Determining a winner in the battle between Nike and adidas:

**Which brand will create the most brand value during the 2014 FIFA World Cup?**

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Summary

This thesis will conduct a research on how to use brand equity in predicting a winner in the brand battle between Nike and adidas\(^1\). Nike has the largest revenue in the sportswear market and is closing in on adidas, who is market leader in football. The 2014 FIFA World Cup could be a decisive moment on who will become the market leader in football in the upcoming years. To determine which of the two brands will win the World Cup, brand equity of both companies will be analysed. This thesis does so by focusing on one of the five stages from Keller and Lehmann’s 2003 Brand Value Chain. This particular stage is customer mindset, which consists of five factors: awareness, associations, attitude, attachment, and activity. Both brands will be compared on each of these five factors using existing literature, documents and consumer surveys.

\(^1\) adidas is officially spelled without a capital letter
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1 Introduction

Nike is the largest sportswear company in the world, with $25 billion in earnings and a 17 percent market share (Euromonitor, 2013; Nike, 2014). The second largest, adidas, has $20 billion in sales and 12 percent share of the market (Euromonitor, 2013; adidas, 2014).

Nike officially achieved $1.9 billion in football revenue in 2013 (Nike, com). adidas, which didn’t report officially, is believed to have an annual revenue of $2.4 billion in its football division in 2013. adidas and Nike combined are responsible for 80% of the worldwide football sales (Euromonitor, 2014).

adidas has been a primary sponsor of the World Cup and an official partner of FIFA since 1970, and recently renewed that deal until 2030. In the same year adidas also supplied the official World Cup Ball, and has been doing so ever since (FIFA, 2014). Nike is relatively new to the market, debuting with the 1994 World Cup, which was held in the United States (Nike, 2014).

1.1 Reason for this research

However, for the first time in 30 years, Nike will be sponsoring more teams than adidas at a FIFA World Cup. At the FIFA World Cup 2014, Nike sponsors 10 out of 32 teams: favourite Brazil, the U.S., Greece, Croatia, England, Portugal, South Korea, Australia, France, and the Netherlands. adidas sponsors nine teams, supplies the official World Cup Ball, and is an official partner of FIFA (FIFA.com).

The World Cup host Brazil has a general sportswear market that will grow by $1.4 billion, or 12.5 per cent, just in 2014 (Euromonitor.com, 2014). Nike had a 12.1% share of the Brazilian market in 2013, against 5.5% for adidas (Euromonitor, 2014).

The race for market leadership is too close to call. The 2014 World Cup is possibly the most important battle for both companies, due to the worldwide attention it gets. During the 2010 FIFA World Cup, 32% of the world’s population, or 3.2 billion people were reached globally (FIFA, 2013). The 2014 FIFA World Cup in Brazil might be a decisive

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2 Spain, Argentina, Colombia, Germany, Japan, Mexico, Nigeria and Russia
3 Based on viewers watching a minimum of one minute
moment on who will become market leader in football for the next couple of years. This thesis analyses this by answering the following problem statement:

- **Will adidas or Nike win the battle of the FIFA World Cup 2014?**

Nikes revenue grew from $693 thousand in 1982 to almost $25 billion in 2013. In 1982, it primarily sold running, tennis and basketball shoes to males in the United States. By 2007, they sold shoes, clothing, and equipment across a variety of sports markets all over the world. Nike successfully expanded to other markets thanks to their brand promise of ‘authentic athletic performance’ to be transferred across many product categories and geographical markets (Keller, 2009). This is one of the benefits Nike experienced from their strong brand and added value of the brand. Appropriate branding can result in increased sales of not only a single product, but on other products associated with that brand (Aaker, 1991). For companies it is important to understand how brand value and brand equity gets created. This thesis will analyze which of the two companies will create the most value during the 2014 FIFA World Cup.

### 1.2 Theoretical Framework

The added value a brand gives a product is defined as brand equity (Farquhar, 1989). It reflects the fact that the brand gives the firm extra utility with customers that can be used to sustain higher prices, cut costs or increase sales (Asker, 1991).

Over the past few years, brand equity has had considerable attention in marketing research (e.g., Farquhar, 1993; Keller, 1993, 2001, 2012; Erdem, 2001). Brand equity is a result of the past and a prediction for the future. A brand can become a signal because it embodies or symbolizes a firm’s past and present marketing strategies (Erdem & Swait, 1998).

Because brand equity ultimately resides with the consumers (Aaker, 1991; Kapferer, 1992; Keller, 1993; Keller 2001), a brands’ current brand equity is a result of all the factors that make brand equity in the past, and the way consumers use these as knowledge. Consumers decide, based on their beliefs and attitudes what the brand should
do and sell, and grant permission or not to any marketing activity or program. At the end of the day, consumers and their knowledge about the brand will decide the true value and future prospects of a brand (Keller et al., 2009).

In 2003, Keller and Lehmann presented the Brand Value Chain (see appendix), which can help marketers trace the value creation process for their brands. In doing so, marketers get a better understanding for the financial impact of marketing expenditures and investments. The Brand Value Chain assumes that the value of a brand ultimately lies with the customers. The farther to the right along the Brand Value Chain marketers get, the less control they have over the brand value creation process (Keller et al., 2003). The model supposes that the brand value creation process begins when a company invests in a marketing program for current or potential customers. In this thesis, ‘marketing programs’ will include everything Nike and adidas invest for the World Cup, such as advertisements, sponsorships, and other marketing investments. According to the model, the marketing activity associated with the program then influences the second stage: customer mindset.

The customer mindset stage embodies every factor inside of the consumers mind. These factors are (1) brand awareness, (2) brand associations, (3) brand attitude, (4) brand attachment, and (5) brand activity. There is an explanation to why these five dimensions are ranked this way. Awareness supports associations, which drives attitudes that lead to attachment and activity (Keller & Lehmann, 2003). This means that a high level of awareness creates brand value in this stage. Customer mindset can be assessed by customer surveys.

Because brand value ultimately relies with the customers (Lasser, 1995; Keller, 2010), the consumer mindset stage will be the focus for this research, and will be the instrument used to compare Nike and adidas. The main focus for this thesis will be on this framework and it will be tested using the battle for market leadership between Nike and adidas.

There are two reasons this research focuses on customer mindset. Firstly, this is found to be the most important stage for creating brand value, since brand value resides with the
customers (Lasser, 1995; Keller, 2010). Secondly, this is the first important stage in the model than can be compared between companies. The first stage cannot be compared between companies because the quality of commercials, promotions, communication, and employee training are all factors that do not have a solid and comparable base for analysis. The customer mindset influences all the stages after, and was influenced by the stage before (Keller, 2003). This means that analysing this stage in the Brand Value Chain will hint the development of the rest of the brand value creation process.

The third stage shows the results in terms of how it performs in the marketplace. In the fourth stage, the investors consider brand performance and other factors, such as replacement cost and purchase price in acquisitions, in terms of their growth rate and future cash flows to arrive at an assessment of shareholder value in general and brand value in particular.

The model also assumes that a number of linking factors, or multipliers, influence the relation between these stages. These linking factors determine how the value that has been created at a stage transfers or multiplies to the next stage. Three multipliers mediate the transfer between the marketing program and the four following value stages: the program quality multiplier, the marketplace conditions multiplier, and the investor sentiment multiplier. (Keller&Lehmann, 2003).

