Does Wall Street love sports sponsorship? Stock market reactions to the announcement of global official sponsorships

Abstract

This study aims to analyze the ability of sponsorship to create shareholder wealth based on how the announcement of global sports sponsorships affects sponsoring firms' stock market prices. This study also seeks to illuminate previous research controversies by examining several international sports tournaments in various countries over a 10-year period. The results show that, first, investors' appreciation of sponsorships is positive, although it decreases over the year of the announcement; second, the co-occurrence of functional and national congruence produces the highest value; and, third, the stock market does not equally value all sponsorships.

Management slant

- Announcements of global official sponsorships in the 10-year period analyzed show an overall positive effect on the stock market value of the sponsoring firm.
- This positive reaction decreases over time, most likely because investors consider the higher fees associated with global sports sponsorships.
- Investors highly value sponsorship in the firm's home country and the functional synergy between the sponsor and the sponsorship.
- The FIFA World Cup, the Olympic Games and the UEFA European Soccer Championship are positive for a firm's stock price, but expensive/niche sports such as America's Cup are negative.
- Reevaluating sponsorship fees and explaining to shareholders upfront the expected benefits of sponsorship may be necessary.

Introduction

A recent survey conducted by the Association of National Advertisers (ANA) in the US shows that financial accountability is one of the most important issues that senior marketers face (ANA, 2013). From an academic perspective, the Marketing Science Institute (MSI) declared that research on how to allocate resources to marketing activities was a top priority for 2010-2012 (MSI, 2010) due to increasing pressure from shareholders and chief financial officers (Kumar, 2015).

The purpose of this research is to evaluate empirically through a firm's stock price its shareholders' reaction to the announcement of official sports sponsorships in an international context over a 10-year period.

There is growing debate on whether announcements of sports sponsorships create shareholder wealth due to some contradictory results (Mazodier and Rezaee, 2013; Deitz, Evans and Hansen, 2013; Cobbs, Groza and Pruitt, 2012; Cornwell, Pruitt and Clark, 2005; Samitas, Kenourgioius and Zounis, 2008; Miyazaki and Morgan, 2001; Farrell and Frame, 1997). The reasons for this controversy may lie in the fact that some of these studies are limited to a single market (i.e., the US; Cornwell et al., 2005), a single sport (i.e., Formula 1; Cobbs et al., 2012), a specific time period (i.e., the 2004 Olympics; Samitas et al., 2008; Mazodier and Rezaee, 2013), or a particular type of sponsorship (i.e., title sponsorship; Clark, Cornwell, and Pruitt, 2009) or do not consider confounding events (Deitz et al., 2013).

Understanding sponsorship in an international context is important because the ability to influence audiences in different markets is a characteristic that makes sports sponsorships an attractive marketing tool for brands. In addition, an empirical test of nationality as a dimension of image congruence advances global sponsorship theory (Martin and Eroglu, 1993).

This study focuses on global official sponsorships of sports tournaments. Official sponsors of global sports tournaments differ in important ways from other forms of sponsorship. First, official sponsors are limited in number, and they have exclusivity in their product category. Second, global sports tournaments can reach large and global audiences. Third, official sponsors of global sports tournaments enjoy a privileged position in the advertising and promotion of the sponsored tournament through unique grassroots, consumer promotion and thematic advertising. Finally, official sponsors of global sports tournaments have the right to exploit and activate the sponsorship through marketing activities that are strategically important to different stakeholders, including consumers, customers, employees and prospects. This research examines four global sports tournaments held in various countries (the Olympic Games (three editions), the FIFA World Cup (three editions), the UEFA European Soccer Championship (two editions) and the America's Cup (three editions)) over 10 years to answer three research questions.

First, what impact does the announcement of an official sponsorship in an international sports tournament have on the sponsor's share prices? Second, do shareholders react less positively to recent sponsorship announcements? Third, what features of the sponsorship, such as brand value, functional and national congruence, and new sponsorship or the renewal of an existing sponsorship, help to explain these results? By answering the first question, we will determine how markets evaluate a firm's investment in an international and official sports sponsorship and the resulting market value effect for the company and its shareholders. The answers to the second and third questions will give managers a better understanding of which sponsorship-related variables are taken into account by investors when they make their financial decisions, thus influencing the financial success of the sponsorship agreement.

This study makes several contributions to research and practice:

- The investigation sheds light on past work and moves beyond the context of a single market or a single year, sport or tournament by combining in one study a diverse set of sports, tournaments and editions across various international markets during a significant period of time, 10 years.
- The research offers new explanatory variables, such as the year of the announcement and brand value, and analyzes previously researched variables such as functional and national congruence and whether the sponsorship is new or a renewal of a prior agreement.
- This research also builds on and contributes to previous event-study methodologies and introduces the study of interactions among the different variables.

