



Athletic Endorsements and Their Effect on Consumers' Attitudes and Consumption

By Dr. Karla McCormick



Monetary Worth of Endorsements

- In 2010, U.S. companies paid nearly \$17.2 billion to leagues, teams, athletes, coaches, and sports personalities to endorse their goods and services.
- In addition to endorsement fees, companies may spend another estimated \$10 billion to advertise, market, and promote their association to these athletes.
- According to *Forbes* magazine, the top 10 earners in sports during 2009 took in a total of \$476 million, largely from product endorsements.



Benefits of Using Athletic Endorsements

- Athletes provide several important benefits to advertising:
 - such as increasing brand name recognition,
 - creating positive associations by transferring different qualities to the product like physical appeal or likeability,
 - and aiding in the development of distinct brand personalities.
- In 2006 between two and three billion dollars were spent on celebrity advertising in the USA alone and 14%-19% of all U.S. advertisements feature an endorsement.
- If used appropriately, athletic endorsers in advertising can serve a valuable role in enhancing a firm's competitive position by not only contributing to building a favorable brand image, but also by having direct economic influence on the firm.



Why Study Athletic Endorsements?

- First, athletes are among the most popular endorsers and, unlike other types of endorsers, performance statistics for athletes are readily available to consumers.
- Second, endorsements are a key source of income for athletes, with younger athletes inking higher and higher endorsement deals.
- Third, for advertisers the strategy of aligning an athlete with a brand is risky, but the rewards can be high, resulting in increased sales for the brand.



So who are the athletes with the biggest advertising contracts?

- Here is a list of the top five biggest athlete endorsement deals:
- 1. **Derrick Rose, Basketball – \$260 million from Adidas**
- 2. **David Beckham, Soccer – \$160 million from Adidas**
- 3. **George Foreman, Boxing – \$137.25 million from Salton, Inc.**
- 4. **Tiger Woods, Golf – \$100 million from Nike**
- 5. **Lebron James, Basketball – \$90 million from Nike**



Athletic Endorsements

- Peyton Manning earns around \$15 million from endorsements of Sprint, MasterCard, Oreo, Direct TV, Papa John's and now Buick.
- Tom Brady earns \$60 million from Stetson, Ugg, Movado, Smart Water, Under Armour.
- Coca-Cola in 2003 gave NBA rookie LeBron James a \$12 million contract before he had even played one NBA game. In 2011, he had reportedly made over \$147 million from his endorsements.
- Retired basketball star Shaquille O'Neal is still endorsing products and earns about \$17 million annually. When he was starting out he turned down Nike to endorse Reebok for \$50 million over three years. He also signed agreements with Pepsi for five years at \$12 million, Spalding Sports World Wide, Kenner, Score Board, and Tiger Electronics. Today you can see him commercials for Buick and for Icy Hot Pain relief.



Michael Jordan

- He is the most successful athletic endorser ever, with a net worth \$640 million, much of this coming from his endorsements. Last year, he earned \$80 million from his from his long standing endorsements with Nike, Hanes, Gatorade, Upperdeck and newer endorsements from YK12 video games and Presbyterian Healthcare
- When Jordan and his Bulls entered the scene and won their first championship, sales jumped to \$1.56 billion. Jordan's jerseys account for nearly a quarter of all sales through the 1990's. He was responsible for 20% of the league's gross retail sales, and over his entire career he generated \$3.1 billion for the NBA.
- With his success at Nike, other companies wanted him. These companies included Coke, General Mills (Wheaties), Wilson, McDonalds, Sara Lee (Hanes, Ball Park Franks), Upper Deck, WorldCom, CBS SportsLine (website), Quaker Oats (Gatorade), Oakley (Sunglasses), and Rayovac.



