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Are Super Bowl ads a super waste of money? Examining the intermediary roles of customer-based brand equity and customer equity effects

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ABSTRACT

Prior research on the impact of marketing activities such as Super Bowl advertising on firm value has produced mixed results. Drawing on the marketing productivity chain, this study introduces hitherto neglected customer-based brand equity effects as indicator for investors' expectations about future customer equity effects (i.e., expected future cash flow deviations) and find that customer-based brand equity mediates the relationship between Super Bowl advertising and abnormal stock returns. Using event study methodology, the authors analyze a sample of 62 ads for which data is available on both measures that represent brand equity and stock price from the Super Bowls from 2008 to 2012. This study finds that Super Bowl ads can be worth the large investment, but *only* if they enhance customer-based brand equity. The reverse also holds in that a negative impact on stock return is expected when a Super Bowl ad reduces customer-based brand equity. Furthermore, empirical evidence suggests a ceiling effect, that is, for brands with high pre-Super Bowl brand equity the relationship between change in customer-based brand equity and stock return is significantly smaller.
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In the U.S., the Super Bowl attracts more viewers and media attention for its advertising than any other single event for the year (Tomkovick, Yelkur, Rozumalski, Hofer, & Coulombe, 2011). Previous research focuses on executional factors that are associated with the effectiveness of Super Bowl ads. A majority of these studies focuses on short-term effectiveness measures such as recall, buzz, or ad likeability (e.g., Chang, Jiang, & Kim, 2009; Cheong & Kim, 2012; Li, 2010; Nail, 2007; Newell, Henderson, & Wu, 2001; Siefert et al., 2009; Tomkovick, Yelkur, & Christians, 2001). Another group of studies examines whether Super Bowl ads have a positive impact on stock returns (a longer-term impact measure) in the days and weeks following the event (e.g., Choong, Filbeck, Tompkins, & Ashman, 2003; Eastman, Iyer, & Wiggenhorn, 2010; Fehle, Tsyplakov, & Zdorovtsov, 2005; Kim & Morris, 2003; Tomkovick et al., 2011). However, a significant gap exists in the literature regarding the impact of Super Bowl ads on building brand equity and contributing to customer equity.

As prior event studies on the impact of Super Bowl ads on stock returns do not find a consistent main effect of these ads on firm value, more attention should be paid to the marketing productivity chain (Rust, Ambler, Carpenter, Kumar, & Srivastava, 2004). A major goal of advertising is to have consumer impact in the form of more positive attitudes. Therefore, examining the impact of Super Bowl ads on brand perceptions is important, as positive changes in brand perceptions contribute to brand and customer equity, product market outcomes, and ultimately firm value. This study addresses this research gap and examines how customer-based brand equity mediates the impact of Super Bowl ads on firm value.

1. Theoretical foundations

1.1. Understanding brand equity and customer equity

Customer equity and brand equity are key marketing concepts that are of major concern to marketing research in various contexts (Kim, 2015; Chun, Ko, & Ko, 2013; Kim & Brandon, 2010; Yang, Kim, & Kim, 2014; Zhang, Ko, & Kim, 2010). Customer equity is “the sum of lifetime values of all customers” (Rust, Lemon, & Zeithaml, 2004). During the emergence of this concept, many research efforts have been concerned with the estimation of customer lifetime value (Reinartz & Kumar, 2000). Financial-oriented models operationalize customer equity as “the discounted value or present value of the projected net cash flows that a firm expects to receive from the customer over time” (Berger & Bechwati, 2001, p. 49f; see also Berger & Nasr, 1998; Gupta, Lehmann, & Stuart, 2004).

While this definition is straightforward, its concrete implementation is not, as the models include many parameters such as customer acquisition, retention, churn, and winback rates which depend on customer attitudes, perceptions, intentions, and other factors. To account for this

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issue, researchers have identified key components or drivers of customer equity. Brand equity is one of the most important drivers and is closely related to the emergence of customer equity (e.g., Chae, Ko, & Han, 2015; Leone et al., 2006; Rust, Lemon, et al., 2004). The definition of customer-based brand equity (Keller, 1993) comprises "thoughts, feelings, perceptions, images, and experiences" about a brand (Leone et al., 2006, p. 126). The concept of customer-based brand equity (e.g., Aaker, 1995) is rooted in the notion that the power of a brand comes from within the minds of consumers and what they have experienced and learned about the brand over time (Keller, 2003).

An understanding of brand equity formed by customer preferences, attitudes, perceptions, and expectations of the firm's marketing actions is a fundamental prerequisite to be able to calculate the resulting customer equity (Hogan, Lemon, & Rust, 2002; Kim, Park, Kim, Aiello, & Donvito, 2012; Kumar & Umashankar, 2012; Rust, Lemon, et al., 2004). However, customer equity models often use outcomes of strong brands such as higher share-of-wallet and higher purchase frequency in their calculations rather than estimating the impact of drivers such as high brand equity on those metrics in the first place. This weakness of many customer equity models may overlook the "option value" of brands (Leone et al., 2006).