Literature background

In recent decades, commercial sponsorship has become a flourishing global industry (Cornwell, 2008). The worldwide sponsorship market was estimated at 55.3 billion USD in 2013 (IEG Sponsorship Report, 2014, and its growth since 1990 has been greater than that of advertising media and promotion (Cornwell, 2008; IEG Sponsorship Report, 2013). There is some controversy regarding whether commercial sponsorships are perceived as more valuable than philanthropic ones because different studies show conflicting results (Calderon-Martinez, Mas-Ruiz, and Nicolau-Gonzalbez, 2005; Mazodier and Rezaee, 2013). Sports sponsorships, a type of commercial sponsorship, account for two-thirds of the worldwide estimated investment in sponsorship (IEG, 2013) because sports attract more viewers than any other form of entertainment and their audiences show high levels of involvement (Verity, 2002; Chen and Chen, 2012).

Firms enter into sports sponsorship agreements to achieve commercial objectives and build a competitive advantage (Crimmins and Horn, 1996). The sponsoring relationship increases the exposure of the sponsor brand and triggers a process of image transfer from the sponsored property (*i.e.,* whatever is sponsored) that is expected to influence the attitudes and behavior of its target consumers (Gwinner and Eaton, 1999). As a result, sponsorships have the potential to increase brand awareness (Bennett, 1999), improve brand image (Cliffe and Motion, 2005) and build customer loyalty (Mazodier and Merunka, 2012). In addition, sponsoring an international sports property can expose a brand to a large global audience and can overcome linguistic and cultural barriers (Verity, 2002).

Sports sponsorships can also create value for the sponsor in other ways because they have the potential to affect various types of audiences, such as employees, customers and other stakeholders, when they attend the sponsored tournament and use the sponsor's hospitality programs. This allows the firm to fulfill diverse goals related to their distribution channels, internal marketing and public relations (Walraven, Koning and Bottenburg, 2012). As a result, sports sponsorship can be a relevant business-building tool that enhances the perception of the sponsoring firm's goodwill and its corporate reputation (Rifon et al., 2004), improves its brand equity (Olson, 2010) and increases its future global sales and corporate cash flows (Miyazaki and Morgan, 2001; Cornwell et al., 2005).

Many researchers who have studied the effectiveness of sports sponsorships have found this to be a difficult task given that many of their effects are intangible, manifest over long periods of time (Srinivasan and Hanssens, 2009) and are difficult to isolate from other factors that affect company revenues, such as concurrent commercial activities, competitive strategies and other market changes (Keller, 2001). Limitations have been acknowledged in previous studies that have focused on specific consumer metrics in laboratory experiments, used convenience samples and covered a limited time frame (Walliser, 2003; O'Reilly and Madill, 2009). The academic literature on sponsorship has attempted to overcome these difficulties by measuring the reaction of the financial markets to the sponsorship's announcement and its resulting impact on the stock market value of the sponsoring firm. The underlying assumption is that stock prices immediately reflect investors' reactions to newly available information in the marketplace. If investors view sponsorships as fruitful investments, it is believed that stock prices should rise when a company announces investment in a sponsorship. The conclusions so far have been controversial, and recent studies indicate a negative trend in the way that investors appreciate the sponsorship.

Research hypothesis

Financial theory suggests that given market efficiency and the rationality of investors, if the market considers a certain business strategy positive for a firm, this should be reflected in the creation of wealth for its shareholders through an immediate positive evolution in its stock price (Fama, 1991). These changes in a company's market value due to an extraordinary event (in this case, the announcement of an official sports sponsorship) can be examined using the event-study method (Cornwell et al., 2005).

The event-study methodology is a statistical procedure that relates the announcement of strategic corporate initiatives to the creation or destruction of shareholder wealth (Johnston, 2010). An event study examines the actual return of the stock during the course of the announcement period and compares it with the normal, expected return had the announcement not occurred. The difference is the abnormal return, which captures the market's valuation of the business decision (Cornwell et al., 2005). Event studies are commonly used in the academic literature to examine the value created for a firm and its shareholders as a result of marketing activities such as celebrity endorsements (Agrawal and Kamakura, 1995) and the introduction of an online distribution channel (Geyskens, Gielens, and Dekimpe, 2002). Event studies have also been widely used in sports marketing to examine the value creation derived from business decisions such as advertising during the Super Bowl (Krueger and Kennedy, 1990), buying and selling live broadcasting rights in the English Premier League (Gannon, Evans, and Goddard, 2006) and purchasing naming rights for a sports stadium (Leeds, Leeds, and Pistolet, 2007).

