Nike’s Corporate Interest Lives Strong: A Case of Cause-Related Marketing and Leveraging

Colleen McGlone and Nathan Martin

Abstract
The use of cause-related marketing (CRM) in sport appears to be increasing in popularity. These campaigns often create win-win situations for all parties involved. However, utilizing CRM campaigns in the sport arena does not come without risk and may ultimately limit the return on investment (ROI) for which many corporations seek. There are many illustrations of CRM campaigns in sport, one of which is the Live Strong campaign. Through this campaign, the Lance Armstrong Foundation (LAF) has attracted a great deal of attention and media exposure creating both increased awareness and additional resources for the LAF.

In May of 2004, Lance Armstrong approached longtime sponsorship partner Nike, Inc. to assist him with the launch of the Live Strong fundraising campaign. Live Strong centers on people showing their support for the LAF by buying and wearing a yellow wristband. Nike agreed to support the then five-time Tour de France winner, ultimately providing the financial resources to underwrite the production and distribution of the first five million yellow Live Strong wristbands, as well as a provide a one million dollar cash gift directly to the LAF. Since the Live Strong campaign’s inception, over 47 million wristbands have been sold to benefit the LAF.

This case study demonstrates the use of CRM using the Live Strong campaign as an applied model. The case illustrates some of the potential benefits and risks involved in CRM, as well as addresses ethical dilemmas that may arise when these campaigns are being considered by both corporations and non-profit organizations.

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Sport Sponsorship
Corporate sponsorship of athletes, facilities, and events is not a new phenomenon in the sport marketing world. Sponsorship appears to be everywhere, from sponsored stadiums and fields to apparel and clothing. This surge in sponsorship has not only increased the expense of sponsorship, but it has also created an environment where cutting through advertising clutter has become more difficult. With changing consumer habits and the need to target specific lifestyle segments, corporations are looking to use sport sponsorship more frequently as a means to meet a variety of objectives (Belch & Belch, 1995; Shimp, 1997). Specifically, sport sponsorship is “a business relationship between a provider of funds, resources, or services and a sport event or organization, which offers in return specific rights that may be used for commercial advantage” (Howard & Crompton, 2004, p. 434). Of all the commercial advantages a corporation may seek to exploit through sport sponsorship (e.g. image building, brand building, media exposure), it seems the most important is the advantage to the bottom line. Kinney and McDaniel (2003) stated that a marketer’s ultimate goal is to increase sales, while Slater and Lloyd describe sport sponsorship as “strictly a commercial venture” and “not a philanthropic gesture” (2003, p. 194). So, as a rule, sponsors invest money for the prospect of increasing sales and a solid return on their investment.

As a general measure of corporate sponsorship spending, expenditures have grown from $850,000 in 1985 to over $11 billion in 2004, 69% of which was spent on commercial activity by which businesses and charities with each other to market an image, product, or service, for mutual benefit (Definitions). As sport sponsorship has become a more prevalent tool in the sporting arena, corporations are attempting to increase the value of sponsorships via many leveraging mechanisms, including CRM (Polonsky & Speed, 2001). Companies choose to support causes for a variety of reasons including using it as...
a strategy to link their products with causes or issues that resonate with their target markets, while other times they use it to stimulate short-term sales of a product (Roy & Graeff, 2003). CRM also allows a marketer to use consumer concern for business responsibility as a competitive advantage (Smith & Higgins, 2000).

Cone and Roper found 83% of surveyed consumers had a more favorable image of companies that support causes, 60% felt CRM should be a standard business practice, and 66% had greater trust in companies championing a social cause (as cited in Irwin, Lachowetz, Cornwell, & Clark, 2003). Additionally, consumers are demanding that companies fulfill needs beyond just the immediate product. Charter and Polonsky (as cited in Smith & Higgins, 2000) suggested that consumers are demanding more environmentally sensitive and ethically considerate products. This indicates that companies may desire to exploit the positive opinions associated with CRM and anticipate receiving the positive effects of the association. These positive effects relate to the phenomenon known as the “halo effect,” where the positive emotion generated by a cause gets transferred to the sponsor’s brand, ultimately increasing sales (as cited in Madrigal, 2003).