1.2. Advertising as driver of brand and customer equity

In the context of this study, which examines the impact of an individual marketing mix variable (advertising) on stock prices, both brand and customer equity are relevant. In essence, the goal of advertising is to have customer impact by helping to reinforce or enhance consumer perceptions and associations with the brand (Rust, Ambler, et al., 2004).

The chain of marketing productivity (Rust, Ambler, et al., 2004) explores the way in which marketing expenditures affect what customers know, believe, feel, and ultimately how they behave. The authors utilize a framework to illustrate how these non-financial measures of marketing effectiveness ultimately drive the financial performance measures such as sales, profits, and shareholder value in both the short and the long run via impact on the customer and, in turn the market. This study adopts this perspective in examining the impact of Super Bowl advertising on stock price.

1.3. Linking Super Bowl advertising, brand equity, and customer equity to shareholder value

The firm's market capitalization is a proxy for shareholder value because the price of the stock provides an unbiased estimate of the firm's intrinsic value—assuming that investors are rational and stock markets are efficient (Fama, 1970). This stock price is a representation of the financial market's (i.e., investors') expectations of the sum of a firm's discounted future cash flows. When investors become aware of new, unanticipated information, they interpret this information in terms of its value-relevance, adapt their expectations of future cash flows accordingly, and sell or buy affected stocks until a new market equilibrium is reached.

Advertising in general and Super Bowl advertising in particular can be such a value-relevant signal to investors (Srinivasan, Pauwels, Silva-Risso, & Hanssens, 2009). Concerning Super Bowl advertising, however, results of prior research on the impact of stock prices are rather mixed and inconclusive (Choong et al., 2003; Eastman et al., 2010; Fehle et al., 2005; Kim & Morris, 2003; Tomkovick et al., 2011). One potential reason is that this research has neglected to address how advertising affects brand and customer equity. Select event studies already examine the role of ad likeability (e.g., USA Today Ad Meter) in explaining stock price changes attributed to Super Bowl ads but do not find a clear relationship. While ad likeability may influence customer-based brand equity, additional factors beyond ad likeability influence brand perception (e.g., ad-brand fit, brand positioning in the ad). Some expert panel ratings, such as ADPLAN (put out annually by Northwestern's Kellogg School's MBA program) incorporate additional factors. The authors include both types of Super Bowl ad ratings into their model as control variables (see Fig. 1). In order to improve customer equity, Super Bowl advertising must first improve brand equity. Following the prediction of the Efficient Market Hypothesis (Fama, 1970), the assumption seems plausible that investors form expectations about how Super Bowl advertising is able to improve customer-based brand

Table 1
Mean CAR for selected trading days and windows ($N_{firm\text{-}year} = 49$).

Day	Mean AR	Patell Z	BMP Z	Day	Mean AR	Patell Z	BMP Z
−5	−0.26%	−0.74	−0.94	(+1,+5)	1.01%	1.30*	1.37*
−4	0.01%	−1.38*	−1.20	(+1,+10)	1.33%	1.46*	1.69**
−3	0.85%	1.71**	1.64*	(−1,+5)	1.13%	1.29*	1.38*
−2	0.02%	−0.60	−0.51	(−1,+10)	1.45%	1.46*	1.64*
−1	0.13%	0.26	0.25	(−5,+5)	1.76%	0.69	0.68
0 (Super Bowl)	–	–	–	(−5,+10)	2.08%	1.00	1.04
+1	0.44%	1.10	1.12				
+2	0.21%	1.27	1.54*				
+3	0.05%	0.66	0.78				
+4	0.02%	0.22	0.15				
+5	0.29%	−0.31	−0.36				
+6	0.16%	0.38	0.31				
+7	0.12%	1.22	1.51*				
+8	0.02%	−0.39	−0.38				
+9	0.12%	0.81	0.67				
+10	−0.09%	−0.31	−0.42				

***$p < 0.01$, **$p < 0.05$, *$p < 0.10$

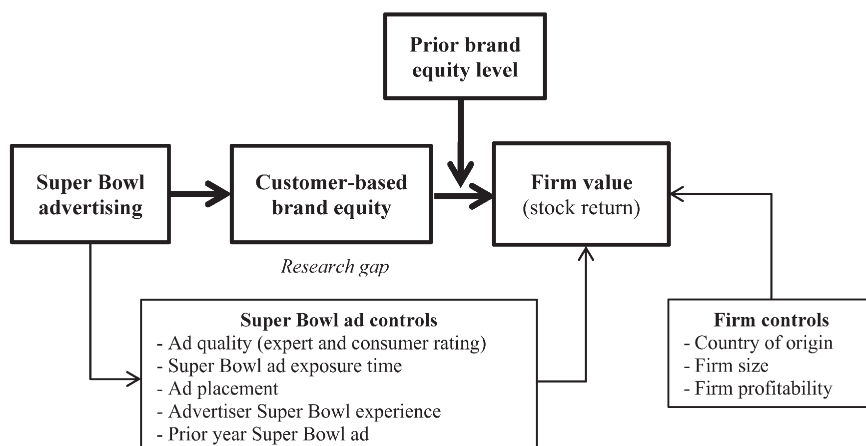

Fig. 1. Brand perceptions as mediator between Super Bowl ads and firm value.

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