Researchers have also applied event studies to quantitatively analyze the net economic value triggered by the announcement of sports sponsorships (Farrell and Frame, 1997; Miyazaki and Morgan, 2001; Pruitt, Cornwell, and Clark, 2004; Cornwell et al., 2005; Johnston, 2010; Clark et al., 2009; Cobbs et al., 2012; Mazodier and Rezaee, 2013). Most of the evidence published to date shows positive shareholder returns for the announcement of sports sponsorships (Miyazaki and Morgan, 2001; Pruitt et al., 2004; Cornwell et al., 2005, Samitas et al., 2008), despite negative results shown by other recent studies (Cobbs et al., 2012; Mazodier and Rezaee, 2013). However, the business behavior expressed in the growth of sports sponsoring activities suggests that sponsorships are seen by marketing managers as good investments. In fact, prior academic research has proven the ability of sports sponsorships to impact consumers and to achieve diverse marketing goals related to customers and other interest groups (Walraven et al., 2012. This ability is more pronounced in global official sponsorships, which allow brands to reach larger global audiences (Crimmins and Horn, 1996) and overcome linguistic and cultural barriers (Verity, 2002). Investors might believe that the reach of global properties is worth the extra cost associated with global tournaments because the official sponsors of global tournaments are limited in number, they are granted exclusivity for their product category, they enjoy a privileged position in the advertising of the sponsored tournament through unique grassroots, consumer promotions and thematic advertising, and they have the right to exploit and activate the sponsorship through marketing activities that are strategically important to stakeholders such as consumers, customers, employees and prospects by increasing their visibility of the sponsoring brand and reinforcing its association with the sponsored property.

These facts suggest the following hypothesis:

H1. Announcements of official sponsorships for international sports competitions are positively associated with abnormal stock market returns and therefore produce an increase in the stock price of the sponsoring firm.

Sports properties with global appeal are expensive, and their price seems to be increasing. Academics and practitioners acknowledge that the significant growth in the sponsorship market has triggered an increase in sponsorship fees (Clark et al., 2009). For example, companies paid $866 million to sponsor the Turin and Beijing Olympic Games, almost one-third more than the $663 million total paid for the Salt Lake City and Athens Games in 2002 and 2004 and up from $579 million for the Nagano-Sydney cycle in 1998 and 2000 (Bloomberg.com, 2008).

According to financial theory, when investors receive new information about a firm, they estimate its impact on future cash flows to determine their trading behavior (Fama, 1970). That is, both financial and marketing information influence analysts' forecast accuracy (Ngobo, Casta, and Ramond, 2012). The public announcement of a sports sponsorship will increase the stock price of the sponsoring firm only if the market believes that the resulting future cash flows will be positive and higher than its current cost, including the sponsorship fee (Srinivasan and Hanssens, 2009). There is no reason to believe that a sponsorship's effectiveness would grow in line with an increase in its price; therefore, escalating monetary fees should change investors' assessments (Clark et al., 2009; Leeds et al., 2007), diminishing the premium price that they bestow on the sponsoring firm and causing a decrease in the firm's stock value. This expectation is consistent with the most recent event studies that show no value creation effect (Clark et al., 2009) or even substantial value destruction following the date of the sponsorship announcement (Cobbs et al. 2012; Mazodier and Rezaee, 2013). Thus, the second hypothesis is as follows:

H2. The positive abnormal returns for firms announcing an international official sports sponsorship will be lower for more recent sponsorships.

Several practitioners and academic authors suggest the need for long-term sponsorship relationships as a way of consolidating a sponsor's communication effects (Pitts and Slattery, 2004, Johar et al., 2006) and building a competitive advantage (Farrelly and Quester, 2005). However, from a financial perspective, part of the positive effect of the sponsorship announcement on the sponsoring firm's stock price could be due to a signaling effect, meaning that financial investors see the sponsorship as a signal that the firm's top management trusts the strength of its financial situation and is optimistic about its short-term business results (Clark, Cornwell, and Pruitt, 2002). The logic of the signaling effect theory should cause the financial community to consider sponsorship renewals less attractive than new sponsorships regardless of the contract length. New sponsorships would benefit from sending a more positive signal to the market because the announcement of a renewed sponsorship would merely confirm the status quo that had already been discounted from the firm's stock price. There is some evidence that shareholders do not view renewal announcements as favorably as initial announcements (Deitz et al., 2013). Thus, our next hypothesis is as follows:

H3. The positive abnormal returns for firms announcing an international official sports sponsorship will be higher for new sponsorships than for renewals of existing agreements.