At the end of this year 2014, when sales and other results for adidas and Nike are published, the creation of brand value is in its last stage. Seven months before the end of the year 2014, this thesis will show who will have created the most brand value at the end of the year by looking at current customer mindset. A solid current brand equity and thus customer mindset shows the company is aligned with the wishes from the consumers and this will result in strong future turnover (Aaker, 1996).
1.3 Overview

In the first chapter, this thesis proposes the following question defining brand value and brand equity:

- *What is the difference between brand equity and brand value?*

In the second chapter the focus will be on the Brand Value Chain and the customer mindset by answering the question:

- *How can brands create brand value and brand equity?*

The third chapter explains what the importance of the World Cup is for both brands by answering the question:

- *Why do Nike and adidas sponsor in FIFA World Cup 2014?*

Chapter four is about the methodology and will answer the follow question:

- *How will brand equity be measured for Nike and adidas?*

After the methodology the results will answer the question:

- *How do Nike and adidas score for brand equity?*

This research will use data from existing data on specific subjects done by prior researchers or firms.

In the conclusion a recommendation is made, together with managerial implications and the answer to the problem statement of who will create the most value during the World Cup and therefore will be the winner of the tournament. Limitations for this study are also described in the final chapter.

1.4 Expectations

adidas has a longer history with football and is an official partner of FIFA, giving them more exposure during the World Cup. On the other hand, Nike sponsors organiser Brazil and has a bigger market share in both of the America’s. Nike also sponsors more teams and more popular players.

However, this thesis does not use those facts for the results. This thesis will look into brand equity both companies have prior to the World Cup, so it can be determined who
creates brand value most effectively. Expectations are that Nike has greater brand awareness. Their logo and slogan are among the most recognizable in the world. Although adidas is known for their quality, following the theory that awareness affects everything else, Nike should have a better brand attitude. According to Keller and Lehmann (2003) Nike should also have better associations. However, it is expected that associations will likely not differ between companies. Awareness drives brand equity and since Nike is expected to have the highest brand awareness, expectations are that Nike has a better chance of winning this battle. Results from consumer surveys should be clear and widely available.
2 Brand Equity and Brand Value

In this chapter the difference between brand equity and brand value will be explained. Secondly, it describes the importance of brand equity and how it is a result of the past and a prediction of the future.

2.1 Brand Equity

Over the past few years, brand equity has had considerable attention in marketing research (e.g., Farquhar, 1993; Keller, 1993, 2001, 2012; Erdem, 2001).

Brand equity is defined as the added value a brand gives a product (Farquhar, 1989). It reflects the fact that the brand gives the firm extra utility with customers that can be used to sustain higher prices, cut costs or increase sales (Aaker, 1991). There are two general reasons to study brand equity. The first is to estimate the value of a brand for accounting or merger purposes. A second reason is to form a strategy to improve marketing productivity.

Brand equity is valuable to study because marketers can gain competitive advantage through successful brands (Lasser, 1995). One of the most valuable assets for a company is the intangible asset represented by its brands.

"If this business were split up, I would give you the land and bricks and mortar, and I would take the brands and trade marks, and I would fare better than you." — John Stuart, Chairman of Quaker (ca. 1900).

Brand equity is ultimately derived in the marketplace from the words and actions of consumers (Keller, 2010). Consumers decide with their purchases, based on whatever factors they find important, which brands have more equity than others (Keller, 2010). Brand equity displays greater confidence that consumers place in a brand than they do in competitors. This confidence is shown in consumer’s loyalty and their willingness to pay a premium price for the brand (Lasser 1995). For example, when consumers prefer a
$130 Nike shoe to a $30 identical unbranded shoe, $100 is the added value of the shoe sustained by beneficial brand equity for Nike.

Since the origin of brand equity is customer perceptions (Keller, 1993), it is essential for managers to be able to measure and track it at the customer level (Lasser et al., 1995).

The competitive advantage of firms that have brands with high equity includes the opportunity for successful extensions, resilience against competitors’ promotional pressures, and creation of barriers to competitive entry (Farquhar, 1989).

2.2 Brand Value

A brand symbolizes tremendous valuable pieces of legal property. For example, 90% of the total price of $220 million paid by Cadbury-Schweppes for the “Hires” and “Crush” product lines of Procter & Gamble is attributed to brand assets (Kamakura & Russel, 1991).

Forbes publishes an annual list with the world’s most valuable brands. According to Forbes, the most valuable brands as of 2013 are Apple ($104.3 bn.), Microsoft ($56.7 bn.), and Coca-Cola ($54.9 bn.).

Forbes studies financial numbers to calculate brand value. They determine earnings before interest and taxes and apply the maximum corporate tax rate in the parent company’s home country. Furthermore, they allocate a percentage of those earnings to the brand based on the role brands play in each industry. Admittedly, brands are crucial in the beverage and luxury goods sector, in contrary to airlines, when price and convenience are more valuable.

A second well-known company that publishes a yearly list on brand value is Interbrand in cooperation with Business Week. Interbrand is a firm that “helps their clients help placing brands at the heart of their businesses, creating and managing brand value, because strong brands drive improved business performance” (Interbrand, 2014). They seek brand value in both customers as well as financial terms. Three key leaders in value

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creation are distinguished at Interbrand; brands’ financial performance, it’s influence on customer choice, and the strength of a brand relative to competition. According to Interbrand, the world’s most valuable brands of 2013 are Apple ($99.3 bn.), Google ($93.3 bn.), and Coca-Cola ($79.2 bn.)

Forbes calculates brand value solely on financials. In contrast to the Interbrand calculation, which is based on multiple valuations. The different outcomes in both lists demonstrate how versatile the definition is in this field of study.

2.3 The difference between Brand Value and Brand Equity

The added value, or brand equity can be viewed and analysed from the perspective of either the firm or the consumer (Shocker & Weitz, 1988). The perspective of the firm is also referred to as financial brand equity or brand value (Lasser, Mittal&Sharma, 1995). The focus of this research will be on the value of a brand to consumers or consumer-based brand equity (Keller, 1993; 2001).

Brand equity and brand value both define what a brand is worth. The difference is that brand value refers to the financial assets of the company. The importance of the brand to the customer is referred to as brand equity. It is possible for a company to have positive brand value in their books but still lack brand equity.

For the rest of this research, consumer-based brand equity will be simply referred to as brand equity, and will be explained further. Financial brand equity will be referred to as brand value.

2.4 Brand Equity as a Reflection of the Past

The money spent each year on marketing programs should not be thought of as expenses, but rather as investments. Investments in which consumers learn, feel, and experience about the brand. If not properly designed and implemented, however, these expenditures may not be good investments. The quality of the investment in brand building is the most

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5 Top 5 Interbrand: 1. Apple ($99.3 bn.) 2. Google ($93.3 bn.) 3. Coca-Cola ($79.2 bn.) 4. IBM ($78.8 bn.) 5. Microsoft ($59.6 bn.)
important factor, rather than the quantity of investment (Keller et al., 2009). There is a possibility to overspend on brand building when the money is not spent wisely. At the same time, there are examples of brands that are being considerably outspent but that accumulate a considerable deal of brand equity by wise spending on marketing activities that create valuable, enduring memory traces in the minds of the consumers (Keller et al., 2009). Because brand equity ultimately resides with the consumers (Aaker, 1991; Kapferer, 1992; Keller, 1993; Keller 2001), a brands’ current brand equity is a result of all the factors that make brand equity in the past, and the way consumers use these as knowledge. What these factors are will be discussed in chapter three.

