Comparing the Stock Performance of Competing Companies During the 2016 Rio Olympic Games

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The International Olympic Committee (IOC) sponsorship revenue acquired in the four years prior to the 2016 Olympic Games in Rio de Janeiro, Brazil, exceeded $3.5 billion with The Olympic Program (TOP) sponsors (official Olympic sponsorship partners), paying an average of roughly $22 million each year within the four-year period (IEG, 2016; Schwabe, 2018). In the same four-year timeframe, the United States Olympic Committee (USOC) collected $70.3 million from sponsors. Regardless of the financial commitment level, the central tenant supporting sponsorship of large-scale events, and the Olympics in particular, is the ability of the sponsoring firm to leverage the relationship to increase brand awareness and brand equity and effectively differentiate it from its competitors, thereby increasing financial value (Cornwell, Roy & Steinard, 2001). To achieve these objectives, corporations typically spend additional money to not only advertise and market their business during the event but to also effectively protect against ambush marketers that might attempt to associate with the event without paying a formal sponsorship fee (Chadwick & Burton, 2011; Clark, Cornwell, & Pruitt, 2009; Grady, McKelvey, & Bernthal, 2009).

In a hyper-competitive and multi-faceted marketing environment such as the Olympic Games, it often remains partially or wholly unknown how effective sponsoring companies at various financial commitment levels, as well as ambushing companies, are at achieving their goals. Though a number of studies have attempted to measure the various marketing and branding outcomes of mega-event sponsorship announcements and ambush activities such as with the Olympic Games (Baim, Goukasian, & Misch, 2015; Farrell & Frame, 1997; Floros, 2010; Kim, Jung, & Lee, 2013; Lee & Groves, 2012; Leeds, Mirikitani, & Tang, 2009; Veraros, Kasimati, & Dawson, 2004), little research has investigated share prices and the ability to achieve positive returns among TOP sponsors, non-TOP sponsors, and ambush marketers. As such, to address this gap in the literature, the purpose of this study is to ascertain the impact of sponsorship level to firm value over the duration of the 2016 Olympic Games from Opening Ceremony to Closing Ceremony, August 5-August 21, 2016.

To accomplish this, the current research utilizes a seemingly unrelated regression (SUR) model with dummy coded variables to estimate the Cumulative Abnormal Returns (CAR) for all companies in the sample (11 TOP, 12 USOC, 8 ambush). A SUR model allows for contemporaneous correlation of errors for the companies in the sample (Karafiath, 1988) as well as improved efficiency over independent least squares analysis (Zellner, 1962). These CAR’s will then be used for a cross-sectional regression model to estimate the effect of sponsorship level (or lack thereof), firm size, industry sector, profitability and sponsored athlete competitions on firm value. Findings from this research help to extend the theoretical and empirical understanding of the impact that sport has on financial markets, as well as the relationship between sport organizations and stock performance. Results of this study will also help inform practitioners of the economic value of Olympic sponsorship level and whether the cost is worth the return.