While there are many positive effects of CRM, there are also some potential drawbacks. One example is the increased use of CRM could produce more clutter and confusion in the consumer’s mind, which is exactly what the CRM process is attempting to solve (Meyer, 1999). Furthermore, this increased CRM use can be associated with increased consumer cynicism about CRM-linked purchases (Smith & Higgins, 2000). Cause contributors may not return to traditional giving methods once corporations have exhausted CRM marketing efforts (Smith & Higgins, 2000).

According to the Cause Marketing Forum (The Growth of Cause Marketing), corporations will spend approximately $1.08 billion on CRM campaigns in 2005. This illustrates that CRM will trail only the sports industry ($8.39 billion) and the entertainment, tours, and attractions industry ($1.15 billion) in total sponsorship expenditures in 2005 (Cause Marketing Forum, The Growth of Cause Marketing). Therefore, it appears to make good sense for companies to begin to combine these sponsorship and cause mechanisms for maximum gain.

**Nike History**

Nike has built its empire based on its mission to “to bring inspiration and innovation to every athlete in the world” (Nikebiz: Mission). Steve Prefontaine, the first Nike asset athlete, wore Nike shoes while he ran track for the University of Oregon in the mid 1960s. Since the time of Prefontaine, Nike has become a preeminent sponsor of today’s top athletes, aligning its swoosh with athletic excellence. Nike asset athletes include: Tiger Woods, Serena Williams, Lance Armstrong, Marion Jones, and Michael Jordan.

The use of CRM by Nike is the primary focus in this case. Beginning with Steve Prefontaine, Nike and its endorsed athletes have been involved in various social and cause-related issues. Steve Prefontaine, while best known for his skill on the track and untimely death, was also known for his fight against the perceived injustices regarding the Amateur Athletic Union’s treatment of athletes. Prefontaine was at the center of this battle and whether or not Nike wanted to be involved, Nike branded shoes were on his distance running feet. Nike’s involvement with social causes continues today. An example of this involvement includes Michael Jordan’s Jordan Fundamentals program and the NikeGo program, both of which are aimed at getting today’s youth more active by teaming up with athletes such as Lebron James, Freddy Adu and Mia Hamm.

**Lance Armstrong and Nike**

In 1996, Lance Armstrong was virtually unknown outside the small circle of professional cycling. Today, Armstrong is considered by many to be one of the greatest athletes of our time. His cycling career has continued to soar and in July 2004, he won the Tour de France for a record breaking 6th time. Armstrong’s success has brought him the traditional pomp and circumstance often given to America’s best athletes and he enjoys lucrative contracts and endorsement deals as a result. Nike’s relationship with Armstrong began in 1996 when he signed his first endorsement contract. The deal, which was nominal by today’s standards, involved Armstrong wearing Nike shoes and gloves while he trained and competed.

Diagnosed with cancer in 1996 just after securing his deal with Nike, the 25-year-old Texan had less than a 40% chance of survival and virtually no chance to continue his professional cycling career. After the diagnosis, Armstrong would be lucky to survive, much less ever ride again. With the cancer diagnosis and treatment, there was no possible way that Armstrong could fulfill the terms of his agreement with Nike. Although Nike had the right to terminate the deal, Nike instead paid Armstrong in full. In fact, Nike continued to support Armstrong in many ways during his battle with cancer (Armstrong, 2003).

**The Lance Armstrong Foundation and the Live Strong Campaign**
In 1997, while still battling cancer and recovering from treatment, Armstrong approached Nike for financial support to help launch the Lance Armstrong Foundation (LAF) (About LAF & Lance). The LAF's primary mission is to provide a network of support for cancer survivors and their families. It does this through four aspects: Advocacy, Education, Public Health and Research. The LAF rallies around these words:

“Before cancer I just lived. Now I live strong.”

(About LAF & Lance)

In 2004, the LAF launched a fundraising and awareness campaign called Live Strong. This campaign centered on Armstrong’s personal motto to “live strong” and involved selling a bright yellow, silicon rubber wristband stamped with the Live Strong motto. The wristband’s yellow color is symbolic as it is the color of the leader’s jersey in the Tour de France. Armstrong approached Nike for sponsor support with the wristband idea and, once again, Nike provided support. Specifically, Nike underwrote the production and distribution costs for the first five million wristbands, and contributed an additional one million dollars to the LAF. Assuming all the wristbands were sold, Nike’s involvement would result in the LAF receiving a total of six million dollars (Cause Marketing Forum, Live Strong Wristband).