2.5 Brand Equity as a Prediction for the Future

Consumer brand knowledge that has been created over time by marketing investment as well as consumers’ direct experience with the brand helps to find the correct and the incorrect future directions for the brand (Aaker, 1991). Consumers decide, based on their beliefs and attitudes what the brand should do and sell, and grant permission or not to any marketing activity or program. At the end of the day, consumers and their knowledge about the brand will decide the true value and future prospects of a brand (Keller et al., 2009). While firms do not necessarily have to perfectly align their strategies with current consumer perceptions, wishes and desires, they do need to be aware of when and how they are departing from consumer expectations and what this might mean for the success of marketing (Akaoui, 2007; Keller et al., 2009). Positive current brand equity means that the company is align with the demands from the consumers and this will result in strong future sales (Aaker, 1996).
3 The Brand Value Chain

This chapter is written to better understand the importance and impact of the customer mindset in the brand value creation process.

The Brand Value Chain is a model constructed in 2003 by Keller and Lehmann. The Brand Value Chain helps marketers track brand value from the first stage of a marketing investment to the final stage of shareholder value. This model contains five stages. Three multipliers interact between stages two and three, three and four, and four and five. A graphic of the model can be found in the appendix.

3.1 Stage One: Marketing Program Investment

Marketing Program Investment is any marketing program investment that potentially can impact brand value, intentionally or not. This link in the model includes product research and development as well as product design. Secondly, all investments in communications are included, such as advertising, promotion, sponsorships, publicity and public relations and thirdly, investments in trade or intermediary support. The fourth example of a marketing program investment that can affect brand value are all investments in employees, this includes selection, training, and support. A marketing program investment can be a commercial or a sponsorship. Alternatively a marketing investment can stretch through several years, like the contract Heineken has with UEFA. According to Reuters, the Dutch beer maker, whose Heineken brand has been a sponsor since 2005, agreed on a deal with UEFA covering the period from 2015 to 2018. Marketing research group IMR claims that their current deal costs Heineken $70 million per year.

3.2 Multiplier One: Program Quality

Program Quality is the first multiplier in the Brand Value Chain. The ability of the marketing program investment to transfer or multiply further down the chain will depend on qualitative aspects of the marketing program via the program quality multiplier. There are four attributes that define the quality of a marketing program. The first is clarity. How well will consumers understand the message send by the firms’ marketing
investment? The clarity of a brand refers to the absence of a double meaning in the information transferred by the brand’s past and present marketing mix strategies and affiliated activities (Erdem, 2001). Second is relevance. Will consumers find the brand to be more useful than others in their search for a particular product? Third is uniqueness. How diverse is the marketing program compared to competitors? Fourth is consistency in the marketing program. How well does the marketing program follow the direction of previous programs? Do all the elements within the program work together to create the largest value with the customers?

3.3 Stage Two: Customer Mindset.

Customer mindset is the second stage and includes everything that happens in the minds of the consumers in respect to the brand: thoughts, feelings, experiences, beliefs, and attitudes. As stated, importance of the brand to the customer is referred to by brand equity.

Because brand value ultimately relies with the customers (Lasser, 1995; Keller, 2010), this stage will be the focus for this research, and will be the instrument used to compare Nike and adidas in this thesis. Customer mindset is the only stage in the value chain that fully focuses on the consumer, making it the stage where brand equity is best measured and created.

Five elements, or dimensions, came forth from previous research as primary measures for the customer mindset: awareness (2.3.1), associations (2.3.2), attitudes (2.3.3), attachment (2.3.4), and activity (2.3.5).

There is an explanation why the five dimensions are ranked this way. Awareness supports associations, which drive attitudes that lead to attachment and activity (Keller&Lehmann, 2003). This means that a high level of awareness creates brand value in this stage. Customer mindset can be assessed by customer surveys.

3.3.1 Brand Awareness

The first factor is brand awareness. How well can customers recognize the brand and the products made by the brand? What company do consumers view as the leader in a particular market? Recognizing the brands means identifying various brand elements, e.g.
brand name, logo, symbol, character, packaging, and slogan. Brand awareness features depth and breadth (Keller, 2009). The depth of brand awareness relates to what extend a brand is recognized or recalled. The breadth of brand awareness relates to the variety of situations a brand comes to mind when purchasing a product.

According to a survey from July 2012 by Research Now, Coca-Cola scored over 90% in brand awareness among respondents from the United States, Canada, United Kingdom, France, Germany and Australia (Interbrand, 2012), ranking it as one of the most recognizable brands. About once every decade Coca-Cola changes their slogan. Possibly this is an explanation not all respondents recalled their slogan “Open Happiness”.

### 3.3.2 Brand Associations

The second element is brand associations, which considers the strength, favourability, and uniqueness of perceived attributes and benefits for the brand. Associations are descriptive thoughts that a person holds about something. For example, consumer have brand associations for Apple such as “Mac and iPod,” “Cool and Awesome,” “Design and Innovative,” and “Expensive and Computer” (Truly Deeply, 2010). Brand associations are formed with advertisements, word of mouth publicity, quality of the product, celebrity associations, and point of purchase displays.

### 3.3.3 Brand Attitudes

The third element is brand attitudes and overall evaluations of the brand in terms of quality and satisfaction it generates. Brand equity is not essentially affiliated only with high-quality products. Equity depends on the credibility of the quality claims (Erdem et al., 2001). When a company “cheats” consumers by promising high quality but delivering low quality, they will lose return on their brand investments, their reputation for high quality, or both (Shaprio, 1983, 1985). Only high-quality companies may preserve a high price because signalling high quality but delivering low quality is not likely to be successful in the long run (Erdem, 2001). Some brands have higher brand equity because of their price value. Honda cars have brand equity because of their performance compared to price, whereas Lexus cars have their equity with the help of their high performance and social image (Lasser, 1995).
3.3.4 Brand Attachment

Fourth is brand attachment, which represents the loyalty of customers. How likely are consumers to continue to choose/repurchase the brand? How likely are consumers to recommend the brand to a friend/associate? Brand loyalty emerges as a consequence of brand equity rather than its predecessor (Erdem, 2001). Research has shown that attracting new customers is more costly than retaining customers (Oliver, 1999). According to a study from North-western University 12-15% of the consumers are loyal to a single retailer, but they represent 55-70% of sales. The three companies with the most loyal customers in 2012 were Sam’s Club (65%), Aldi (64%), and USAA (63%) (Temkin Ratings, 2012).

Greater customer retention indicates a more stable customer base that provides a somewhat predictable source of future revenue as customers return to buy again, and is less vulnerable to competition and environmental changes (Anderson&Sullivan, 1993; Narayandas, 1998).

3.3.5 Brand Activity

The fifth and last element is brand activity. This represents the extent to which customers purchase and use the brand, talk to others about it, search brand information, promotions, and events. An example of brand activity is the development of clubs like the VW Cabrio Club Netherlands. Another example is how the brand activity is used on social platforms like Instagram. Instagram is an application to exchange pictures on mobile devices. Searching Instagram.com using #Samsung shows 3,1 million messages, while #apple reveals 5,6 million messages. This means more people are talking about Apple than Samsung.

