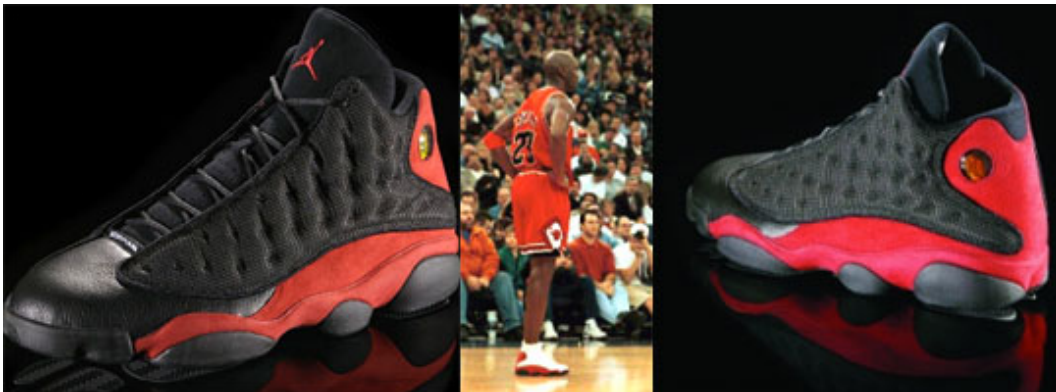
**Air Jordan XI – *Classis Act* – 1996**



**Air Jordan XII – *The Dynasty Continues* – 1997**



**Air Jordan XIII – *Black Cat Pounces* – 1998**



**Air Jordan XIV – *Race Ready* – 1999**





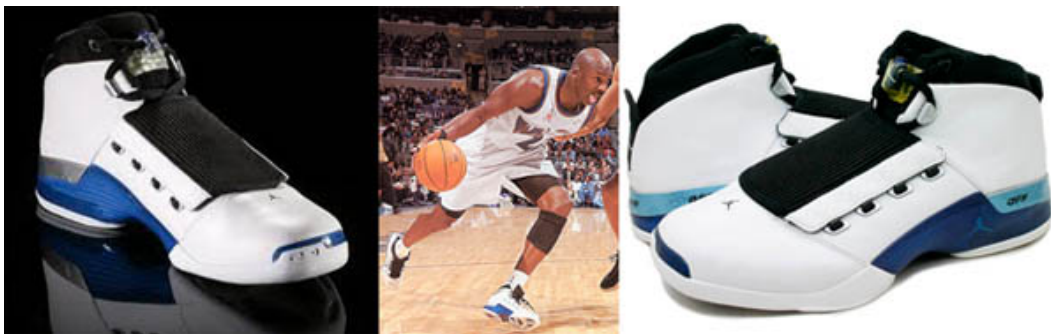
**Air Jordan XV – *Speed of Sound* – 2000**