In May 2004, the wristband made its debut and was sold primarily at Niketowns, Footlockers and through the LAF website. At the same time, Armstrong and his cycling teammates began to wear the wristband during training rides, competitions, and just about everywhere they went. As of June 2005, 47 million wristbands have been sold (Lance Armstrong Foundation). The famous yellow wristband has been seen on everyone from celebrities and Olympic athletes to Presidential candidates.

To Leverage or Not to Leverage?

Corporations attempt to enhance their image in the minds of consumers by leveraging their relationship with a cause. This leveraging includes making every attempt to create a strong association between the corporation and the cause, usually through promotional activities. Corporations often spend up to four times their original contribution to promote their relationship with the cause. After teaming up with the Live Strong campaign, Nike faced the question of whether or not to leverage its relationship with both Armstrong and the Live Strong campaign.

Sponsorship of any kind includes some risk to all parties involved. Previously, Nike has experienced the ill effects of sponsoring athletes whose behavior has been a poor reflection of the ideals and image Nike is trying to portray. For example, Nike’s sponsorship agreements with Kobe Bryant and Jason Giambi provide glaring examples of the risks of high profile sponsorship. Giambi’s use of steroids and Bryant’s adulterous affair meant that Nike was now associated with drug use, cheating, and infidelity in the minds of sports fans and consumers. Clearly the decision to make sponsorship highly visible contains some risk for the sponsor, yet failing to properly leverage the association limits the overall return on investment. In the Live Strong case, Nike has the option of leveraging its involvement with both the LAF and Armstrong himself. In the U.S., Armstrong’s image is very positive and above reproach in the eyes of his followers. However, this is not the case outside the U.S. where Armstrong’s image faces many challenges including regular allegations that he has used performance-enhancing drugs. The repeated allegations tarnish Armstrong’s image and consequently could affect Nike’s image. If sponsorship is not a philanthropic gesture and the allegations against Armstrong continue or are proven to be true, where does that leave Nike and how will that ultimately affect Nike’s return on investment?

While not initially leveraging its involvement with the Live Strong campaign, some clear links exist between Nike and the Live Strong campaign. For example, the web site for the Live Strong campaign (http://www.wearyellow.com) is actually hosted by Nike and the address changes (to http://www.nike.com/wearyellow/index_f.html) once the connection is made with Nike’s server. The site itself does not have a direct reference promoting Nike, but it does have an image of Armstrong in his yellow jersey with Nike’s corporate logo, the swoosh, prominently displayed. In addition, yellow wristbands that were purchased directly from the LAF website came packaged in clear bags with a promotional postcard detailing the LAF and the Live Strong campaign. Nike’s swoosh was also on the postcard that came with the authentic wristbands.

The Live Strong Effect

Nike’s involvement with the Live Strong campaign is evidenced by the wearyellow.com website, the promotional postcards and Nike asset athletes wearing the wristbands worldwide and during the Olympic Games. Interest grew so much that during the months of July and August the wristbands were selling on Ebay for over $36.00 (Cause Marketing Forum, Live Strong Wristband). In addition, as a result of the wristband’s success, Nike has initiated a new Live Strong T-shirt campaign. The only place to purchase one of these shirts is at a Niketown or a Nike store, as they are not available through the LAF.
The Live Strong effect is very apparent as evidenced by the many organizations that are using similar symbolic bands to increase awareness of a variety of causes including: Supporting Our Troops, Breast Cancer awareness, and Stopping Abuse.

The Halo-Effect

The halo effect is one of the positive effects attained from CRM that Nike may find particularly beneficial. Since 1996, Nike has been scrutinized for its labor practices abroad. In fact, Phil Knight himself acknowledged that many of Nike's overseas employees working in subcontracted factories were working in "horrible conditions" (http://www.nike.com). In addition, Nike was facing accusations which included issues of low wages for overseas workers to the use of child labor. These accusations caused public outcry and Nike was forced to deal with the most negative public relations problem in its history. The positive emotion and image transfer associated with the halo effect may help to positively reposition Nike in the consumer's mind. In addition, Nike's involvement with the LAF may help enhance the image of Nike as well as invoke a sense of corporate responsibility. However, Nike's involvement with the LAF and particularly Armstrong may backfire if the performance-enhancing allegations are proven, especially in foreign markets where Nike is working hard to enhance its image.