3.4 Multiplier Two: Marketplace Conditions

The second multiplier presented in the model is Market Place Conditions and influences the effect of the second stage (customer mindset) on the third stage (brand performance). The capability of the customer mindset to create value in the third stage depends on different market factors that do not reside with the customer. Three factors are distinguished, such as competitive superiority, channel support, and customer size and
profile. Superiority is distinguished because it is important how a company's marketing investment is compared to their competitors’ in terms of quality and quantity. A strong competitive superiority of a marketing investment strengthens the effect of the customer mindset on brand performance.

The brand value created in the customers' minds is followed by strong brand performance when competitors have no significant marketing program to compete with, when the channel gives potent support, and when a vast number of consumers is attracted to the brand.

3.5 Stage Three: Brand Performance

How the market responds to customer mindset and marketplace multiplier depends on six aspects or dimensions of that response. The first is price premium. How much is the customer willing to pay more for the brand, compared to a similar competitive product? Second is price elasticity. How much does the customers' demand increase or decrease when the price rises or declines? The third dimension is market share. This dimension measures the impact of the marketing program investment on product sales. Together, these three dimensions determine the direct revenue stream for the brand over time. Brand value grows with higher market share and larger price premiums. Companies get larger price premiums partly from elastic response to a price decline and inelastic response to a price increase.

The fourth dimension is expansion success. How well do new products sell that are launched in related categories? This dimension shows the potential that brand expansions have for the brand. The fifth dimension is cost structure. How well can companies reduce the cost of the marketing program investment for the brand because of beneficial customer mindset? When a company has an effective marketing program, it can lower the total costs of the marketing investment (Keller et al., 2003). For example, by doing less reruns of TV-commercials or other adds, because consumers remembered it effectively the first time they were exposed to the add or commercial.

These five dimensions combined lead to brand profitability, the sixth dimension. Concluding, in this stage brand value appears with profitable sales.
3.6 Multiplier Three: Investor Sentiment

It depends on investor sentiment how much of the value from stage three, brand performance, translates to stage four, shareholder value. Financial analysts and investors find a number of external factors important in their brand valuations and investment decisions. Four factors are distinguished; dynamics of the financial market as a whole, growth potential, risk profile, and brand contribution (Keller et al., 2003). Dynamics of the financial market are e.g. interest and investors sentiment. The third factor, risk profile, stands for the amount of risk the brand experience in certain situations. How vulnerable is the brand to social and economic developments? Fourth, how large is the impact the brand has on the firms’ portfolio (Keller et al., 2003).

The value created in previous stages of the Brand Value Chain is most likely to be transformed to shareholder value when the company is functioning in a healthy and growing market without real environmental barriers, when the brand contributes a significant part of the firm’s sales, and appears to have a promising future (Keller et al., 2003).

3.7 Stage Four: Shareholder Value

Shareholders value is the value a company creates and is reflected in the stock price and dividend disbursed by the company. The fundamental assumption of shareholder value is that the true value of a company is the based on future cash flows, discounted by the cost of capital (Clarke, 2001). A company that fails to deliver value to customers is acting against long-term interest of shareholders.

The conservation of customers positively affects shareholder value by reducing the volatility and risk associated with anticipated future cash flows (Anderson et al, 2004). Three indicators that are important: stock prices, price/earnings ratio and market capitalization. Brand value reacts positively on high and stable stock prices, a high price/earnings ratio, and large market capitalization.
4 Sponsoring the FIFA World Cup 2014

This chapter will explain the importance of the FIFA World Cup for adidas and Nike, what sponsorship is, what its influence is on brand equity, and what this holds for Nike and adidas.

The FIFA World Cup is a football tournament for national teams held every four years since 1930. A total of 32 national teams compete. The host for World Cup 2014 is Brazil and was selected by the FIFA from multiple applicants. The World Cup’s final is the single most viewed sporting event on earth (FIFA, 2014), and is organized by FIFA. Rarely countries will be battled over as fiercely as Brazil, favoured ⁶ to win the World Cup in their own country and one of the rising economic superpowers (Worldbank, 2014). The World Cup is a showroom for innovation and design of shoes, which adidas and Nike claims will give players the edge in the important matches and hopefully go on to be big sellers throughout the rest of the year (Reuters, 2014).

4.1 FIFA

Federation Internationale de Football Association (FIFA) is the international organization for football, governed by Swiss law, founded in 1904, and based in Zurich. As of 2014, 209 members joined FIFA and its goal is the constant improvement of football (FIFA.com).

One of six continental federations that are part of the FIFA is the Union of European Football Associations (UEFA). UEFA is the organizer for the UEFA Champions League, which is most viewed tournament for club teams in Europe (UEFA, 2014).

FIFA organizes and controls international football tournaments, like the World Cup (for men and female) and the Confederations Cup. The FIFA sets the rules for the tournaments and selects the referees. The FIFA has no competition in organizing these events.

⁶ Brazil is favourite according to betting odds on unibet, bwin, and bet365. The top 5 with (shirt-sponsor): 1) Brazil (Nike): 3:1 2) Argentina (adidas): 4:1 3) Germany (adidas): 6:1 4) Spain (adidas): 6:1 5) Belgium (Burda): 14:1
4.2 Global Reach of the FIFA World Cup

The 2010 FIFA World Cup South Africa final match between the Netherlands and Spain was viewed by approximately 620 million people worldwide, based on those watching at least 20 consecutive minutes of coverage (FIFA, 2010). In Europe alone, over the course of the tournament, more than 550 million individuals watched the World Cup, through the in-home coverage of the World Cup (FIFA, 2010). Globally, 32% of the world’s population, or 3.2 billion people were reached. Television stations across Europe broadcasted 16,578 hours of World Cup coverage (FIFA, 2010), combined it would take a single network 690 days non-stop broadcasting.

FIFA’s most important source of income for the period 2007-2010 was the sale of marketing rights worth $1.09 billion dollars (FIFA.com). The World Cup is by far the largest football event in the world and therefore the most important stage for Nike and adidas to show their sponsorship. Each is estimated to have earned $1.5-1.7 billion dollar in football merchandise in 2008 and 2009, leading up to the 2010 World Cup.

4.3 Sponsorship

Based on a definition by Sleight (1989): Sponsorship is a business relationship between a provider of funds, resources or services and an individual event or organization which offers in return some rights and association that may be used for commercial advantage. The fundamental thought is to commence a sociocultural process of significant transfers between the sponsored party and the sponsoring brands (McCracken, 1986).

4.3.2 Sponsorship and Brand Equity

Donlan (2014) conducted a study, comparing brand equity for the sponsoring brands among respondents who were exposed to sponsorships and those who did not. The study showed positive relations between sponsorships and increased brand awareness, brand associations, brand attitude, and brand loyalty.

