

Unit 5 Case Study

Endorsements and Sponsorships

For athletes, endorsement and sponsorship deals are often the first taste of entrepreneurship. Perhaps the most famous basketball player of all time, Michael Jordan's NBA career started in 1984 when he was drafted by the Chicago Bulls. At that time, Nike was predominantly known as a running-shoe company, but they decided to gamble their entire \$250,000 basketball marketing budget on Jordan, who agreed to a five-year, \$2.5 million endorsement deal. Nike released their first shoe design in 1985 with a retail price of \$65. At the time, the NBA had strict uniform policies and fined Jordan \$5,000 per game for wearing his signature Air Jordan 1 sneakers. Nike paid the fine for him and created their own advertising campaign about the NBA-banned shoes. They sold \$70 million worth of Air Jordans within two months of the shoes' release. By the end of 1985, Nike made more than \$100 million, and both Nike and Jordan became two of the most recognized sports brands in the world.

Jordan did not stop making money after retiring as a player in 2003. He has opened multiple restaurants; founded Michael Jordan Motorsports, which operated until 2013; and in 2020, he relaunched a motorsports team called 23XI Racing. He has also maintained a presence in the NBA by purchasing a minority share of the Charlotte Hornets (then called the Charlotte Bobcats) in 2006. By 2010, he had the majority holding of the Hornets franchise, which he sold in 2023 for roughly \$3 billion—more than ten times what he paid for it in 2006.

In 2024, Jordan's net worth was valued at \$3.5 billion. NBA basketball made Jordan famous, but his sponsorships made him rich. The Jordan brand includes sports, entertainment, streetwear, fashion, and lifestyle. He has earned \$1.7 billion (pre-tax) from Nike, Coca-Cola, Wheaties, and Chevrolet, among others, and you can still find him promoting Nike, Hanes, Gatorade, and Upper Deck.

Jordan's generosity is as legendary as his playing career. He makes multimillion-dollar donations to the Friends of the Children nonprofit. Michael has also given donations for hurricane relief in the Bahamas and the Carolinas. In addition, he has been involved with the Make-A-Wish foundation for three decades as a donor and grantor of hundreds of wishes. In further effort to give back to his communities, Jordan opened two Novant Health Michael Jordan Family Medical Clinics to serve underprivileged members of the Charlotte community, contributing \$7 million to the project.

1. Why do you think Nike would risk all their basketball budget on a highly touted, yet unproven, NBA player?

Answer:

2. Nike's creation of the Air Jordan shoes established Nike as a basketball shoe company. Could Nike have been as successful without promoting Jordan as the basketball player wearing the shoes?

Answer:

3. Michael Jordan endorses many products and companies. What criteria should a business look for in a person they might want to endorse their products?

Answer:

4. Michael Jordan was an outstanding basketball player, but why do you think he is still able to receive offers from companies wanting him as a spokesman decades after his retirement?

Answer:

5. What other celebrities or sports figures can you think of who endorse products? Why do you think they were chosen?

Answer: