Athlete endorsements are a popular marketing strategy (Creswell, 2008). The effectiveness of athlete endorsement strategy has been understood in (a) consumers’ responses including creating brand awareness (Petty et al., 1983), brand preference (Hath et al., 1994), and favorable brand image (Kamins et al., 1989; Lane & Jacobson, 1995) and building strong brand equity through associations of athletes; or (b) financial responses including stock price reactions (Chen & Chen, 2012). However, with either approach, assessing athlete endorsements’ financial worth is limited. Although the impact on stock market returns (e.g., Agrawal & Kamakura, 1995) has been extensively researched, the main drawbacks of measuring the impact on stock market reactions is that the information does not provide an economic value of firms that practitioners seek and only represents short-term abnormal stock price changes of firms. That is, practitioners cannot analyze how much the athlete endorsers financially influence (e.g., sales, profits, market shares, market value, etc.) their firms. Currently, we know little about the impact of athlete endorsement on sales (Elberse & Verleun, 2012) and a corporate market value (Kohli et al., 2012). As the geometrical investment dollars in intangible assets and a growing number of firms are placed on athlete endorsements to increase brand awareness, enhance brand image, and build brand equity, practitioners strive to discern whether their marketing strategies are effective enough to pay off their investments, which leads us to ask: Is it worthwhile to invest in athlete endorsements?

To advance our understanding, a framework of the effectiveness of athlete endorsement in terms of financial performances is proposed in the context of sport. Thus, the purpose of the study is to assess the effectiveness of strategic marketing decisions—endorsement announcement and endorser’s performance—on financial performances including stock market, sales, and a corporate market value.

Conceptual Framework

Researchers have provided evidence based on the economic values by measuring the impact of (i) endorsement announcement and (ii) changes in endorser’s status, performance, and reputation in terms of financial performances (e.g., stock price responses, sales, a market value). Agrawal and Kamakura (1995) first investigated whether there is any economic worth of celebrity endorsers and found that such an advertising strategy had a positive effect on the stock market on average. Mathur et al. (1997) also reported a positive relationship between athlete endorsers and stock prices of the sponsor companies in the NASCAR market. Fizel et al. (2008) and Ding et al. (2011), however, reported statistically insignificant returns around the celebrity endorsement announcement windows. Findings on the impact of endorsement announcement are mixed. Given these arguments, we suggest neither positive nor negative association between endorsement announcements and financial performances:

Proposition 1: Endorsement announcements are associated with stock market returns.
Proposition 2: Endorsement announcements are associated with sales.
Proposition 3: Endorsement announcements are associated with a corporate market value.

Additional evidence on economic values is through the impact of subsequent changes of endorsers on financial returns. Researchers have testified how negative information such as damaging reputation (Louie et al., 2001; Farrell et al. 2000), changing status (Till & Shimp, 1998), and achievement (Mathur et al., 1997) affects negative stock returns to a firm’s value in regards to what the athletes endorse. Therefore, positive performance from athlete endorsers will result in positive financial success, whereas poor performance of the athlete will negatively affect financial results. Accordingly, the following is stated.

Proposition 4: Endorser’s performance is positively associated with stock market returns.
Proposition 5: Endorser’s performance is positively associated with sales.
Proposition 6: Endorser’s performance is positively associated with a corporate market value. While controlling for possible confounding variables (e.g., brand equity, firm scale, endorsement fit), it is necessary to examine interaction effects among financial returns. Consequently,

Proposition 7: The endorsement effects on sales, stock returns, and a corporate market value are related to one another.

Discussion and Managerial Implications

The empirical examination of the proposed conceptual framework will provide insight for scholars and practitioners to examine how the previous and current firms being endorsed (e.g., Rory McIlroy-Titleist and Nike respectively) will be financially influenced by strategic marketing decisions, including the endorsement announcement and the athletes’ performance (i.e., Winning Championship: Jason Day of TaylorMade and Jordan Speith of Under Armour and missing the cut: Tiger Woods of Nike), in particular stock market responses, sales, and a corporate market value. The interaction effects between stock market reactions and actual financial values from firms’ perspectives can be examined. The framework represents one of the first attempts to examine the effectiveness of marketing strategy through sales and a corporate market value. The financial value offers several potential benefits. First, the value can be beneficial for practitioners to make better endorsement negotiations with endorsers and marketing strategy decisions. Revealing the financial worth of an endorsement deal provides confidence and a leveraging point in the negotiation. Second, an actual financial value of athlete endorsement can be an indicator when setting strategic budgeting. Managers can consider and reflect the value on their capital budget plan and monitor the effectiveness. The actual financial value of athlete endorsement can provide meaningful insight to practitioners and researchers. Future research is suggested to provide evidence of a conceptual framework and result validity because the study presents an initial attempt of assessing the effectiveness of athlete endorsement from the financial valuation perspective.