Prior academic research has proven the existence of an inverse relationship between the size or market dominance of the firm and the success of the sport sponsorship activity because the market gives more value to the sport sponsorship when the sponsoring firm is small (Samitas et al., 2008) or has a low market share (Cornwell et al., 2005). Because the main effects of the sponsorship happen at the brand level, it seems reasonable to assume that this same relationship applies to the value of the sponsoring brand. The smaller the value of the brand, the greater the expected benefit of the sponsorship, while for already large and high valued brands such as Coca-Cola the announcement of a global official sponsorship might create lower expectations. In the case of a smaller brand, the effect of the announcement of a global and official sport sponsorship will be stronger because the brand is sending a powerful signal for global expansion or expected growth, thus increasing the expectation created in the financial community. Therefore, the following hypothesis is proposed:

H4. The positive abnormal returns for firms announcing an international official sports sponsorship will be negatively associated with the sponsor's brand value.

Sponsors and products that are seen as congruent experience a number of advantages over those perceived as incongruent. A sponsorship relationship has functional congruence when the audience appreciates the existence of a logical link in usage or image between the sponsoring brand and the sponsored property (Speed and Thompson, 2000). When this happens, it multiplies the positive effects of the sponsorship on several brand metrics, such as awareness (McDaniel, 1999), image build-up (Olson, 2010) and loyalty (Mazodier and Merunka, 2012). Therefore, it is expected that any official sponsorship will be more effective for a sponsoring firm that has functional congruence with the sponsored property, and the market should recognize this advantage with a greater increase in its stock price. Research on sports sponsorship has extensively analyzed the effect of functional congruence on the success of sponsorship (Crimmins and Horn, 1996; Coppetti et al., 2009). Additionally, several event studies have shown that the higher the functional congruence, the higher the increase in the stock price following the announcement date (Pruitt et al., 2004; Cornwell et al., 2005; Clark et al., 2009). However, these studies are limited in scope in relation to countries and sports. No support for functional congruence in international markets has yet been demonstrated, but there is ample evidence to suggest the following hypothesis:

H5. The positive abnormal returns for firms announcing an international official sports sponsorship will be higher for firms that have functional congruence with the sponsored tournament.

The concept of national congruence refers to the concurrence of the nationality of the sponsoring firm and the place where the tournament is taking place. Few studies have analyzed this variable in a general way; thus, the results are inconclusive. Clark et al. (2002) found a positive effect for congruent sponsorships in stadium naming rights research, whereas Samitas et al. (2008) found no impact at the Athens Olympics in 2004. Cobbs et al. (2012) provide an intriguing result in the particular case of Formula 1, showing that the existence of national congruence worsens the destruction of value resulting from the sponsorship announcement.

In international sports sponsorships, nationality is one of the attributes included in the image transfer process between a sponsoring firm and the sponsored property (Martin and Eroglu, 1993), and image similarities have been shown to intensify the success of a sponsorship (Misra and Beatty, 1990). Therefore, it is reasonable to assume that sharing the same national origin will increase the positive outcomes of a sponsorship. The reason is that the market will expect a greater impact on sales and other marketing activities. The event may also create value for the sponsor by affecting various types of local audiences, such as employees, customers and other stakeholders, because it is convenient for them to attend the sponsored tournament and use its hospitality programs. This situation allows the firm to achieve a diversity of goals related to its distribution channels, internal marketing and public relations (Walraven et al., 2012). Thus, the sixth hypothesis is as follows:

> H6. The positive abnormal returns for firms announcing an international official sports sponsorship will be higher when there is national congruence with the sponsored tournament.

Sports sponsorships work in a complex way. There is always a process of image transfer between the sponsored property and the sponsoring brand, but its intensity and effectiveness depend on several variables. Few studies have considered possible interactions among the variables. Research has become more sophisticated, with multivariable studies attempting to reflect this complexity (Martensen et al., 2007; Olson, 2010). However, no event study has yet analyzed the possible synergies between variables and how these may affect a firm's value-creation process triggered by the sponsorship announcement.

Specifically, it seems reasonable to assume that the interaction of functional and national congruence (*i.e.,* the two variables that exist together in the sponsorship relationship) might have a multiplier effect beyond the impact that they would both have separately. Hence, we present the next hypothesis:

H7. The positive abnormal returns for firms announcing an international official sports sponsorship will be higher when there is simultaneous national and functional congruence.

