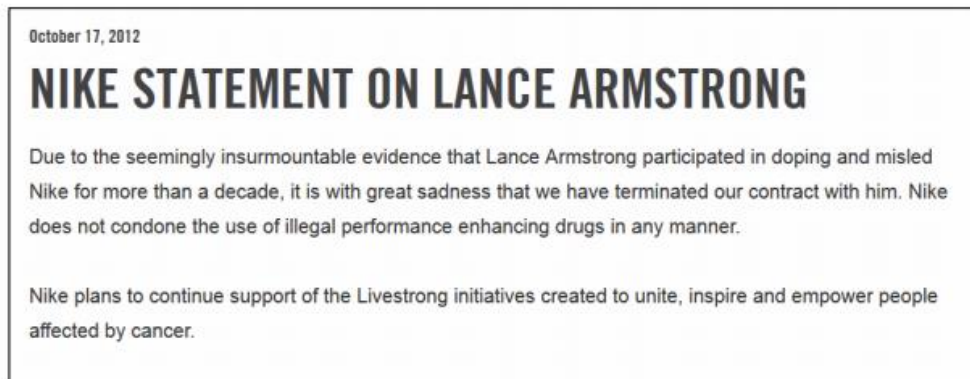


Task #1

Please evaluate the content of the press releases published by Nike (with regard to the Lance Armstrong case) and Sony (with regard to the FIFA case [prior to the scandal]) against the background of the motive attributions (referring to sponsorship termination) that the recipients of the press release may make when reading the press release, and against the background of the sponsorship portfolio that the brand that terminated the sponsorship actually has. (You can check their homepage to find out about their sponsorships.) From the portfolio management perspective, did it make sense to terminate the sponsorship that is mentioned in the press release, or not? Why?



Source: Nike, 2012. URL: <http://news.nike.com/news/nike-statement-on-lance-armstrong>



Source: Nikkei Asian Review, 2014. URL: <http://asia.nikkei.com/Japan-Update/Sony-won-t-renew-FIFA-contract>

SOLUTION

Motive attributions that recipients of the press release may make referring to sponsorship termination

The recipients' perception of exit strategies is crucial because it affects important brand outcomes. Attribution theory provides some relevant insights into how recipients of sponsorship messages evaluate sponsorships that are terminated. The motive perception for termination of sponsorship (like for new sponsorship or maintenance of sponsorship) can be described by two dimensions:

- Extrinsic motive (i.e., self-serving or egoistic, mainly serving economic ends) and/or
- Intrinsic motive (i.e. benefitting society or altruistic, mainly serving non-economic ends)

Sponsorship that is perceived as intrinsically motivated results in more positive outcomes than sponsorship to which extrinsic motivations are ascribed. Motive attributions are also relevant in the context of termination. When sponsors terminate sponsorship, they may either emphasize extrinsic motives, or de-emphasize extrinsic motives and highlight intrinsic motives in their communication that explains sponsorship termination to the public.

Nike terminates contract with Lance Armstrong

In the case of Nike, the termination of Nike's sponsorship for Lance Armstrong is because he was participating in doping practices. This decision was driven by intrinsic motives, for doping practices are against Nike's belief in fair and legal competition in sports. The company does not want to tolerate the use of illegal performance enhancing drugs. This decision signals that the brand stands for its values by not supporting unethical and harmful behavior and, in this case, not tolerating the use of illegal performance enhancing drugs. Nike wants to avoid that the brand is associated with any kind of drug abuse, unfair manners, and the resulting negative reputation on their image for natural, healthy and sporty lifestyle.

Furthermore, holding on to the contract with Lance Armstrong would have a negative impact on Nike's sponsorship portfolio and on the other sponsored properties. Nike sponsors innumerable athletes and teams around the world and continuing to sponsor Lance Armstrong would convey a message that the company stands for doping in sports, which would associate all other sponsored properties to this illegal practice. Since there have been negative incidents with other individual athletes in the past (for example, Tiger Woods' scandal and Ray Rice's domestic violence assault) Nike may be pressured to focus less on individual athlete sponsorship.

Nevertheless, the press release reveals further that Nike continues its social sponsorship to fight cancer. Sponsorship that is perceived as intrinsically motivated results in more positive outcomes than sponsorship with extrinsic motivations. Consumers want to see brand actions centered on community and goodwill, so it makes sense. Therefore, consumers might positively evaluate the termination of the sponsorship, in particular under the assumption that Nike is perceived as a good company (i.e., having a good base level reputation).

Sony drops FIFA sponsorship

Sony did not renew its sponsorship with FIFA, which ended at the end of December, 2014. According to Nikkei the official reasons are rising costs of the sponsorship, especially against the background of Sony's loss on the smartphone business.

The company prefers to spend its money on "completing structural reforms", a comment which demonstrates the current financial state. Sony aims to "restructure its television and mobile divisions further, while targeting robust growth for its electronics devices division, which houses its growing image sensors business". Therefore, the termination of the sponsorship might especially be due to extrinsic motives. The recipients of the press release see Sony in a rather negative financial position.

Although not mentioned in the press release, the decision may also follow a number of damaging reports about corruption causing growing pressure on its sponsors and thus be intrinsically motivated. FIFA has already lost one of their headline sponsors, Emirates Airline, which was published a few weeks before this press release was published. For that reason the termination could also be related to the current investigations about corruption in the bidding process for the next two World Cup competitions in Russia (2018) and Qatar (2022). If corruption was the main motive for terminating the contract, Sony's decision clearly conveys that the company does not support and does not want any involvement with FIFA and its activities concerning corruption. From this point of view the termination of sponsorship between Sony and FIFA seems comprehensible as Sony did not only follow extrinsic motives but intrinsic motives, too. The press release itself is not convincing, because the brand neither de-emphasizes extrinsic motives nor provides reasonable intrinsic motives or support for social good. Thus, there is room for improvement when communicating the termination of the sponsorship from the perspective of Sony.

The brand did not mention any other sponsorship, but given that they have a strong portfolio, it might be a wise decision to focus on a sponsorship that is not perceived as costly by the shareholders, but may still produce positive effects such as social sponsorships like the Sony Science Program that promote children's interest in science.