Intern. J. of Research in Marketing 31 (2014) 2–15

Contents lists available at ScienceDirect

Intern. J. of Research in Marketing

journal homepage: www.elsevier.com/locate/ijresmar

Full Length Article

Going for gold: Investigating the (non)sense of increased advertising around major sports events

Maarten J. Gijsenberg *

Department of Marketing, University of Groningen, P.O. Box 800, 9700 AV Groningen, The Netherlands

A R T I C L E I N F O

Article history:
First received in 3 October 2012 and was under review for 5½ months
Available online 16 October 2013

Area Editor: Koen H. Pauwels

Keywords:
Advertising
Marketing-mix effectiveness
Time series
Empirical generalizations

A B S T R A C T

Major sports events draw unsurpassed media attention. Companies are motivated to increase their advertising investments around these events to reach large audiences in a short period. Is such an advertising surge actually beneficial though, or should companies avoid advertising in these periods because of negative effects of competitive interference? This study investigates when consumer packaged goods companies should invest in advertising to increase sales: before, during, or after the event or outside these event periods. The author estimates *short-* and *long-term own-* and *cross-advertising elasticities* for 206 brands using four years of weekly data. Although considerable heterogeneity exists across brands, own-advertising effectiveness diminishes especially before and during major sports events, in both the short and the long run. In addition, brands benefit less from category-demand effects through competitors' advertising. Conversely, greater increases in advertising spending resulting in significant growth in share of voice around focused, single-sport events are a successful strategy to overcome this overall general negative trend.

1. Introduction

Major sports events such as the Super Bowl, the Olympics, and the FIFA World Cup draw unsurpassed media attention. Millions of people follow coverage of these events by watching television, listening to radio, and reading (background) stories in newspapers. The 2006 FIFA World Cup in Germany drew a cumulative audience of 26 billion worldwide (FIFA, 2007). Estimations of people watching the opening ceremony of the 2012 London Olympics amounted to 900 million worldwide (Reuters, 2012), beating the estimated 700 million viewers for the 2010 FIFA World Cup final and the 600 million viewers of the 2008 Beijing Olympics opening ceremony (Reuters, 2010). Super Bowl XLVI attracted an average of 111.3 million US viewers, making it the most-watched television program in U.S. history (The Wall Street Journal, 2012).

Companies are eager to reach such large audiences around these events and increase their advertising investments (Bloomberg, 2011a). The Super Bowl generated $1620 million in advertising spending in the first decade of the 21st century, with budgets for Super Bowl XLV amounting to more than $200 million (Kantar Media, 2011) and companies willing to spend $3.8 million, on average, for a 30-second commercial during Super Bowl XLVII (The Wall Street Journal, 2013). Similarly, estimates of additional advertising expenditures around the 2010 FIFA World Cup amounted to $1500 million worldwide (Bloomberg, 2011b).

Are such surges in advertising actually as beneficial to companies as pundits claim? Previous research has found positive effects of Super Bowl advertising on purchase intentions (Russell, Fortunato, Valencia, & Burns, 2003) and movie advertisement effectiveness (Yelkur, Tomkovick, & Traczyk, 2004). However, no study has addressed the question whether companies should concentrate their advertising efforts around such events or focus instead on other periods to increase sales. For example, media rates are higher during these types of events than at other times (e.g., Kantar Media, 2011, 2012; STER, 2010a, 2010b, 2012a, 2012b), as is competitive interference because of the greater number of advertisers and advertising messages (e.g., Danaher, Bonfrer, & Dhar, 2008).

This study systematically investigates whether advertising elasticities change around major sports events and, if so, in what direction and to what extent. It sheds light on the evolutions in both short- and long-term elasticities, focusing not only on own- but also on cross-advertising elasticities. Finally, it investigates whether additional investments to increase share of voice (SOV) around these events are a sound strategy for increased sales.

I conduct a large-scale empirical study using four years of weekly observations for 206 brands in the United Kingdom, across 64 consumer packaged goods (CPG) categories. The study's focus is on "normal" advertising, not on official sponsoring of the event (e.g., Cornwell & Maignan, 1998; Walraven, Bijmolt, & Koning, forthcoming) or so-called ambush marketing actions (e.g., Payne, 1998). The observed

* Tel.: +31 50 363 8249; fax: +31 50 363 7970.
E-mail address: M.J.Gijsenberg@rug.nl.

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http://dx.doi.org/10.1016/j.ijresmar.2013.09.004

surge in normal advertising is a more widespread phenomenon than the latter cases and, thus, more relevant to companies.

The remainder of this article proceeds as follows: Section 2 provides an overview of the relevant literature. Section 3 describes the econometric model and the techniques used to formulate the empirical generalizations, and Section 4 presents the data. Model-free insights appear in Section 5. Section 6 presents the estimation results and a discussion of advertising elasticity evolutions, including additional insights into the role of media rates, product–event-fit, and the usefulness of price discounts. Section 7 provides a discussion of key insights, implications and limitations, and offers suggestions for further research.

2. Effectiveness of advertising around major sports events

2.1. Increased advertising effectiveness

Advertising effectiveness is expected to increase around major sports events simply because advertising messages reach more people more often. Not only are audiences larger, but also people likely see the messages more often because they devote a great amount of time to these events. Mere exposure effects (Zajonc, 1968) thus could lead to increased effectiveness of advertising. Such effects grow stronger before the event, culminate during the event itself, and then level off, thus showing an inverse U shape.