Methodology and data

This research uses the event-study methodology, which requires the application of specific steps to arrive at an estimation of the abnormal returns that arise in response to the announcement of a major global sports sponsorship (MacKinlay, 1997; Cram, 2009; Johnston, 2010).

The sample is composed of the official sponsoring firms of four major global sports tournaments that occurred on different occasions during a 10-year time span (1998 to 2008): the Olympic Games (Athens 2004, Beijing 2008, London 2012), the FIFA World Cup (Korea/Japan 2002, Germany 2006, South Africa 2010), the UEFA European Championship (Portugal 2004, Austria/Switzerland 2008) and the America's Cup (Auckland 2003, Valencia 2007, Valencia 2010). These events reach large global sports audiences and represent the top sponsorship sports investments in the world (*e.g.,* the quadrennial World Cup soccer tournament is the most popular sporting event in the world and produces the highest sponsorship revenues: approximately 1.6 billion USD, similar to the Olympic Games) (IEG, 2014).

Official sponsors are firms that reward the sponsored properties for the exclusive right to claim that the sponsored properties are their official product (Cornwell et al., 2005). To be included in the sample, firms had to meet the following screening criteria: i) they had to be a corporation, not a public company, and ii) their stock had to be publicly traded in a stock market.

As recommended by Brown and Warner (1985), the first date on which each sponsorship was announced was carefully identified using a keyword search of the FACTIVA database of paid newspapers and newswires. Following standard precautions recommended for event studies (McWilliams and Siegel, 1997), data were cross-checked to detect significant contemporaneous confounding announcements by the sponsoring firms. This step is of critical importance because, as highlighted by Deitz et al. (2013), the results of some studies have been materially affected by failing to consider confounding events in the announcement of sports sponsorships. After removing the confounding events, there was a final database of 98 sponsorships (see Exhibit 1). Announcement dates ranged from the US firm Coca-Cola communicating its sponsorship of the FIFA World Cup on September 30, 1998, to the Swiss company Adecco announcing its sponsorship of the London Olympic Games on January 14, 2009.

Announcement windows are designed to capture the full effect of the announcement of the sponsorship. They generally include several days surrounding the actual announcement date. Windows should capture the effects of information leakages prior to the announcement's official release as well as any delays in price effects (Srinivasan and Bharadwaj, 2004). These considerations are especially relevant in this investigation, which covers several markets and thus includes different time zones. This study analyzed a 51-day window starting 25 trading days before and ending 25 trading days after each sponsorship announcement. The length of this window is consistent with other sponsorship event studies, such as 51 days in Cornwell et al. (2005) and 41 days in Samitas et al. (2008) and Clark et al. (2009). The analyzed stock data were obtained from the Thomson Reuters Datastream database.

To estimate the normal returns, a model was developed for each individual firm using 275 trading days prior to the date of the announcement. The most common approaches for estimating the normal performance model are the two-step market model, the constant mean return model and the factor model (MacKinlay, 1997). The two-step market model, which has been widely used in other sponsorship-related event studies (Johnston, 2007), was selected for this research because its capacity to detect event effects is greater than that of the alternative models. This model relates the expected return of a given stock to the return of the market portfolio through an appropriate market index. For each sponsor, the reference index was the firm's home exchange index, which was used as the stock market proxy.

The event-study technique involves estimating a time series of expected or normal stock returns that are then compared to the actual stock returns over the same period of time to arrive at an estimate of the unexpected or abnormal returns associated with a particular event

(Srinivasan and Bharadwaj, 2004). The abnormal returns were calculated for every day in the announcement window. Next, they were averaged across the total number of announcements to provide cumulative abnormal returns (CAR) for each of the sponsorship announcements investigated. Following the event-studies literature, tests were performed for specified multiple-day time intervals, particularly the days immediately surrounding the announcement. In line with Johnston (2010), the hypotheses were tested in relation to the variables using separate analyses of variance (ANOVA).

Various explanatory variables have been tested in the literature (for a detailed review, see Walraven et al. (2012)). The explanatory variables used in the research according to the established hypotheses were operationalized as follows. *National congruence* is a dummy variable depending on whether the sponsored tournament took place in the home country of the sponsor. *Functional congruence* is a dummy variable depending on whether there was functional relatedness according to two independent coders with substantial sponsorship experience, following the definition proposed in Cornwell et al. (2005): whether i) the sponsoring product either has a direct relationship to the sponsored sport or ii) is likely to be seen or used while attending or watching televised sport events and/or is clearly consistent with an active sporting lifestyle. *Year of the announcement* is the year when the sponsorship was announced. *Type of the event* is a variable indicating whether the sponsored event was the Olympic Games, the American Cup, the FIFA world cup or the UEFA European championship. *New sponsorship* is a dummy variable depending on whether the announced sponsorship was a brand new deal or the renewal of an existing agreement. *Brand value* is the value of the brand according to the Interbrand ranking because the use of rankings is common in brand equity research (*e.g.,* Netemeyer et al., 2004; Buil, de Chernatony, and Martinez, 2008).

