Athlete Retirement and Sponsor Stock Value: An Event Study Analysis

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Sponsor-linked marketing literature implies the transfer of brand attributes, images, or attitudes from the relationship between the brand and athlete is of primary importance in endorsement agreements (Cornwell, Weeks & Roy, 2005; McCracken, 1989). In fact, Agrawal and Kamakura (1995) have suggested that the stock market reacts in a positive manner to the brand upon announcement of an athlete endorsement contract. While extant literature seems to suggest some positive gains for firms that have athlete endorsers during their playing career, we know very little about the effects of these agreements when the endorser retires. This gap in the athlete endorsement literature raises several interesting research questions that warrant further inspection, including how the retirement of an athlete endorser influences the sponsoring brand. Since the reaction of the stock market to athlete endorsement agreements has been used to measure the effectiveness of such arrangements, the purpose of this study is to investigate the effects of athlete retirement on the stock market value for the brand.

Research focused on athlete brands and how fans consume them recently has experienced a meteoric rise (Arai et al., 2014; Carlson & Donavan, 2013; Spry et al., 2011). This burgeoning stream of literature suggests damaging information about a celebrity endorser negatively influences consumer perceptions about sponsor brands (Till & Shimp, 1998; White, Goddard, & Wilbur, 2009). From the resource-based viewpoint, sponsorship has been viewed as an important resource and asset for firms (Amis, Slack, & Berrett, 1999). Therefore, losing a resource such as an endorser may influence stakeholder credibility in the firm and, ultimately, stock prices. Research utilizing event study as a method has been used to examine the impacts of athlete brand on stock returns of sponsors (Agrawal & Kamakura, 1995; Farrell et al., 2000; Mathur, Mathur, & Rangan, 1995). Event study is often utilized to assess if investors earn abnormal stock returns from an event (e.g., retirement announcement) that carries new informational content (Sorescu et al., 2017).

Based upon the notion that an athlete’s retirement is a major event, we will collect data measuring stock returns from the Center for Research in Security Prices (CRSP) database to assess its effects on the sponsor. We will conduct a thorough search of newspaper databases (using LexisNexis) and social media for athlete retirement announcements from October 2008 to October 2018. We will assess the influence of the type of sponsor (sport vs. non-sport), value of the sponsorship, along with the sport, gender, and length of career of the retired athletes. A regression analysis will be conducted via Stata 15.0 to measure the impact of athlete retirement on stock price changes of related sponsors.

This study will fill research gaps regarding athlete endorsements and post-athlete career status. Theoretically, it will expand upon the marketing literature related to athlete endorsements and value creation for sponsors through an event study methodology. Practically, the results will explain the impact of athlete retirement on sponsor brands, which ultimately may guide decisions made by sponsors concerning athlete endorsement deals.