The presence of brand equity and its increscent role in establishing sponsorship objectives makes consumer-based brand equity relevant and interesting to increase

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7 Based on viewers watching a minimum of 20 consecutive minutes
8 Based on viewers watching a minimum of 1 minute
sponsorship effectiveness (Donlan, 2014). Previous researches have investigated the impact of their communication tools such as advertising (Kim, 2001) and sales promotions (Palazon-Vidal, 2005) on brand equity and there have been several studies, which found that managers perceive sponsorship to have a positive impact on factors of brand equity (Cornwell, 2001; Henseler et al, 2011). A positive relationship between brand awareness, the most important factor in customer mindset, and sponsorship has been found (Quester, 1997; Bennet, 1999;Rines, 2002), suggesting sponsorship is a valid tool for brands wanting to build brand awareness.

In addition to the work on brand awareness, previous researchers studied the effect of sponsorships on brand associations (Roy&Cornwell, 1999;Nufer&Buhler, 2010). An important determinant of sponsorships capability to build brand associations is the level of fit between the sponsoring brand and the sponsored team or event (Martensen et al., 2007). Congruity theory (Lorimor&Dunn, 1968) says that sponsors should only invest in subjects that have a logical congruence, or fit, with the sponsors’ products (Roy & Cornwell, 2004). Besides associations, fit has also been found to impact consumer attitude towards sponsoring brands (Weeks et al., 2008).

Another factor impacting sponsorship effectiveness is the duration of a sponsorship (Smith, 2004). Brand equity is not build in the short term. The longer the relationship between a sponsor and a team or event, the stronger will be both consumer affect and connection concerning the sponsoring brand (Anantachart, 2005). As consumers become more familiar with a sponsor-sponsored relationship, brand associations related to the sponsoring brand increases (Donlan 2014).

4.3.3 Nike and adidas; World Leaders in Sponsorship Spending

Sponsorship opportunities exist in a wide range of forms such as art, leisure, medicine or non-governmental organizations, but sport remains the largest area, representing more than $53 billion in 2013 (IEG, 2014). It almost doubled since 2006, when total expenditures were set at $33 billion (SportBusiness Group Ltd. 2006). Nike and adidas were the top two global sponsors for 2013, with Nike spending $690 million and adidas spending $635 million. They stay ahead of companies like Coca Cola ($495 million), Pepsi ($475 million), and Emirates ($414 million) (IEG, 2014). Nike top deals for
sponsoring are the deals with the NFL, the FFF, and the FA. adidas has top sponsorship deals with Real Madrid, Chelsea FC, FIFA, and more.

4.4.1 Nike and the 2014 World Cup
Nike got heavily involved in football only 20 years ago (Nike.com) when the United States hosted the World Cup. Nike generates revenues of $2 billion from football and calls itself the leading soccer brand (Nike, 2014). This rapid growth is a result of their powerful brand.

By the time World Cup starts on June 12, Nike expects to be making $1 billion a year in Brazil (Nike, 2014). Two years later the Olympics will be held in Brazil, and by that time the Brazilian market will represent probably the third largest market in the world, behind the United States and China (World bank, 2014).

Brazil's general sportswear market will grow by $1.4 billion, or 12.5 per cent, just in 2014. Nike had a 12.1% share of the Brazilian market in 2013, against 5.5% for adidas (Euromonitor.com, 2014).

4.4.2 Nike’s largest asset for the 2014 World Cup
Nike’s most important weapon will be providing outfit for hosts Brazil and a total of 10 of the 32 finalists this year, more than adidas and Puma. Nike's sponsorship of the host's national football team alone gives it a strong competitive edge (3.4.1). Additionally, Nike has signed six of the 10 most marketable footballers in the world, to just three for adidas. These footballers will be wearing Nike shoes, even though adidas can be the sponsor the national team. The same happens with adidas contracted players who play for national teams sponsored by Nike.

4.5.1 adidas and the 2014 World Cup
Producing football shoes since 1950, adidas regards football as its territory. For the last 30 years, adidas sponsored more teams than any other sponsor at a FIFA World Cup.

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10 Australia, Brazil, Croatia, England, France, Greece, Netherlands, Portugal, South Korea and United States
11 The ranking was created using Repucom’s Celebrity DBI tool which measures the perceptions of over 6,500 people in 13 international markets, representing the views of more than 1.5 billion people. As a result, the top 10 rankings illustrate a truly global identification of the most marketable players today.
adidas is supplying nine teams\textsuperscript{12} including current world champions Spain, as well as Argentina and Germany. It expects to make a record $2.7 billion from football in 2014 (adidas, 2014), up from $2 billion in 2010, the last World Cup year. The firm plans on exceeding Nike's estimated $2 billion of football turnover for 2014 (Nike, 2014). adidas has seen its football sales grow tremendously recently, including impressive improvements in South-America. According to results from the first quarter as published on their site, total sales increased with 27%. Sales in South-America were up by 19%. These results are in line with the fourth quarter of 2013 that showed sales grew by 35%, including a gain of 32% in South-America (adidas, 2014).

\textbf{4.5.2 \textit{adidas’ largest assets for the 2014 World Cup}}

adidas has one big advantage over Nike; being an official partner of FIFA. The six official FIFA Partners have the highest level of association with FIFA and all FIFA events as well as playing a solid role in supporting the development of football around the world. The official partner package includes exposure in and around the stadium, in all official FIFA publications and on the official website during the World Cup (FIFA, 2014). Secondly, the package protects from ambush marketing (FIFA, 2014). This means that competitors will not be allowed to be official sponsors for the World Cup. Nike can only sponsor teams and players, while adidas sponsors teams, players and the event itself. adidas has been an official partner since 1970.

A second large asset is the official World Cup Match Ball. The official ball, produced by adidas, will be used in every match for the World Cup, giving adidas plenty of promotion during those slow-motion replays. On the FIFA website, next to the $159.99 dollar price tag it says: \textit{Once every four years, adidas creates a ball worthy of the world champions. This is adidas’ Brazuca, the official ball for the 2014 FIFA World Cup Brazil™. This ball is FIFA APPROVED.}

\textsuperscript{12} Spain, Argentina, Colombia, Germany, Japan, Mexico, Nigeria and Russia
5 Methodology

Using a wide variety of literary analysis and documentation about Nike and adidas concerning the five elements from customer mindset, a winner on each of these dimensions will be selected.

The data is collected through existent literature due to limited recourses and due to the quantity of existent literature. Nike and adidas are well-known companies and their consumers are surveyed on a regular basis. These two reasons are perceived to be sufficient to use existent literature, documentation, and surveys. Data is only used when both companies are valued, judged or surveyed by the same source. For example, satisfaction rating from source Y will not be compared with the satisfaction rating from source X.

The research will primarily using sources published online. The benefits of online marketing research include: faster research, cost-effectiveness and multimedia capabilities (Akaoui, 2007).

Six different sources for each of the five factors will be used. These sources can be rankings made by professional companies, as well as surveys conducted by these companies. Preferably, the data is no older than 2013.

5.1 Social Media

In this thesis, social media\textsuperscript{13} is used to survey brand associations and brand activity. What the customer says is important and social media is a platform where customers talk about brands. Social media is particularly useful because the threshold is low to share opinions and thoughts; it is easily accessible and widely used (Patino et al., 2012). Listening to consumers can lead to higher product sales, if the message is heard clearly (Ehrlich and Shami, 2010). Listening to the customer is relatively expensive, but not with social media (Sawchuk, 2011).