Category-demand effects may also have a positive impact because categories that have a higher fit (e.g., beer, soft drinks, savory snacks) with the experience of the event should gain higher demand in such periods. In addition, sales effects may be both direct (increased sales from increased category-demand) and indirect (increased sales through marketing in the larger market). In the latter case, because of the larger total market (Chevalier, Kashyap, & Rossi, 2003), the potential to attract additional sales through similar advertising investments will also be larger, raising advertising's potential effectiveness.

Furthermore, profound psychological processes may also come into play in major sports events. The media attention these events receive signals their importance to consumers. Thus, consumers are likely to perceive commercial messages surrounding these events as more important and interesting (Kahneman & Tversky, 1973). In turn, they are likely to pay closer attention to these messages. In addition, these events share a strong emotional appeal, which can increase advertising effectiveness in two ways. First, companies try to transfer these positive emotions to their brands (e.g., Grohs, Wagner, & Vsetecka, 2004). By advertising around the event and associating themselves with both the values brought by the event and the consumer emotions triggered by it, companies aim to create positive feelings toward their ads and, hence, their brands (Bagozzi, Gopinath, & Nyer, 1999). This transfer of positive emotions strengthens the position of the brand in consumers' minds, resulting in higher purchase likelihoods (Morris, Woo, Geason, & Kim, 2002). Second, the strong images and associations the event generates in consumers' minds increase the salience of the messages, giving them a stronger weight in decision processes suffering from cue competition (Kruschke & Johansen, 1999).

Findings from previous research on advertising around major sports events confirm an overall positive impact, showing higher brand recall (Bloom, 1998), purchase intentions (Russell et al., 2003), and movie ticket sales (Yelkur et al., 2004). Research also shows that the Super Bowl is of interest when aiming at young male viewers (Tomkovick, Yelkur, & Christians, 2001), whom are otherwise difficult to reach. However, none of these studies includes advertising elasticities. In addition, they are either event studies or cross-sectional in nature. Consequently, their findings cannot be generalized to over-time comparisons.

2.2. Decreased advertising effectiveness

Although clear arguments exist for an increase in advertising effectiveness, some factors may also have a negative effect. First, increases in media rates (Kantar Media, 2011, 2012; STER, 2010a, 2010b, 2012a, 2012b) mean that similar budgets will buy less advertising space and thus reach relatively fewer people or reach them less often. This downward effect will be strongest during the event itself, when advertising rates are highest, and weaker after the event, when rates decrease.

Second, more brands will invest in advertising to try to benefit from the larger audiences. In doing so, brands face fiercer competition for consumers' attention, leading to higher levels of clutter and interference (Burke & Srull, 1988). Competitive clutter, created by advertising messages from competing brands in the same category, can harm own-advertising effectiveness, and especially the number of competing brands has a negative impact on effectiveness (Danaher et al., 2008). In addition, messages from brands from other product categories have a negative impact (Pieters & Bijmolt, 1997). Contextual interference (e.g., Kumar, 2000; Kumar & Krishnan, 2004) coming from brands from different product categories but using similar themes or images is even more harmful because it causes brand confusion (Poiesz & Verhallen, 1989). Brand confusion will be stronger the more advertisers try to associate themselves with the overall atmosphere and mood, using symbols and colors similar to the specific sport or event (e.g., Keller, 1993).

Similarities in the execution of advertising messages will also have a negative impact on consumers' relative attention because commercials stand out less (Tellis & Ambler, 2007). For advertising to be effective, consumers must pay attention to it (Tellis, 1998). The excitement associated with the event further reduces attention to advertising messages (Newell, Henderson, & Wu, 2001), leading to less elaborate processing (Lee & Sternthal, 1999). Consumers who pay superficial attention to something form only quick impressions and attain short-term memory of it (Haugtvedt, Schumann, Schneier, & Warren, 1994). In addition, as a way to deal with a large number of advertising messages, consumers tend to ignore major parts or even dismiss commercial breaks (e.g., leave the room; Soley, 1984).

The large numbers of advertising messages during sports events are due not only to more brands advertising but also to brands advertising more often. However, the optimal level of exposures is rather low (Vakratsas & Ambler, 1999), with response leveling off relatively quickly afterward. In addition, too frequent exposure may create irritation and negative feelings toward the ad and the brand (Fennis & Bakker, 2001; Pechmann & Stewart, 1990), resulting in lower effectiveness.

Finally, whereas a fit with the experience of the event may increase demand in certain categories, most product categories do not show such fit. Especially in more mature CPG categories, demand is rather stable (e.g., Dekimpe & Hanssens, 1995), and unlikely to be affected by these events. Increases in advertising around the events will consequently not necessarily lead to equally large or even larger additional sales.

2.3. Short- versus long-term effects

Substantial differences exist between short- and long-term sales effects of advertising (e.g., Steenkamp, Nijs, Hanssens, & Dekimpe, 2005). For example, Ataman, Van Heerde, and Mela (2010) report low short-term effects, with a median elasticity value of 0.008, whereas Srinivasan, Vanhuele, and Pauwels (2010) report significantly higher long-term effects, with a mean elasticity value of 0.036. To account for different evolutions in effectiveness, this study disentangles immediate short-term from cumulative long-term sales effects of advertising.

The effects discussed in previous paragraphs should mainly affect the immediate short-term sales effects of advertising. The cumulative long-term effects, which largely materialize outside (after) event periods, are likely to show more moderate changes. When the event is over, both consumers and brands return relatively quickly to their "normal" behavior. On the one hand, category-demand effects quickly fade (possibly even showing a post-event dip from overstocking), as