Results

The Patell Z-test parametric test was applied to test the significance of the abnormal returns. Under the null hypothesis of no wealth creation triggered by the sponsorship announcements, the CAR for each period should approximate zero, whereas the group of firms registering abnormal return increases should approximate the random chance probability of 50%.

The test statistics indicate that sponsoring firms register a significant abnormal positive return (CAR 0.1891%) in the -5/+5 interval. The probability of the null hypothesis (p-value = 0.0231 is below the significance threshold, which justifies its refusal at a 90% interval of confidence. Furthermore, research findings show a positive abnormal return in 61% of the analyzed firms. These results indicate that, consistent with previous findings (Samitas et al., 2008; Cornwell et al., 2005; Pruitt et al., 2004; Miyazaki and Morgan, 2001), the public announcement of a sports sponsorship produces a positive effect on the stock price of the sponsoring firm, which extends to several days before and after the announcement date. Thus, hypothesis (H1), that the sponsorship triggers a positive effect of stock market value, is confirmed.

To test the remaining hypotheses, an ANOVA multi-factorial analysis was performed. This type of analysis compares the average and standard deviation of different populations to check for statistically significant differences. In this research, the populations are sponsorship announcements grouped according to each of the sporting events included in the study and the options defined by the variables. Table 1 shows the results of this analysis and of the application of the statistical test (F-test).

Table 1. Analysis of variance

	Df	**Sum Sq**	**F value**	**Pr(> F)**	
Type of event	3	0.011	2.363	0.078	*
Functional congruence	1	0.006	3.963	0.050	*
National congruence	1	0.014	8.966	0.003	***
National congruence and functional congruence	1	0.023	14.008	0.000	***
New sponsorship	1	0.001	0.280	0.598	
Brand value	1	0.001	0.839	0.362	

Year of the announcement	8	0.027	2.034	0.054	*

Sum of Squares: Type III

R- Square = 0.366

Note: *p<0.1; **p<0.05; ***p<0.01

The results concerning the variables "national congruence" ($F(1, 72) = 8.96$, $p < 0.05$), "year of the announcement" ($F(8, 72) = 2.03$, $p< 0.10$) and "functional congruence" ($F(1, 72) = 2.36$, $p< = 0.10$) are significant in the hypothesized direction, confirming the hypothesis that the presence of national congruence (H6) and functional congruence between the sponsoring firm and the sponsored property (H5) has a positive impact on the stock price of the sponsoring firm, as opposed to the time of the announcement, which shows a positive but decreasing trend, thus confirming H2. Figure 1 shows the temporal evolution of the CAR means.

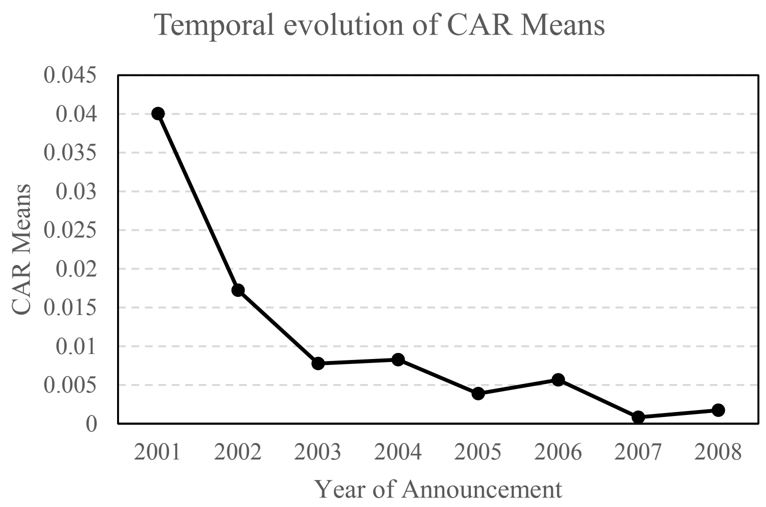

Figure 1. Temporal evolution of CAR means.

The variables "new sponsorship" ($F(1, 72) = 0.28$, $p> 0.05$) and "brand value" ($F(1, 72) = 0.83$, $p> 0.05$) are not significant; therefore, hypotheses H3 and H4 are not supported.