An advantage of social networks for brands is the ability to create a brand or fan page. These pages enable the brand to do research for their brand, product, or service. For

\textsuperscript{13} Social media is a collective of all online platforms where users deliver content with minimal interference. Main feature is the interaction and the dialog between users. Examples are YouTube, Facebook, LinkedIn, Twitter, Instagram, and Google+
example, by the number of ‘likes’ a picture of a product gets on Facebook it could hint the products popularity before it is in the stores. Twitter can be used in as an online listening tool, as customer service, and for crowd sourcing (Burton and Soboleva, 2011; Crawford, 2009; Ehrlich and Shami, 2010).

Woodall and Colby (2011) analyzed the preference of social media over traditional media and characterized four elements. These elements are:

1. Control. Consumer can choose when, how and for how long they want to connect. Connections are quick and take little effort.

2. Base for Sharing. Consumers use social media to share their experiences with others. Many have individual interests that may not be shared in their direct surroundings. Social media expands the reach to include others.

3. Advice and trust. Users utilize social media to get information from others. Trust is essential in the process. Their advice of others is seen as trust worthier than the opinion from salespeople. This aspect has far reaching consequences for marketers and can be a very important instrument for brands.

4. Similar interests. Online consumer communities are basically individuals who come together to discuss topics of interest. Typically, there is a concentration of knowledge that benefits community members and the internet can help the community’s expertise grow (Pitta and Fowler, 2005). The information value of online communities can be enormous.

5.2 Recap

Customer mindset is the second stage of the Brand Value Chain and includes everything that happens in the minds of the consumers in respect to the brand: thoughts, feelings, experiences, beliefs, and attitudes. Five elements came forth from previous research as primary measures for the customer mindset: awareness (2.3.1), associations (2.3.2), attitudes (2.3.3), attachment (2.3.4), and activity (2.3.5). Awareness supports associations,
which drive attitudes that lead to attachment and activity (Keller et al., 2003). This means that a high level of awareness creates brand value in this stage, thus being the most important factor.

The following five dimensions from the customer mindset are the main focus for this research. The keywords are leading in the search for existing surveys and results for each of the five dimensions.

### 5.2.2 Brand Awareness

The first dimension that will be researched is brand awareness. How well do customers recognize Nike and adidas as sponsors? How well can customers recognize Nike and adidas and the products made by them? Recognizing the brands means identifying various brand elements, e.g. brand name, logo, symbol, character, packaging, and slogan.

Keywords in the search:
- Recall & Recognition
- Logo
- Recognizable as Sponsor

### 5.2.3 Brand Associations

The second element is brand associations, which considers the strength, favourability, and uniqueness of perceived attributes and benefits for adidas and Nike. Associations are descriptive thoughts that a person holds about something.

Keywords in the search:
- Thoughts
- Associations
- Opinions
- Social Media (YouTube, Instagram, Twitter, and Facebook)
5.2.4 Brand Attitudes

The third element is brand attitudes and overall evaluations of Nike and adidas in terms of quality and satisfaction it generates.

Keywords in the search:
- Satisfaction
- Performance
- Reliability & Durability
- Quality
- Value & Sustainability

5.2.5 Brand Attachment

Fourth is brand attachment, which represents the loyalty of customers. How likely are consumers to continue to choose/repurchase Nike and adidas? How much do consumers trust the two brands? How likely are consumers to recommend the brand to a friend/associate?

Keywords in the search:
- Loyalty
- Trust
- Recommendation

5.2.6 Brand Activity

The fifth and last element is brand activity. This represents the extent to which customers purchase and use the brand, talk to others about it, search brand information, and show interest to stay up-to-date with the brands.

Keywords in the search:
- Social media
  - Popularity and growth of official adidas and Nike accounts
  - Views on YouTube
- Engagement
6 Results

This chapter will show a table, for each of the five factors, with the results from the online research, showing their source and content. If the results from Nike (or adidas) are green, this means Nike (or adidas) has outperformed adidas (or Nike), e.g. shown better results, in the particular survey or ranking.

6.1 Brand Awareness

<table>
<thead>
<tr>
<th>Source</th>
<th>Year</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>SportsOneSource Group</td>
<td>2010</td>
<td>The Nike Logo was recognized by 98.8% of respondents</td>
</tr>
<tr>
<td>BrandIndex.com</td>
<td>2013</td>
<td>32% ad awareness</td>
</tr>
<tr>
<td>Ranker.com</td>
<td>2014</td>
<td>#3 Best Logo in the World</td>
</tr>
<tr>
<td>Zankrank.com</td>
<td>2014</td>
<td>#2 Top ranked logo</td>
</tr>
<tr>
<td>Complex.com</td>
<td>2013</td>
<td>#1 Most Iconic Brand Logo of all Time</td>
</tr>
<tr>
<td>Research Now</td>
<td>2012</td>
<td>37% of respondents identified, incorrectly, Nike as an Olympic sponsor</td>
</tr>
<tr>
<td>SportsOneSource Group</td>
<td>2010</td>
<td>The adidas Logo was recognized by 95.2% of the respondents</td>
</tr>
<tr>
<td>BrandIndex.com</td>
<td>2013</td>
<td>12% ad awareness</td>
</tr>
<tr>
<td>Ranker.com</td>
<td>2014</td>
<td>#24 Best Logo in the World</td>
</tr>
<tr>
<td>Zankrank.com</td>
<td>2014</td>
<td>#6 Top ranked logo</td>
</tr>
<tr>
<td>Complex.com</td>
<td>2014</td>
<td>#19 Most Iconic Brand Logo of all Time</td>
</tr>
<tr>
<td>Research Now</td>
<td>2012</td>
<td>24% correctly identified adidas as an Olympic Sponsor.</td>
</tr>
</tbody>
</table>
### 6.2 Brand Association

<table>
<thead>
<tr>
<th>Source</th>
<th>Year</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMG-Insight</td>
<td>2013</td>
<td>51% of the respondents associated Nike to grassroots sport</td>
</tr>
<tr>
<td>Social Mentions</td>
<td>2014</td>
<td>Recent top associations with Nike according to social media: 1 “world cup 2014” 2 “football” 3 “2014” 4 “world cup” 5 “soccer” 6 “shoes” 7 “cool” 8 “good” 9 “sports” 10 “sportswear”</td>
</tr>
<tr>
<td>Brand Tags</td>
<td>2014</td>
<td>Top Trending Associations with Nike: 1 “Just Do It” 2 “Shoe” 3 “Swoosh” 4 “Awesome” 5 “Sports”</td>
</tr>
<tr>
<td>Truly Deeply</td>
<td>2010</td>
<td>Top Associations with Nike: 1 “Swoosh” 2 “Just Do It” 3 “shoes” 4 “sports” 5 “sweatshop”</td>
</tr>
<tr>
<td>ISUU</td>
<td>2011</td>
<td>Associations with brand personality: “exciting”, “provocative”, “spirited”, “cool”, “innovative”, “athletic” and “aggressive”, focusing on “pursuit of excellence”</td>
</tr>
<tr>
<td>SMG-Insight</td>
<td>2013</td>
<td>40% of the respondents associated adidas to grassroots sport</td>
</tr>
<tr>
<td>The Economic Times</td>
<td>2014</td>
<td>#27 for associations; “trendsetter”, “aspire”, “fun/lively”, “style”, “exciting”, and “edgy”</td>
</tr>
<tr>
<td>Social Mention</td>
<td>2014</td>
<td>Recent top associations with adidas according to social media: 1 “shoes” 2 “football” 3 “sports” 4 “world cup” 5 “world cup 2014” 6 “soccer” 7 “cool” 8 “quality” 9 “good” 10 “love”</td>
</tr>
<tr>
<td>Brand Tags</td>
<td>2014</td>
<td>Top Trending Associations with adidas: 1 “shoes” 2 “good” 3 “cool” 4 “great” 5 “sporty”</td>
</tr>
<tr>
<td>Truly Deeply</td>
<td>2010</td>
<td>Top Associations with adidas: 1 “shoes” 2 “soccer” 3 “sport” 4 “sneakers” 5 “German”</td>
</tr>
<tr>
<td>ISUU</td>
<td>2011</td>
<td>Associations with brand personality: “authentic”, ”stylish”, ”cool”, ”trustworthy”, ”practical”, ”customer focused”, into “health and fitness” and the “pursuit of performance”</td>
</tr>
</tbody>
</table>
## 6.3 Brand Attitude