Michael Jordan

- The Jordan Brand, a division of Nike, is responsible for the vast majority of MJ's earnings. Jordan partnered with Nike after being drafted by the Bulls out of North Carolina in 1984. The original five-year deal was worth \$500,000 annually, plus royalties. The terms of Jordan's current deal with Nike are a closely guarded secret, but royalties now generate more than \$60 million annually for MJ, according to sources.
 - http://www.youtube.com/watch?v=Abr_LU822rQ
- Nearly 30 years later, the brand is still a marketing juggernaut. It controlled 58% of the U.S. basketball shoe market in 2012. The Jordan Brand's parent, Nike, was second with a 34% share, while Adidas (5.5%), Reebok (1.6%) and Under Armour (0.6%) divvied up the leftovers.
- The Jordan Brand is doing very well, the brand grew 25-30% in 2012 and now generates more than \$1.75 billion globally, including apparel. The U.S. Jordan Brand sneaker business alone had \$1.25 billion in wholesale revenue in 2012.



Where are the Female Athletes?

- While female athletes do not make the top five list, several female athletes have very lucrative endorsement deals:
- 1. **Venus Williams**- \$40 million from Reebok
- 2. **Serena Williams**- \$40 million from Nike
- 3. **Maria Sharapova**- \$70 million from Nike
- 4. **Michelle Wie**- \$4-\$5 million from Nike
- 5. **Danica Patrick**- \$10 million (mainly from GoDaddy.com)



Economic Effect of Endorsements

- Consistently research has shown that athletic endorsements have direct economic impact on the firm.
 - When endorsement deals with Tiger Woods were announced between 1996-1998 ROI increased by 1%. These endorsements included: Nike, American Express and Titlelist. His success on the golf course helped increase sales of Nike specifically.
 - When Michael Jordan announced his return to basketball in 1995, the five firms he was endorsing reported a 2% increase of stock returns, which resulted in more than \$1 billion in market value. (Nike, Gatorade, McDonald's, Hanes, and Wheaties)



Can sales be expected to benefit from athletic endorsements?

- First, signing a high-profile endorser can help reassure consumers about the true quality of a product. Any event that improves the endorser's reputation (notable achievement by an athlete) should provide consumers with further reassurance about the quality of the endorsed brand.
- Second, enlisting an endorser can help a firm break through the clutter of the marketplace by helping the brand differentiate itself from its competitors.
- A recent study examined 178 athletic endorsements and 95 companies, which concluded that endorsements pump up a brand's sales by \$10 million a year, on average, and increase short-term return on equity (0.25%). This figure jumps higher, if the athlete wins a championship.



Athlete/Brand Image

- An athlete's unique connection to a product creates a reaction that causes marketers to match their products with the star that has the best fit with the perceived image of the company.
- This “fit” or “match-up” is paramount to the success of the endorsement.
- When athletes have success in their respective sport, wearing the endorsed brand, it strengthens both the image of the brand and the athlete, labeling them a “winner”. This makes them a more effective endorser.



Match-Up Hypothesis

- The match-up hypothesis suggests that the higher the perceived fit between the endorser's image and the endorsed brand, the more persuasive the endorser and the ad will be.
- When an endorser's physical attractiveness is congruent with the product he/she is endorsing, the "match-up" hypothesis would predict a positive impact on the product and the advertisement evaluations; if there is incongruence, those evaluations would decline.
- The benefit of a good fit also spills over onto the endorser, as it increases the endorser's believability and attractiveness.



Match-Up Hypothesis

- The sport in which the athlete participates in is also an important factor for producing a favorable consumer response to the athletic endorsement.
 - If an evaluation of the information portrayed by the athlete and the athlete's sport fits with the consumer's prior perception of the product, the endorsement would have a positive effect on sales.
 - If an evaluation of the information portrayed by the athlete and the athlete's sport does not fit with prior consumer knowledge or is too much of a contrast with the current knowledge base, the endorsement would have a negative effect on product consumption.
- The match-up hypothesis should also include not just the perceived characteristics of the endorser but also the impact of the perceived characteristics of the sport.
- If there is little match between the characteristics of the sport and the image of the product, the endorsement would be less effective.

