

Impact of NCAA Corruption on the Adidas Brand

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Aim

The aim of this study is to examine the potential impact of the NCAA corruption scandal on the Adidas brand. The authors study how the allegations surrounding this scandal influence consumer perceptions, future purchase intentions and other economic indicators for Adidas. This study addresses a limitation of a previous study (Dodds, Rasku & Laitila, 2017) and compares the survey results with concurrent sales and financial impact.

Theoretical Background and Literature Review

A 2017 NCAA basketball scandal implicates Adidas, an international sportswear company with 8.4% market share for the US “all sport footwear” category (Sports Market Analytics, 2017), of paying high school players to secure those player’s commitments to attend universities sponsored by the company. Three Adidas executives are charged with multiple crimes and the scandal led to the dismissal of Basketball Hall of Fame Head Coach Rick Pitino of the University of Louisville, among other coaches and college athletic administrators. It is widely acknowledged that the effect of this scandal may be far reaching to a large number of colleges.

The impact of this scandal on the Adidas brand needs to be evaluated. The relationship between sponsorship, brand image and purchase intention has been examined. A positive attitude towards a sponsor shows a significant positive effect on future purchase intentions (Biscara, Correia, Rosado, Ross & Maroco, 2013). Therefore, a positive brand image should lead to higher product sales. However, the opposite reaction may happen. A horn effect may occur where a negative association with a scandal might damage a brand image and lead to a lowered purchase intent for a sponsor (Dodds, 2017). In other words, a negative brand image may lead to lower product sales. The balance theory suggests fans seek to punish the corrupt sponsor by not purchasing its products. Gorse and Chadwick (2012) concluded that sport that has been tainted with corruption might lose sponsors because of the negative association. Additional research supports this conclusion from the sponsor perspective focused on the FIFA and Olympic scandals (Dodds, 2017; Dodds, Rasku & Laitila, 2017). In both studies, sport fans indicated a lower purchase intent for brands that committed corruption that impacted a sport event or organization. However, these studies evaluated the consumer impact after the sponsor malfeasance occurred. This study is concurrent to the corruption scandal, which offers unique perspective.

This study is unique since it evaluates a corrupt sponsor as opposed to a corrupt property. Sponsors such as Nike, Bilfinger SE, BHP Billiton and Weatherford International have all been implicated in sport corruption scandals. This study is focused on the sponsor’s behavior and its impact.

Methodology and Data Analysis

This study utilizes an Internet-based questionnaire program (SelectSurvey) to deliver a survey to US college-aged sport management students (18-22 years old, approximately 75% male). The benefits of this approach include reaching more potential respondents, getting a better

response rate, higher quality responses, as well as manage the data collection process more efficiently than face-to-face interviews. This audience is appropriate for this study because 57% will purchase new footwear within the next 90 days (OnCampus Research, 2011) and 25.1% of the college basketball attendance is this market (Sports Market Analytics, 2017). This audience is one of the largest purchase markets of the product, and it is directly connected to the college scandal by attendance and fan avidity.

The survey has approximately 500 responses. The questionnaire explores general attitudes about the sport corruption, its influence on fan avidity, and its impact on the Adidas purchase intent. Other economic indicators such as stock price and available sales data may be compared against the survey results. Finally, crisis management techniques may provide options to mitigate the damage. Therefore, the authors analyze Adidas' response to the allegations. All combined, this study may provide additional insights into the impact of the scandal on the brand in a macro-environmental level.

Results, Discussion and Implications

This study investigates how the NCAA corruption scandal based on the alleged corrupt behavior of Adidas impacts its brand image and purchase intent as the scandal unfolds. During the time of this scandal, Adidas' market share in the US "all sport footwear" category fell from 11.4% (2nd highest) to 8.4% (3rd highest) (Sports Market Analytics, 2017). Initial results from our survey suggests that more than half of this audience indicate a negative impact on the brand image and almost a third state a lower purchase intention caused by this scandal. The authors will analyze this survey data with Adidas' crisis response, and economic data to measure the true impact of the scandal. Finally, the authors offer recommendations for the NCAA and its corporate partners to avoid this type of corruptive influence and the potential impact in the future.

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