**Air Jordan XVI – *Marching On* – 2001**



**Air Jordan XVII – *Jazzed Up* – 2002**



**Air Jordan XVIII – *Last Dance* – 2003**



**Air Jordan XIX – Full Flex– 2004**



**Air Jordan XX – Living Greatness – 2005**



**Air Jordan XX1 – Performance Luxury DNA – 2006**



**Air Jordan XX2 – Hit the Afterburners – 2007**



**Air Jordan XX3 – *The Number of Greatness* – 2008**



**Air Jordan 2009 – *Beyond* – 2009**



**Air Jordan 2010 – *Full Speed Ahead* – 2010**



**Air Jordan 2011 – 2011**





**Air Jordan 2012** – *Choose your flight* – 2012



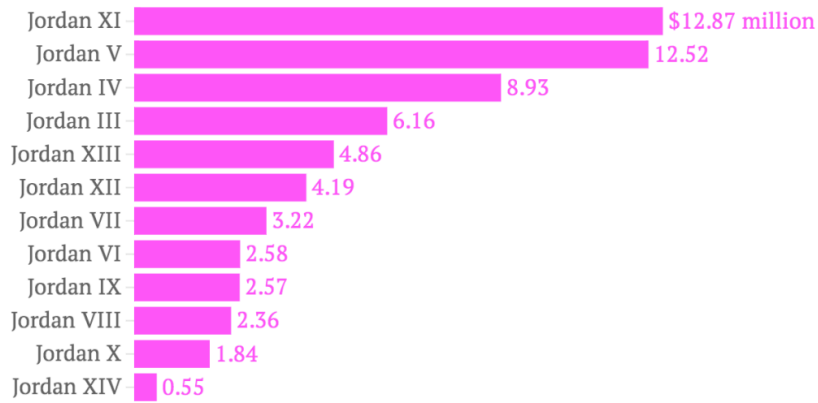
**Air Jordan XX8** – *Dare to Fly* – 2013



**Air Jordan XX9** – Releases September 2013



### Appendix 2: Air Jordan Sales on Ebay in 2013



### Appendix 3: Nike Total Return in % over the Previous Year

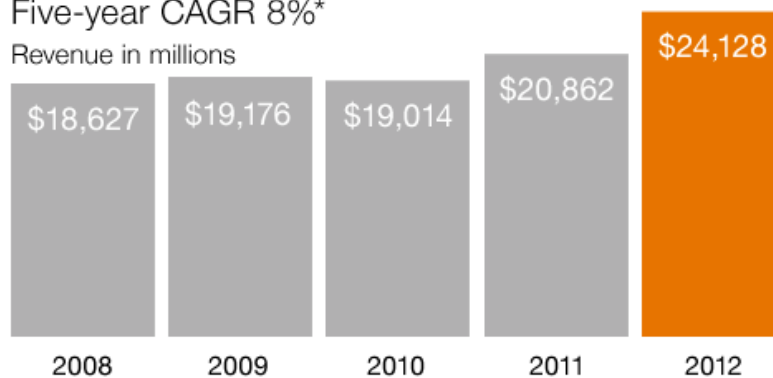


### Appendix 4: Nike, Inc. Revenue Performance

Fiscal Years 2008-2012

Five-year CAGR 8%\*

Revenue in millions



**Appendix 5: Nike, Inc. Consolidated Statements of Income (For the period ended 31<sup>st</sup> August 2013)**

<i>(Dollars in millions, except per share data)</i>	<b>THREE MONTHS ENDED</b>		<b>%</b>
	<b>8/31/2013</b>	<b>8/31/2012</b>	<b>Change</b>
<b>Income from continuing operations:</b>			
Revenues	\$ 6,971	\$ 6,474	8%
Cost of sales	3,839	3,646	5%
Gross profit	3,132	2,828	11%
<i>Gross margin</i>	44.9%	43.7%	
Demand creation expense	731	871	-16%
Operating overhead expense	1,325	1,188	12%
Total selling and administrative expense	2,056	2,059	0%
<i>% of revenue</i>	29.5%	31.8%	
Interest expense (income), net	8	(3)	-
Other expense (income), net	28	(28)	-
Income before income taxes	1,040	800	30%
Income taxes	260	215	21%
<i>Effective tax rate</i>	25.0%	26.9%	
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>780</b>	<b>585</b>	<b>33%</b>
<b>NET (LOSS) INCOME FROM DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>(18)</b>	<b>-</b>
<b>NET INCOME</b>	<b>\$ 780</b>	<b>\$ 567</b>	<b>38%</b>
<b>Earnings per share from continuing operations:</b>			
Basic earnings per common share	\$ 0.88	\$ 0.65	35%
Diluted earnings per common share	\$ 0.86	\$ 0.63	37%
<b>Earnings per share from discontinued operations:</b>			
Basic earnings per common share	\$ -	\$ (0.03)	-
Diluted earnings per common share	\$ -	\$ (0.02)	-
<b>Weighted average common shares outstanding:</b>			
Basic	889.4	905.6	
Diluted	910.7	922.8	
Dividends declared per common share	\$ 0.21	\$ 0.18	