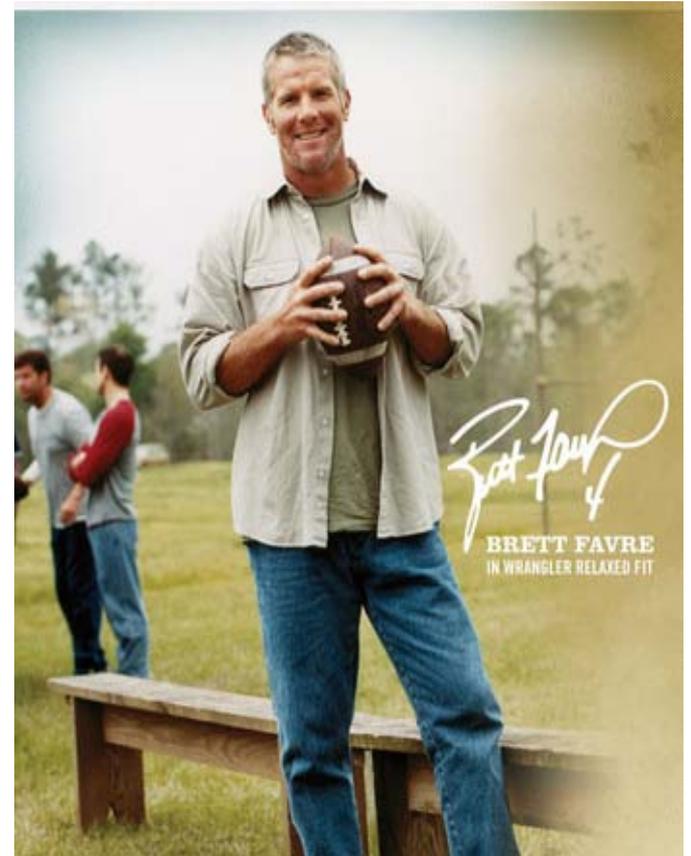
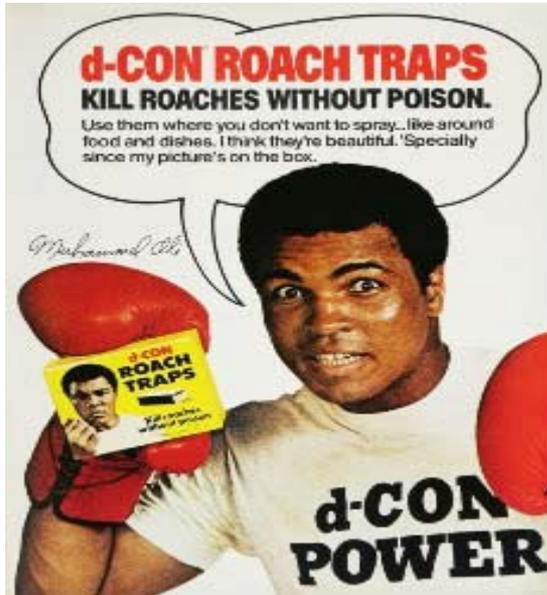


Match-Up Hypothesis

- Michael Jordan's success as an endorser in part has to do with the associations he passes onto the products he endorses.
- <http://www.youtube.com/watch?v=cCtZ2EeXWzk>
- http://www.youtube.com/watch?v=_oACRt-Qp-s
- <http://www.youtube.com/watch?v=7JZ8iQ9P9iI>