<table>
<thead>
<tr>
<th>Source</th>
<th>Year</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Siegel plus Gale</td>
<td>2013</td>
<td>#27 Simplicity Index</td>
</tr>
<tr>
<td>Reputation Institute</td>
<td>2014</td>
<td>#20 Reputation Index</td>
</tr>
<tr>
<td>American Customer Satisfaction Index</td>
<td>2013</td>
<td>78/100 Satisfaction Rating. -2.5% from 2012</td>
</tr>
<tr>
<td>Bizrate.com</td>
<td>2014</td>
<td>9.1 out of 10 in Store Satisfaction</td>
</tr>
<tr>
<td>The Economic Times</td>
<td>2014</td>
<td>#48 Most Exciting Brands</td>
</tr>
<tr>
<td>Interbrand</td>
<td>2013</td>
<td>#31 Most Sustainable Brand</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Source</th>
<th>Year</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Siegel plus Gale</td>
<td>2013</td>
<td>#33 Simplicity index World Wide</td>
</tr>
<tr>
<td>Reputation Institute</td>
<td>2014</td>
<td>#14 Reputation index World Wide #</td>
</tr>
<tr>
<td>American Customer Satisfaction Index</td>
<td>2013</td>
<td>80/100 Satisfaction rating. +3.9% from 2012</td>
</tr>
<tr>
<td>Bizrate.com</td>
<td>2014</td>
<td>8.9 out of 10 in Store Satisfaction</td>
</tr>
<tr>
<td>The Economic Times</td>
<td>2014</td>
<td>#24 Most Exciting Brands</td>
</tr>
<tr>
<td>Interbrand</td>
<td>2013</td>
<td>#15 Most Sustainable Brand</td>
</tr>
</tbody>
</table>
### 6.4 Brand Attachment

<table>
<thead>
<tr>
<th>Source</th>
<th>Year</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Keys</td>
<td>2014</td>
<td>#1 Athletic Footwear Company in Loyalty Engagement</td>
</tr>
<tr>
<td>Forbes</td>
<td>2013</td>
<td>#44 Most Trusted Brand of America</td>
</tr>
<tr>
<td>Bond Brand Loyalty</td>
<td>2014</td>
<td>#2 Loyalty Program in Retail-Apparel</td>
</tr>
<tr>
<td>Bizrate.com</td>
<td>2014</td>
<td>Likelihood to Recommend: 9.2 out of 10</td>
</tr>
<tr>
<td>Sage Frog</td>
<td>2014</td>
<td>#17 most trusted brand in America</td>
</tr>
<tr>
<td>Brand Keys</td>
<td>2014</td>
<td>#6 Athletic Footwear Company in Loyalty Engagement</td>
</tr>
<tr>
<td>Forbes</td>
<td>2013</td>
<td>#56 Most Trusted Brand of America</td>
</tr>
<tr>
<td>Bond Brand Loyalty</td>
<td>2014</td>
<td>#1 Loyalty Program in Retail-Apparel</td>
</tr>
<tr>
<td>Bizrate.com</td>
<td>2014</td>
<td>Likelihood to Recommend: 9.0 out of 10</td>
</tr>
<tr>
<td>Sage Frog</td>
<td>2014</td>
<td>#63 Most Trusted Brand in America</td>
</tr>
</tbody>
</table>
### 6.5 Brand Activity

<table>
<thead>
<tr>
<th>Source</th>
<th>Year</th>
<th>Content</th>
</tr>
</thead>
</table>
| Facebook      | 2014 | • 36 million fans Facebook page “Nike Football” (4% from Brazil), 5.1% total growth last three months  
                                         • 19 million fans Facebook page “Nike” (5% from Brazil)  
                                         (May, 2014), 13% total growth last three months  |
| Instagram     | 2014 | • 27 million photos posted on Instagram using #Nike  
                                         (May, 2014)                                                                                   |
| Nitrogram 50  | 2014 | • +307,000 followers (+7%) for Nike’s Instagram in May 2014                                                                         |
| YouTube       | 2014 | • 68 million views on YouTube for World Cup Commercial “Winner Stays”  
                                         (May, 2014)                                                                                   |
| Twitter       | 2014 | • @Nike gained 780,000 followers in the last six months  
                                         (2,550,000 → 3,330,000 = +30%)  
                                         • @Nikefootball gained 320,000 followers in the last six months  
                                         (1,680,000 → 2,000,000 = +19%)                                                                 |
| Google Trends | 2014 | • “Nike” #1 most searched sporting brand on Google  
                                         (May, 2014)                                                                                   |
| Facebook      | 2014 | • 24 million fans Facebook page “adidas Originals” (6% from Brazil), 4.3% total growth last three months  
                                         • 17 million fans Facebook page “adidas Football” (21% from Brazil), 5% total growth last three months  |
| Instagram     | 2014 | • 7 million photos posted on Instagram using #adidas  
                                         (May, 2014)                                                                                   |
| Instagram     | 2014 | • +144,000 followers (+7.8%) for adidas’ Instagram in May 2014                                                                         |
| YouTube       | 2014 | • 31 million views on YouTube for World Cup Commercial “The Dream”  
                                         (May, 2014)                                                                                   |
| Twitter       | 2014 | • @adidas gained 490,000 followers in the last six months  
                                         (610,000 → 1,100,000 = +80%)  
                                         • @adidasfootball gained 480,000 followers in the last six months  
                                         (750,000 → 1,230,000 = +64%)                                                                 |
| Google Trends | 2014 | • “adidas” #2 most searched sporting brands on Google                                                                                  |
7 Conclusion

The goal of this thesis was to research whether Nike or adidas would create more brand value during the FIFA 2014 World Cup. The method used was focussing on brand equity. This conclusion will give answers to the questions formed in the introduction. Secondly, a recommendation will be given. This thesis will conclude with the limitations for this type of study.