The multi-factorial ANOVA analysis allowed us to study the interactions between several variables. The results show that the maximum increase in the stock price of the firm is triggered by the sponsorship announcement when both variables, national congruence and functional congruence ($F(1, 72) = 14.00$, $p < 0.001$), occur simultaneously (figure 2).

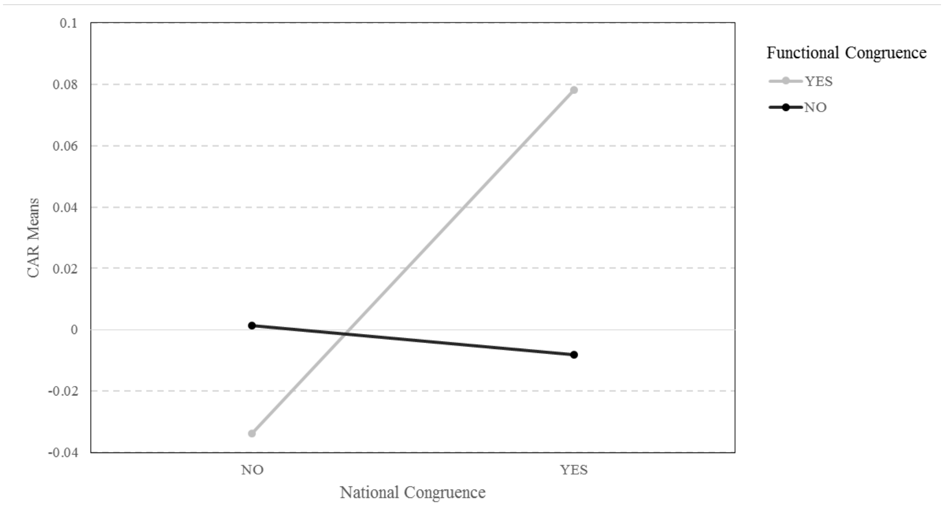

Figure 2. Interaction of National and Functional Congruence

Research findings also show that the increase in the stock price for the sponsoring firm depends on the specific event being sponsored ($F(3, 72) = 2.36$, $p > 0.10$). The results of an ANOVA study of independent groups show that for the Olympic Games, the FIFA World Cup and the UEFA European Championship, the sponsorship announcement triggered significant positive abnormal returns. Interestingly, sponsoring the America's Cup produced a significant but negative impact on the stock price of the sponsoring firm.

Discussion

This study analyzes the value creation effect of the announcements of 98 global official sport sponsorships over a time span of 10 years trading in 19 international security exchange markets. The sponsoring firms are headquartered in 15 different countries and represent 50% of the official sponsors of four major global tournaments: the Summer Olympic Games, the America's Cup, the UEFA European Soccer Championship and the FIFA World Soccer Championship. The 10-year time frame of this research allows us to extract some relevant contributions.

First, our research shows an overall positive effect on the stock market value of the sponsoring firm following the announcement of global official sports sponsorships. This result highlights the advantages of official sponsors (Deitz et al., 2013; Cornwell et al., 2005), showing that their limited number, the exclusivity rights granted for a specific product category and the broad opportunities for sponsorship-linked marketing activities may enhance the distinctiveness of the sponsorship and its perceived value beyond the higher sponsorship fees. In addition, the global aspect of these sponsorships suggests international reach as an advantage valued by investors.

Second, it is important to note that our study confirms a decreasing trend in the stock market appreciation of global sponsorship announcements, suggesting the danger of the current increase in sponsorship fees. This decreased appreciation of investors for official sports sponsorship announcements sheds light on some negative results found in recent sponsorship studies (Cobbs et al., 2012; Mazodier and Rezaee, 2013). Escalating sponsorship fees might be perceived by the stock market as a less attractive investment for the sponsoring firm.

Another relevant contribution of our research is that not all sponsorships are valued equally by the stock market. Our results indicate that at current pricing levels, the sponsorship announcement of the America's Cup not only does not create value but also destroys value for the firm. This could explain some unexpected findings by Cobbs et al. (2012) in which the announcement of Formula 1 sponsorships also led to significant abnormal negative returns. These negative reactions might be due to the limited reach of audiences of both competitions despite their expensive fees. For perspective, the 34th America's Cup reached a total TV audience of 270 million viewers around the world (America's Cup Bermuda Official Page). If we compare this audience with the audiences reached by the other tournaments of the study, there are significant differences: 4.8 billion global viewers for the London Olympic Games (IOC, 2012), 3.2 billion for the 2014 FIFA World Cup (FIFA.com, 2015) and 1.9 billion for the 2012 UEFA European championship (Columbus Media International, 2012). In fact, both the America's Cup and Formula 1 motor racing have recently registered a substantial decrease in their TV global audience because the America's Cup has undergone significant legal and PR conflicts (NYTimes.com, 2010) and Formula 1 has switched to pay-per-view TV in many regions. In the case of Formula 1, global viewership fell from 600 million in 2008 to 450 million in 2013 (The Guardian.com, 2015). These findings highlight the need for a careful selection of the sponsored tournament and the importance of accurate media projections to ensure the correct global consumer reach.