Ethical Considerations

Ethical considerations come into play when CRM campaigns are utilized. By teaming up with an athlete who has inspired people all over the world, Nike can help meet its mission. Furthermore, Nike's Code of Ethics revolves around the commitment to "conduct business with integrity and a commitment to the highest ethical standards" (Nikebiz: Corporate Governance). Thus, it makes sense that Nike would get involved with Armstrong via the Live Strong campaign. Nike's interest in the Live Strong campaign is purely one of good fit; a way to support the cause and inspire people. It is simply a philanthropic effort—or is it? As Nike has evolved, so too have consumers. Research has demonstrated that consumers are more likely to pay more for a product that is involved with a social cause (Irwin et al., 2003). This illustrates that companies are beginning to understand that consumers' needs have become more dynamic and that traditional advertising campaigns may not suffice. Furthermore, it is believed that CRM helps to enhance a company's image and increase sales by giving the cause-corporation association a moral dimension (Smith & Higgins, 2000). In the corporate world, many believe that companies have no social responsibility other than to generate profits for their stakeholders. Social responsibility is not justified because the corporate funds are property of the stockholder, not of the CEO (Smith & Higgins, 2000). Friedman (1962) stated that the only social responsibility of business is "to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game" (p. 133). This leads us to explore the nature of Nike's involvement with the Live Strong campaign. Do the benefits of using CRM outweigh the risks for Nike? Would not sponsoring the campaign lead to a lost revenue stream for Nike? Is Nike's involvement with the Live Strong campaign a good use of CRM benefiting all parties involved? Does Nike's expression of concern and involvement create a paradox regarding ethical business practices? Is this a way to continue support for one of its long time athletes or is there more to be gained from the effort?

Conclusion

The use of CRM campaigns in sport may be a risky venture or a useful approach in the sport marketing arena. For example, the NFL teamed up with Campbell soup to create the Tackling Hunger campaign in 2000. This campaign enhanced the image of both the NFL and Campbell's Soup Company. The campaign resulted in increased soup donations to food banks across the nation as well as increased media attention. In fact, the Tackling Hunger campaign resulted in 95.8 million media impressions, delivering a $5.66 CPM (Holmes Report), exceeding the campaign's media objectives. This campaign was successful at creating a positive image of the NFL and its players, while attracting attention to a cause that is often overlooked. In addition, all parties involved benefited by receiving increased media attention without having to pay for the additional exposure. However, there are many risks associated with the use of CRM in the sport arena. One of the main concerns in this case revolves around whether Nike's involvement with the Live Strong campaign will help or hinder the corporation in the long run. Will the Live Strong campaign be considered a success for both Nike and the LAF?

As previously indicated, the LAF gained exposure and at least $6 million that can be directly related to Nike's involvement. In addition, the website exposure generated by the campaign may have increased charitable donations above and beyond the purchase of the wristbands. The wristbands, which can be easily purchased, help the LAF to financially support cancer survivors. The effort required by consumers to do the right thing by giving to the cause requires very little thinking or activity. In fact, all people have to do is part with $1.00. Additionally, the wristbands have become so popular that they have created a new fash-
tion trend. It seems like everyone is wearing one and it has become the “in” thing to do. This may be a risky venture, as the success of the wristband campaign may actually have scared off potential donors. What happens when the wristbands are not the hot fad? Where does that leave the LAF? Are people wearing the yellow wristband to be part of the in-crowd or do they really venture, as the success of the wristband campaign may have become the “in” thing to do. This may be a risky backlash against being associated with corporate buy and wear the wristbands because of all the atten-
vivors? Are some consumers or supporters refusing to support the LAF and its mission to support cancer sur-
does that leave the LAF? Are people wearing the yellow pens when the wristbands are not the hot fad? Where actually have scared off potential donors. What hap-
will be affected overtime and whether the Live Strong campaign is enhancing the image of the LAF or
campaign correlates with ethical business practices. For example, Generation Y is known for its
deteracting from it.
The Tackling Hunger campaign and the Live Strong campaign illustrate how CRM may be effectively used in sport marketing. This case illustrates that special attention needs to be given to some of the issues that come uniquely packaged with CRM, particularly in the world of sport marketing. These issues include considering how to leverage relationships with both individuals and causes in order to maximize return on investment, as well as considering the ethical responsibility of all parties involved and whether or not the campaign correlates with ethical business practices.

References