Athlete endorsements are a popular way to create brand awareness and boost sales. Securing the best athletes often requires high amounts of money, and thus management should be able to justify those possibly significant costs with expected profits. Using athlete endorsements has generally been seen as a profitable strategy in the existing research, but linking a company’s reputation to that of an athlete’s involves risks, as there have been some rather major athlete scandals that have affected also their endorsed companies. This study focuses on the scandals of Tiger Woods and Lance Armstrong and the effects those had on the value and reputation of one of their main supporters, NIKE, Inc. The goal is to gain a deeper understanding of athlete endorsements and their financial possibilities and risks, as well as to understand how an endorsement company can protect itself from those financial and reputational risks.

The theoretical part of this thesis reviewed existing studies that have researched athlete endorsements, their value measurement and corporate reputation. It shows that athlete endorsements can have both positive and negative effects on the endorsed company’s value, which has most often been researched through stock market reactions. These effects are generally more significant if the endorsed company works on the sports industry. There is a strong link between the corporate reputation of the endorsed company and the endorser, but the existing methods to monitor corporate reputation and estimate reputational risk are rather scarce. To better understand this whole phenomenon a qualitative case study was conducted for the empirical part of this study. Four sports marketing professionals were interviewed on their views of athlete endorsements and especially the scandals of Woods and Armstrong. These semi-structured interviews were based on the theoretical framework and the findings have been reflected to the existing research.

This study concludes that sports marketing experts strongly support the match-up theory, which has been presented in the existing research. In their opinion using athlete endorsements is a profitable strategy, but they highlighted more the importance of increase in sales and brand exposure than possible stock market reactions. Furthermore, they didn’t find stock market approach a sensible valuation method, as the effects of one endorser tend to get diluted, and highlighted instead a more holistic approach. The interviewees agreed that athlete endorsements are risky both in the financial and reputational sense, but as each scandal is unique they have to be dealt on a case-by-case basis. Power of portfolio and a good action plan do however offer some protection.

Key words  Athlete endorsements, value measurement, corporate reputation, risk management