Our results show that investors react more positively to sports sponsorships that show national and functional congruence between the sponsoring firm and the sponsored property. This finding indicates that the presence of one of these two variables encourages financial markets to expect a more direct translation of the sponsorship into sales and thus into higher future profitability. In particular, the positive effect of national fit supports the idea that sponsoring firms operating in their home countries would yield higher expected returns by taking advantage of additional ways of exploiting the sponsorship with the firm's local stakeholders. Moreover, this is the first study to test the interaction between both functional and national congruence. Interestingly, the national and functional positive effects are multiplied when both characteristics coexist in the same sponsorship deal, yielding the maximum creation of value.

Finally, this research is unable to confirm any effect of the sponsorship announcement depending on whether it was a new deal or a renewal of a previous agreement. Similarly, the possibility that investors might consider the monetary value of the sponsoring brand remains untested.

This research validates a comprehensive model with both established and novel relationships and thus contributes to a better understanding of the relationship between marketing investments and financial performance (Ngobo et al., 2012).

Implications for practice

The results of this study should be of interest to many constituencies, including corporate executives, investors, marketing practitioners and sporting offices.

Overall, investors value announcements of global official sports sponsorship positively and reward the sponsoring firm with an increase in its stock price, thus creating value for the firm's shareholders. These results confirm that sports sponsorships are a valuable marketing tool and should reassure the managers of firms engaging in major sponsoring efforts as to the benefits of investing in this marketing activity through large-scale sponsorship programs.

Marketing practitioners should view the stock market's endorsement of global official sports sponsorship as additional justification of their efforts to seek novel ways to differentiate corporations and their offerings through large-scale sponsorship programs.

Our research also suggests that some tournaments, such as the America's Cup, do not provoke the same reactions in investors. In fact, financial markets react negatively to these sponsorships, possibly because there are no competing national teams or because they achieve much lower levels of global viewership despite high sponsoring fees. It is also possible that investors do not foresee a short-term return on investment because brand-image building in the luxury market takes longer to pay off or because these sponsorships are more targeted to B2B customers (Cobbs et al., 2012). Specific variables, such as national and functional congruence, also substantially influence shareholders' reactions. It is therefore crucial for sponsoring firms to select the sponsored property very carefully and to understand the implications of their decisions and take the appropriate course of action to clearly explain the expected benefits of the sponsorship.

For sporting offices, the fact that investors are becoming less enthusiastic about the expected value of sponsorships suggests that sports tournaments seeking sponsors may need to revise their pricing terms, which are beginning to be questioned by the market. Although an increase in sponsorship fees would increase revenue in the short term, it might also damage the reputation of this activity in the medium term and result in a reduction in corporate investments. It is also reasonable to surmise that to increase investors' expectations, sponsors could endeavor to better explain the advantages of their engagement in a sponsorship deal a priori and not only as a post-mortem analysis.

The results in relation to national congruence offer an interesting investment opportunity for local firms in the country hosting the competition, especially if there is also functional congruence between the sponsorship and the brand. To demonstrate the convergence of these two factors, local companies related to a sporting industry might find it of financial interest to lobby to host international competitions.

Limitations and future research

This study analyzes a broad sample that represents major international sports events. Although the results might be generalizable, not every sport and competition was covered. Compared with other event studies, 98 promotional alliances represent a robust sample because they represent 50% of the active official sponsorships during the 1998-2008 period. However, the sample is bounded by publicly traded firms with an identifiable announcement date.

Further research might be conducted in relation to brand value and functional congruence variables. We have attempted to include the effect of the value of the sponsoring brand in our research. To quantify this effect, we have used data from the brand consultancy firm Interbrand. However, these data do not apply to every brand in the study, thus suggesting the possibility of measuring this variable with a different and more generalized source. Regarding functional congruence, future research may consider differentiating between several degrees of congruence between the sponsoring brand and the sponsored property.

Finally, we were not able to demonstrate a differing effect for a new or renewal sponsorship agreement. We believe that further research in this area, combined with better insight into price dynamics, will be of great interest and will help sponsoring firms to decide whether to continue with existing sponsorship commitments.

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