Match-Up Hypothesis



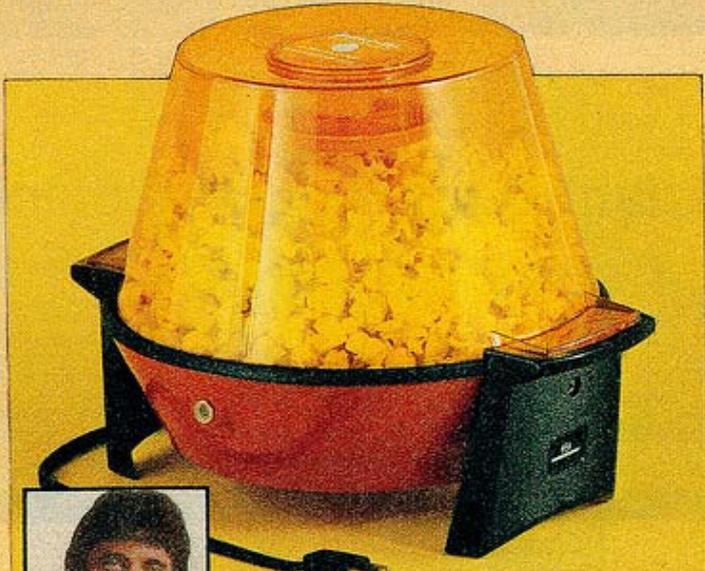


Match-Up Hypothesis





Match-Up Hypothesis



endorsed by



Joe Namath

Hamilton Beach corn popper 14.99

Joe Namath self-buttering popper by Hamilton Beach . . . there's no muss, no fuss! While corn pops, butter placed in lid melts and drips down to deliciously coat every kernel. Makes up to 4 quarts of yummy popcorn. Heat-resistant clear plastic dome converts to attractive serving dish. Enamored aluminum body has Duralon III non-stick lining. Kernel separator; thermostatic heat control. 600W. 110-120V AC. State color: Flame Red, Avocado Green or Harvest Gold. Z78 J 3321—Mailable. Shipping weight 6 lbs.14.99

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What Makes Athletic Endorsements Successful?

- **Star Power:**
 - The components of star power include the **Source Credibility Model**, the **Source Attractiveness Model**, the **Meaning Transfer Model**.
- Star power is a combined concept of these models; it represents the ability of a star to excite and motivate other individuals when there is congruence between the consumers and the star in terms of credibility, profession and popularity.



Star Power

- Star power stems from a combination of French and Ravens (1959) basis of power and the unique characteristics of a specific individual, making him or her 'star worthy'.
- An athlete's position in the public eye offers him/her the opportunity to exert referent power due to his/her ability to make others want to be like him/her; it also gives him/her expert power because of his/her knowledge and skills, legitimate power due to his/her social role or status and reward power from his/her ability to provide positive feelings or remove negative ones.
- Many marketers will rely on a sports fan's personal identification with the athlete that is based on the potential power of a star; this can lead to increased product consumption.



Star Power

- <http://www.youtube.com/watch?v=1aM8Am2ISh8>
(referent power)
- <http://www.youtube.com/watch?v=8N2lwRmnxCE>
(reward power)
- <http://www.youtube.com/watch?v=6GB2Ja2PY7w>
(expert power)
- <http://www.youtube.com/watch?v=aQgCtSMs15Q>
(legitimate power)



Transfer Meaning Model

- According to TMM, the athletes' effectiveness as endorsers stems from the cultural meanings they possess.
- It is a three-stage model.
 - 1. The first stage involves the formation of celebrity image.
 - 2. In the second stage, aspects of that image are transferred from the celebrity to the product.
 - 3. Finally the meaning is transferred from the product to the consumer. Distinctions of status, class, gender, age, lifestyle types, and personality types are examples of meanings represented by the pool of celebrity advertisers who have the resources to use these celebrities.
- For athletes, the sport that they play in is the activity that makes them a celebrity. Therefore, when an athlete endorses a product, the sport forms the foundation for that endorsement, so consumer perceptions of the athletes respective sport should influence the consumer evaluation of the endorsement and of the advertisement.



Transfer Meaning Model

- Companies attempt to transfer the positive associations with the athletic star to the product; in turn consumers will buy the product because they like the athlete endorsing the product.
- In addition to their own personality characteristics, athletes also bring the characteristics of their sport to the endorsement process.
- <http://www.youtube.com/watch?v=oo4AOd5fCfk>
- <http://www.youtube.com/watch?v=jlXRengzZoc>
- <http://www.youtube.com/watch?v=rvQtn20ytZQ>



Likeable Personality

- How consumers view the athlete, is the athlete viewed as a good person, friendly, or likeable to consumers.
- The celebrity/athlete is more effective when he/she is easy to recognize, likeable and friendly.
- <http://www.ispot.tv/ad/7kEO/directv-featuring-peyton-manning-and-deion-sanders>



Character Style

- This is the social image of the athlete and how the public perceives him/her. Does he/she have a positive or negative image in the public eye.
- While celebrities, including athletes, can separate and distinguish certain brands they advertise, their public image, including their character style, is always under the scrutiny of the media.
- Controversial endorser images can alienate consumers; a star whose image is tarnished by allegations of illicit, unethical, or unconventional behavior can hurt the image of the advertisement and the product.



