

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



Adidas and the World Cup Sponsorship: Will Adidas Give FIFA the Red Card?

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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WRITTEN CASE

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Adidas and the World Cup Sponsorship: Will Adidas Give FIFA the Red Card?

Herbert Hainer, CEO of Adidas, leans back in his chair with a sigh and turns off the television. The last words of the news anchor are still on his mind:

“The Football World Cup is without a doubt the single biggest sport event on this planet. Over decades, the event inflamed the hearts of millions of sports fans and others alike - across countries with tremendous passion and pride. However, this uniting event has once again been overshadowed by its organizing entity FIFA, stumbling from one scandal to the other. Finally one has to admit that the only organizations powerful enough to enforce change and bring back fair play to the World Cup are the sponsors of FIFA...”

Since this morning, news surrounding the arrest of highly ranked FIFA officials all played to a similar tune. Hainer’s colleagues from the public relations and marketing department are waiting for a board decision as investors and external stakeholders alike demand Adidas to take a stand in this matter; After all, they are the oldest and most influential sponsor of the World Cup.

Player 1 | Adidas and its Long Heritage in Sports Sponsorship

Driven by the vision to create the perfectly fitting shoe for every athlete, the German Adi Dassler founded a new shoe fabric in 1924. Re-registered as “Adidas” in 1949, the small manufacturer soon managed to gain worldwide attention in the world of sports by using major events as a catalyst for the brand’s image. From early on, football events were vital in this respect. In 1954, the first football shoes with removable studs helped the German football team to surprisingly win the world cup final.

Today, the stock-listed Adidas AG is the second biggest sports equipment manufacturer worldwide. Under its brand portfolio of Adidas, TaylorMade and Reebok, the Adidas group covers a broad range of diverse sports equipment and

lifestyle products. Within the product range football has always been a key category. Adidas profits from its reputational heritage, strongly shaped by a close connection to outstanding athletes and sports events. However, competition on the sports market is fierce. Nike has not only surpassed Adidas in terms of turnover, with creating almost twice the annual sales of Adidas, but also in brand value. A battle over sponsorship of clubs and players has erupted and Nike is catching up on Adidas' former flagship domain football.

The visionary passion for sports is embodied in Adidas' tagline "impossible is nothing" as well as the slogan "all in or nothing", introduced for the World Cup campaign 2014. Closely related to the central drivers of sports are Adidas four core values: Performance, Passion, Integrity and Diversity. The importance of the company's brand reputation is a key business asset for the company.

Player 2 | FIFA and its Monopoly Position in Football

FIFA (the Federation Internationale de Football Association) founded in 1904, is the governing body of football based in Zurich, Switzerland. Its three main missions are to develop football everywhere and for all, to organize inspiring tournaments, and to care about society and the environment. FIFA is the organizer of the biggest single-event sporting competition, the football World Cup. It takes place every four years and first started in 1930. The World Cup is the most watched sporting event and is broadcasted all over the world, an estimated 715.1 million people watched the 2006 final. The 2014 tournament created a revenue of USD 4,826 billion for FIFA. USD 1.6 billion was made out of sponsorships and marketing rights.

FIFA is run by a few highly influential individuals including the president, who is an elected representative. Sepp Blatter has held this position comfortably since 1998 and plays a crucial role within the organization. In the past, FIFA repeatedly received bad press and heavy criticism based on their organizational structure and its mode of leadership. Many have criticized Blatter himself for allowing corruption to thrive under his 17 year rule and Blatter himself continually denied any corruption. Over time fans of the sport slowly started to dislike Blatter for his actions and comments, thus, leading to negative feelings about FIFA.

In December 2010, Russia was awarded the 2018 World Cup and Qatar was awarded the 2022 World Cup in a controversial vote. In July 2012, FIFA launched its own investigation into corruption allegations. Yet, a full investigation was never made public by FIFA. In consideration of the disputed occurrences, Sony and Emirates

ended their sponsorship contracts in January of 2015. Castrol, Continental and Johnson & Johnson withdrew as well.

The Trophy | The World Cup and its Importance for Adidas

Alongside Coca Cola, Gazprom, Hyundai and Visa, Adidas is one of FIFA's official partners, which allows for the use of the official World Cup mark and gives pre-emption rights on TV advertisement as well as exposure around the stadiums. Besides the official FIFA partners, FIFA also works with further global World Cup Sponsors like Budweiser and McDonald's. Among all partners and sponsors, Adidas is the sole sports company. FIFA, the World Cup and Adidas are sharing a 40 years long common heritage, symbolized by the individually manufactured and designed Adidas World Cup footballs for every tournament.

Although the cost of the FIFA sponsorship are estimated at almost \$70 million for every four-year cycle, the benefits so far outweighed this high price. In the aftermath of the 2014 final (with two teams dressed in Adidas) the company's football related sales went up by more than 20%. Besides direct sales of World Cup merchandise, the tournament also offers a large social media attendance. Over the 2014 World Cup, Adidas became the most talked about brand on all major social media platforms. On twitter alone, the hashtag "#allin" was mentioned 917,000 times

Beyond the World Cup sponsorship, Adidas and FIFA nurture a long-standing relationship, which is said to be based on a close personal friendship between the company founder's son Horst Dassler and Sepp Blatter. In November 2013, both organisations extended their long-term partnership agreement, providing Adidas with license rights for the World Cup and other FIFA events until 2030. Given Nike's financial superiority and growing interest in football sponsoring, the personal ties between Adidas and FIFA are a valuable competitive advantage. Yet, this competitive advantage comes at a high price as FIFA has been at the center of a lot of controversy over the years.

The Foul | FIFA Officials on the Penalty Bank

On May 27th 2014, FIFA's corruption scandals reached a new high, leading sponsors to question a continued involvement with FIFA. A timeline showing the most relevant events and the respective sponsor reactions is detailed below.

May 27 - 14 highly ranked FIFA executives are arrested in a luxury hotel in Zurich just a few days before the FIFA congress. Charges include fraud, Racketeering, and money laundering. The Swiss Federal Prosecutors open an investigation into the 2018 and 2022 world cup awards.

September 26 - Blatter is under investigation by Swiss officials for a 'disloyal payment.' Prosecutors search his office and seize data.

October 2 - In a coordinated statement, four of FIFA's sponsors, Coca-Cola, Mcdonald's, Visa, and Budweiser jointly demand that Sepp Blatter leave FIFA immediately saying his continued presence at FIFA is holding back reform. Adidas and Kia decline to join the other 4 sponsors calling for Sepp Blatter to resign immediately.

October 7 - Adidas Investors publicly voice their concerns about the ties with FIFA and what the scandal could do to the German sportswear brand after they declined to join the other sponsors demanding for Sepp Blatter's immediate departure.

On October 7 Herbert Hainer schedules a crisis meeting to discuss on how to manage the current crisis and the further relationship with FIFA. **Taking the role of the executive board of Adidas, how would you answer the following question:**

What actions should the Adidas board members take in regards to their sponsorship of the World Cup and their relationship with FIFA?