Brand equity is the added value endowed to a product or brand in the thoughts, words, and actions of customers. The difference between brand value and brand equity is that brand value refers to the financial assets of the company. Importance of the brand to the customer was referred to by brand equity. The sources of brand equity helps understand on what drives brand equity; the outcomes of brand equity help managers understand how and where brands add value. Because brand equity ultimately resides with the consumers, a brands current brand equity and brand value is a result of all the factors that make brand equity in the past, and the way consumers use these as knowledge. Consumers decide, based on their beliefs and attitudes what the brand should do and sell, and grant permission or not to any marketing activity or program. A solid current brand equity shows the company is align with the wishes from the consumers and this will result in strong future turnover.

To better understand how brands create value, Keller and Lehmann introduced the Brand Value Chain. Using this model, marketers can better understand the financial impact of marketing expenditures and investments. For this thesis, the customer mindset stage was selected as the most influencing one, because multiple researches stated that brand equity ultimately resides with the customers. For Nike and adidas the World Cup is the most important stage to build brand equity, since it is the most viewed sporting event in the world. They both spend hundreds of millions in sponsoring the world best players and teams. Nike will sponsor more teams, including the favourite Brazil, while adidas is an Official Partner of FIFA and will supply
the official ball. In 2010 the World Cup in South Africa reached 3.2 billion people. Prior research showed that sponsorship could have a positive impact on all areas of brand equity. A positive relationship between brand awareness, the most important factor in customer mindset, and sponsorship has been found. In this thesis brand equity was measured by focusing on the five factors that form consumer mindset. These five factors were compared between brands using existing surveys and reports.

As expected, the Nike logo is very recognizable. Ranker, Zankrank, and Complex ranked the logo among the most recognizable in the world. The Nike logo was recognized by 98.8% of respondents in 2010. This high percentage is an advantage seen in a research by Research Now (2012). Nike was identified by 37% of respondents as an Olympic sponsor, even though they were not official sponsors. Every research confirms adidas being less recognizable than Nike. Nike is ranked top three best logo of all time, adidas was found to be the twentieth. adidas ranked higher in a survey about the better future brand with associations such as trendsetter, exiting, and aspire. With “World Cup 2014”, “2014”, and “World Cup” being in Nikes top five associations on social media, it showed a higher degree of associations with the World Cup than adidas did. The other findings were difficult to compare. Top associations with Nike were related to the brand with brand tags like “Just Do It” and “Swoosh” and shows just how recognizable the logo and slogan are. adidas showed signs of trust and authenticity, while Nike was associated with provocativeness and athletics.

The only factor from customer mindset where adidas performed better was brand attitude. adidas outperformed Nike on reputation, sustainability, and satisfaction. Nike was also seen as less exiting for consumers. In addition, the satisfactions rating from the American Customer Satisfaction Index showed a higher growth for adidas (+3.9%) than for Nike (-2.5%). According to the Brand Value Chain, loyalty should be higher with adidas because of better brand attitude.

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14 The swoosh is the official brand logo of Nike.
However, results show Nike is the brand with higher customer loyalty. The only research where adidas scored better was for the quality of their loyalty program. Nike was ranked first by Brand Keys in a list for brand loyalty in retail-apparel. Customers of Nike were also more likely to recommend the brand and showed to trust the brand more than adidas customers. According to the theory Nike should have better brand activity, since loyal customers are more active than non-loyal customers.

This is confirmed by the results. On every single piece of comparison Nike performed better. They have a more rapid growth for their Facebook based on likes. Photos with #nike are posted three times more than #adidas on Instagram. On YouTube, their official commercial “Winner Stays” is being viewed more than adidas’ “The Dream”. Nike is the most searched sporting brand on Google. adidas was searched for two times less than Nike on Google.com. However, adidas has a bigger market share in Brazil for social media and their Twitter and Instagram account grow more rapidly than Nikes account.

Nike won four out of five factors. Based on the theory used in this thesis, Nikes brand has better consumer mindset than adidas, and therefore have better brand equity. Suppose both brands would invest the same amount of effort in marketing, the results with these findings would be that Nike will create more brand value in the customer mindset stage, and in the rest of the stages. As stated before, performing well in this stage of the Brand Value Chain would not be one hundred percent decisive.

7.2 Recommendation

Brand awareness for adidas is already present but competing this factor with Nike is a losing battle. Nike has struck gold with their logo and slogan. Quality of Nike products is perceived as worse. This shows in the results of brand attitude. Awareness is high with Nike but adidas has better brand attitude. The model used in this thesis says that strong loyalty should be a consequence of positive brand attitude. However, this link is missing with adidas; their brand attitude is stronger than Nikes, but their loyalty is lower. adidas should investigate why their higher quality transforms into lower loyalty than at Nike.
This thesis shows adidas has the potential to have a more solid brand equity than Nike, even though it has lower brand awareness. Their products are perceived as superior and they can build from this part in the Brand Value Chain.

Both companies already use brand tracking studies. Brand tracking studies can provide a huge amount of information on how to build and measure brand equity. Nonetheless, adidas and Nike’s potential value of researches will not be realized unless decent internal structures and procedures will be followed. Implementing a brand equity management system is advised to both companies. Two useful tools of this system are a brand equity charter and a regular brand equity report (Keller, 2008). The charter would hold the company view on brand equity. This document would provide guidelines to marketing managers from adidas and Nike as well as important marketing partners outside the companies. This document should explain how brand equity is measured, define the company’s view on brand equity, specify what the desired equity is, and more. The second tool, a brand equity report, would contain the results of brand equity tracking surveys and other relevant performance measures. This report should be distributed among managers on a regular basis; monthly, quarterly, or annually. The information from the report may already exist within the report. Even though, the information may have been presented in chunks, such that a more holistic understanding is impossible. The brand equity report contains all these chunks and will link them together.

adidas may now be partly surpassed in terms of revenue by Nike in the world’s sportswear market, and perhaps Nike will gain market share in the football market and become the new leader, but adidas is unlikely to back down anytime soon. It is a brand that represents credibility and quality, in fashion and sport, by being proud of their past and confident about their future.

Possibly, adidas profits from their second place. While Nike gets all the criticism for its business practices, like the rumour of owning sweatshops in Third World Countries, the associations of adidas remain on shoes and football, as seen in the results.

Nike and adidas are two companies that depend on each other in the same way as a football team needs someone to play against. An adidas shoe does not just say ‘adidas’, it
also says ‘not Nike’, just as Nike shoe says ‘not adidas’. Nike and adidas may despise each other, but in the end, the combative competition has made them both stronger.

7.3 Limitations for this study

This study was focused entirely on two large sporting brands; therefore no claim is made for generalizability to other markets.

The data proved to be costly to find by the institutes owning them, since many datasheets were priced at hundreds of dollars. As a consequence, data from before the preferred date had to be used. This makes the results less up-to-date. Due to limited resources no significant own research could be conducted. Own research would have had more specific results, however the quantity of respondents would be lower than the surveys used in this thesis.

In this thesis, only one stage was analysed. While this has been shown to be the most important stage, further research on the other stages is advised for more precise results.

The second factor in the consumer mindset had no clear winner. Brand associations is a relative concept and could not be clearly compared between brands. The Brand Value Chain is a relative model. This means the model can be used only to compare companies. No exact calculations can be made.

This thesis could not measure the actual influence of the 2014 World Cup on brand equity, since the deadline was set while the World Cup was still underway. How recent developments would interact with brand equity during the World Cup would be an interesting subject for further research.
8 References


9 Appendix

![Brand Value Chain](image)

**Figure 1**