Character Style

- The negative product image can cause consumers not only to form negative attitudes about the brand, but with the endorser in the advertisement as well, causing them not to want to be associated with or purchase that product affecting future sales of the product.
- Companies that align themselves with specific athletes can find their image and their marketing message boosted or tarnished by the endorsers themselves. Negative events, when the endorser is to blame, can hurt the company's image in both the short and the long term.
- Regardless of whether celebrities/athletes owned up to their mistakes or maintained their innocence, their images were inevitably damaged.

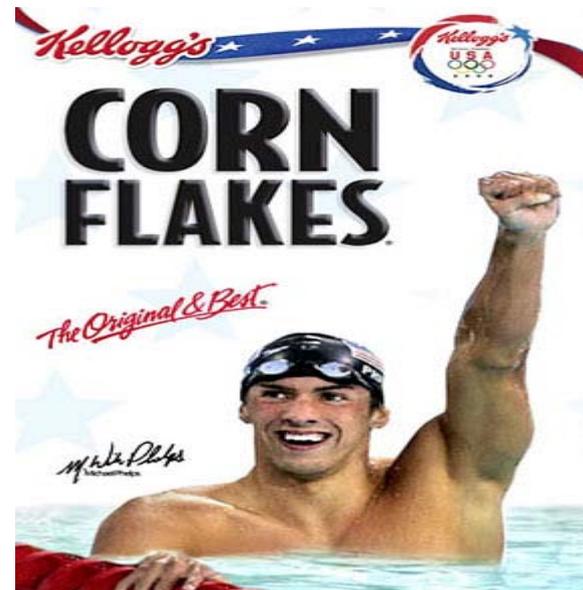
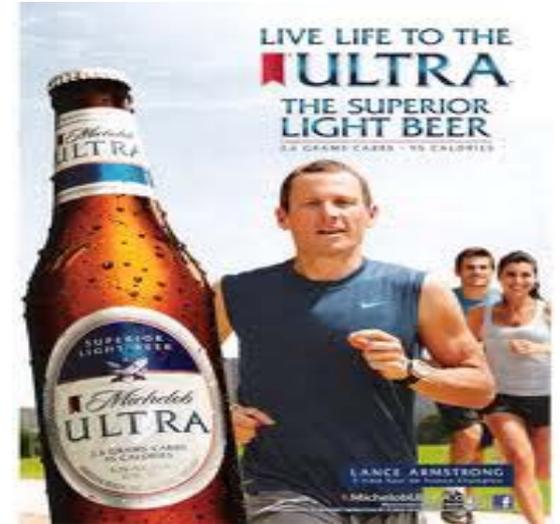


Athlete Endorsements That Were Lost To Scandal

- **Tiger Woods**- Nike, Tag Heuer, AT&T, Gatorade, Accenture
- **Michael Phelps**- Kellogg's
- **Michael Vick**- Nike, Rawlings, Coca Cola, Kraft
- **Barry Bonds**- KFC, MasterCard, Charles Swaub
- **Kobe Bryant**- McDonald's, Nutella (Nike put him on hold)
- **OJ Simpson**- Hertz
- **Mike Tyson**- Pepsi
- **Lance Armstrong**-Nike, RadioShack, Anheuser Busch



Athlete Scandals



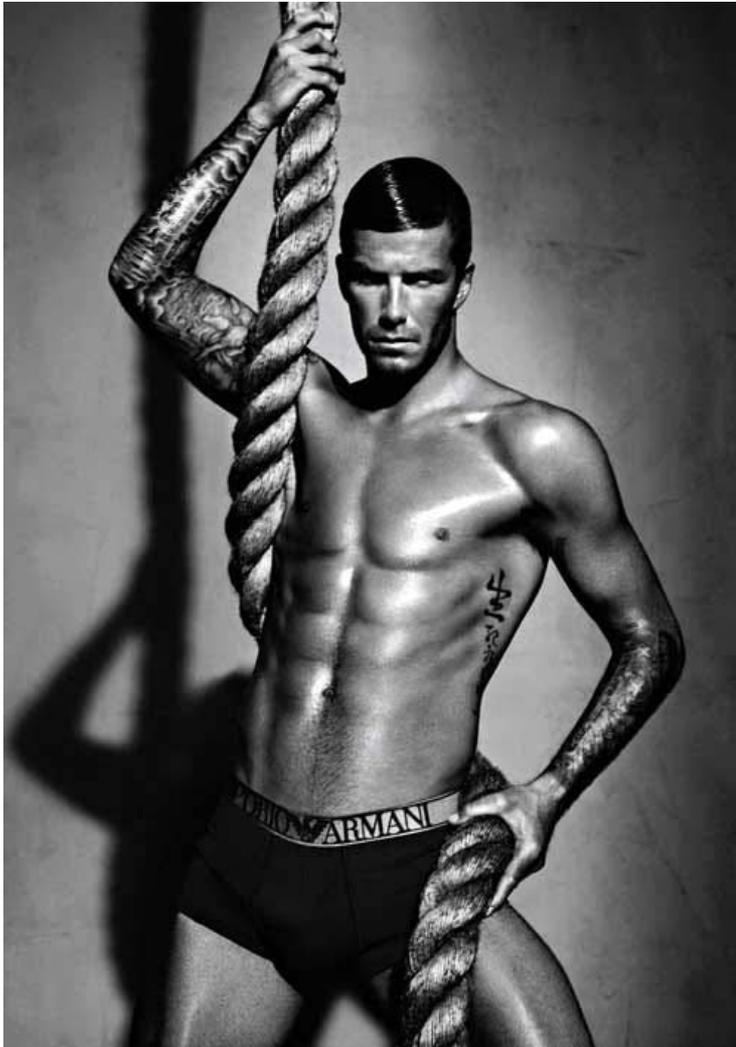


Source Attractiveness

- The **Source Attractiveness Model** stands on the belief that one's acceptance of a message relies on the similarity, familiarity and liking of an endorser.
- Studies have shown that attractive people are more successful in persuading consumers to purchase products than their unattractive counterparts.



Source Attractiveness





Source Attractiveness



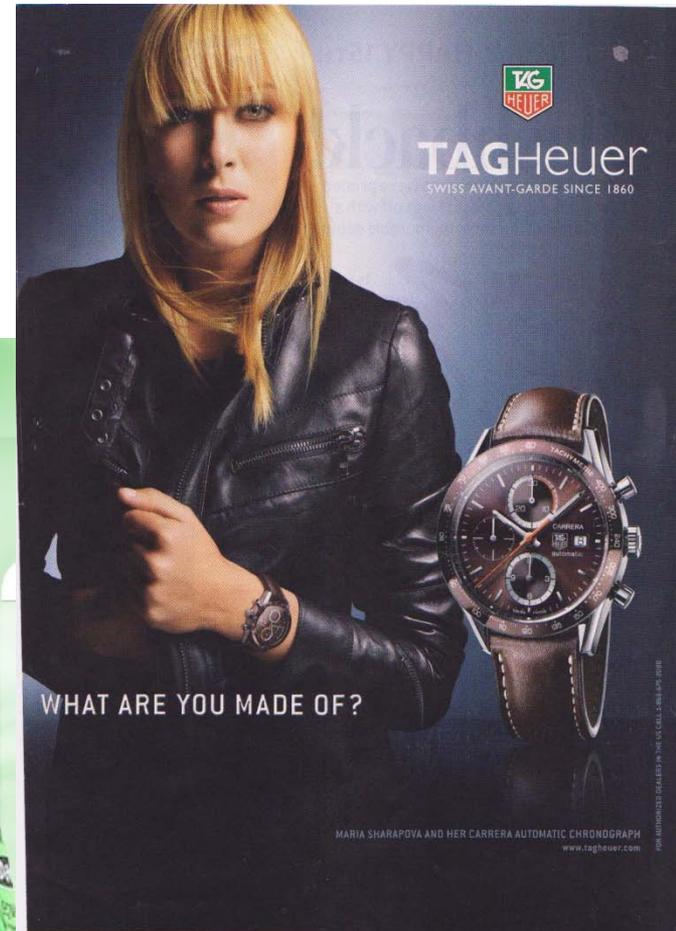
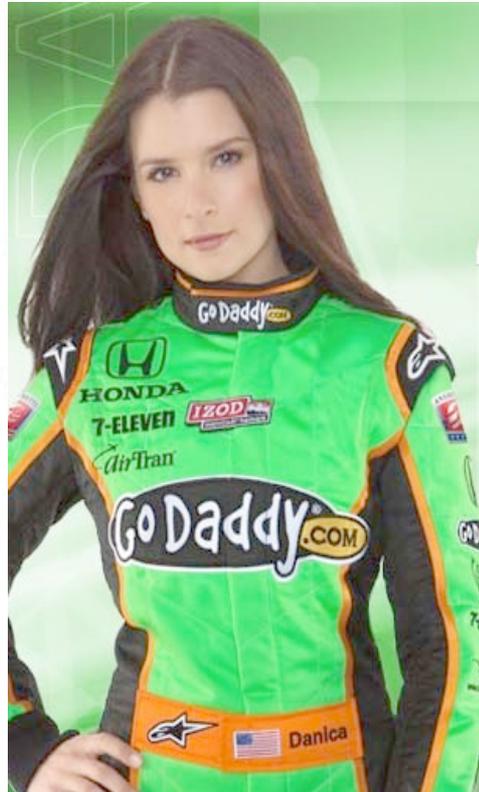
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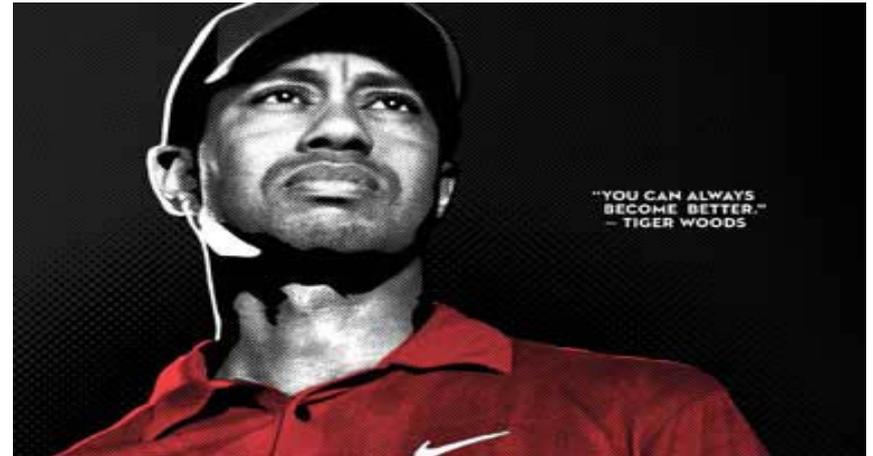


