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## Confidential Instructions for Erive

You have been Vice President of Business Development at Erive for only 6 months now. You were brought on to oversee the launch of a new basketball footwear line. Things haven't been going particularly well for you – but you hope your meeting with Ted Wiley's agent will brighten things up.

Your employer, Erive Corp., is a 25-year old privately-owned sporting goods company based in Boulder, Colorado. In recent years, its footwear products have made significant inroads in the urban casual wear market. It has been a strong company because of its quality products, its strong soccer and outdoorsman segments and increasing popularity with America's youth.

Patricia Peak, the founder and your boss, has made it her crusade to provide under-privileged youth with opportunities in sports like summer camps and soccer leagues. In view of Erive's growth, it has recently created a division dedicated to basketball footwear.

Based on your efforts, Peak, though initially resistant, has also come to appreciate the importance of NBA player endorsements in marketing basketball footwear. Right now, Erive is at a disadvantage. Virtually every young NBA player with solid prospects has already signed a shoe deal with one of the established industry competitors. Erive has a total of \$4 million that it can spend for a player endorsement over the next two years.

Up until two weeks ago, you thought you had come to terms with Shane Nottanae, a sensational Duke University graduate, for a two-year endorsement deal worth \$3 million in total (1.5 million per year). But he recently backed out – which has devastated you. You fear that if you can't land a replacement soon, your career with Erive and the industry, will be doomed.

As a backup, you have Harvey "the Harpoon" Harmony who would accept \$1.6 million for a two-year endorsement contract (\$800,000 per year). Harvey would not accept a one-year contract. Harvey is entering his 7<sup>th</sup> year in the NBA, has been plagued by injuries and his performance level has suffered considerably. Nevertheless, Harmony has broad-based name recognition, but you'd prefer a younger and more talented player (similar to Kevin Lally).

Yesterday, Peak appeared in your office to tell you about an "intriguing" young NBA player that she met at a youth basketball clinic in Denver – Ted Wiley. At first, you couldn't believe your ears. Wiley, about to enter his second year in the NBA, had a truly exceptional year last season – he was named to the NBA All-Rookie Team. But his reputation is troublesome. In fact, most major sponsors and many NBA teams, consider him too risky to bother with at all.

Basically, he has a checkered past. He quit the University of Ames after his freshman year, during which he played extremely well but was rumored to get along poorly with his coach, the legendary Chris Williams. He spent the next two years at three schools,

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cultivating the reputation as a fantastic athlete with a very bad attitude by regularly skipping practices and fighting with teammates and coaches. He's also had run-ins with the law. He had been arrested for shoplifting and possession of marijuana – two charges which were both ultimately dropped.

When Wiley finished at Buckeye State Junior College and declared himself eligible for the draft, most NBA teams and corporate sponsors considered him untouchable. Not surprisingly, he wasn't drafted by any team, but was eventually signed to a two-year deal by the New Jersey Nets, who figured they would take a chance on him. To a large extent, given Wiley's sensational rookie season, it appears to have paid off. Today, he is widely regarded as a player with skills and physical abilities to be one of the league's premier superstars, provided he can shake his bad reputation.

Now you have to figure out what to ask for – no simple matter.

**You want a two-year contract.** Contracts of this length are standard for NBA players in their first two seasons in the league. Sponsors don't want to be tied to a player who might not pan out; and players don't want to be locked into a contract that underpays them when they blossom into mature players.

Here's some general data concerning the Average endorsement per year:

Years in League	Average endorsement for All Stars per year
Rookie	\$1 million
2-5	\$2 million
6-8	\$3 million

Wiley is neither a rookie nor an established All-Star player. Nor does he have the perceived marketability that both marquee rookies and established All-Stars possess. In fact, many consider him "untouchable" and quite a risky investment.

Peak has authorized you to spend the entire remaining two-year marketing budget of \$4 million total. Prepare for your meeting with Wiley's agent.