Source Credibility

- The **Source Credibility Model** contends that the effectiveness of a message depends upon the perceived level of expertise and trustworthiness of an endorser.
- **Trustworthiness** is defined as the honesty, integrity, and believability of an endorser as perceived by the consumer.
- **Expertise** is defined as the extent to which a communicator is perceived to be the source of valid assertions.
- It has been found that the expertise an endorser possesses directly relates to consumers intent to purchase.



Source Credibility



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*Results not typical. On Nutrisystem, you can expect to lose at least 1-2 lbs. per week. On Nutrisystem you add in fresh grocery items.



Research Implications

- When the athlete has a positive image in the media or in their respective sport, consumers form favorable attitudes toward them, causing them to like them more and the products they endorse.
- The character style of the athlete is important when measuring how consumers respond to products advertised by them.
- The more positive the image of the athlete and the more the consumer “likes” the athlete, the more likely the consumer will want to learn more about them and the products they endorse, leading to increased consumption of the products they endorse.



Research Implications

- Companies have realized the benefits athletes can bring to an advertising campaign and many are choosing more outgoing endorsers for their products.
- When the consumer is able to recognize the endorser, the more likely they will be able to relate to the endorser and therefore, increasing the likelihood that consumers will form positive attitudes towards the athlete.
- Picking the right athlete to appear in the advertisement is important; the more positive and familiar he/she is in society or in the media the more positively consumers will view him/her in the advertisement.



Research Implications

- Due to oversaturation, consumers have become free agents in their own right, switching brands as fast as their athletic heroes change teams.
- While athletes have the ability to get consumers' attention to sustain that attention they must continually succeed in their respective sport.
- Regardless what sport the athlete plays, or how long they have been playing, the star power of the athlete and the athlete/brand fit are significant to consumers' attitude formation of not only the athlete but the brand as well.
- These attitudes will ultimately influence whether or not the consumer will consume the product.