

GOING FOR GOLD: INVESTIGATING THE (NON)SENSE OF INCREASED ADVERTISING AROUND MAJOR SPORTS EVENTS

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ONE PAGE SUMMARY

The Issue

Major sports events like the Olympics or the FIFA world cup draw unsurpassed media attention. Companies are eager to attract large audiences by increased advertising budgets around these events. This study investigates whether companies should increase their advertising spending around major sports events.

Hypotheses

Advertising effectiveness around such events depends on several influencing factors like audience, category demand, cognitive processing, emotions, competitive clutter or media rates. Short- and long-term advertising effectiveness may differ.

Results

The study shows that brands' advertising effectiveness strongly diminishes around such events. Brands suffer from the clutter caused by increased advertising, both in the same and other categories. Even for brands able to increase their share-of-voice, advertising effects decline around multi-sports events (e.g. the Olympics) characterized by scattered audiences. But brands investing heavily around single-sport events (e.g. FIFA World Cup) with more focused audiences, can benefit from higher advertising effects before and after the event.

Implications

Companies that can afford to increase their share-of-voice during major sports events, should aim for single-sport events that show a high fit with their product categories (e.g. beer and soccer). Otherwise recognise that advertising will not be as effective during these periods.

THE RESEARCH ISSUE

THE ATTRACTION OF MAJOR SPORT EVENTS

Major sports events attract large audiences ...

Worldwide audience

2006 FIFA World Cup Germany (all games)	26 bn
2012 London Olympics Opening Ceremony	900 mn
2010 FIFA World Cup final	700 mn
2008 Beijing Olympics Opening Ceremony	600 mn
Super Bowl XLVI (US-viewers only)	111 mn

and advertising spend

FIFA 2010:
\$1500 mn

Superbowl:
\$1.62 bn (2000-10)
\$3.8 mn for a 30 sec commercial

London 2012: P&G's „Thank you mum“ – campaign
72,5 mn views till the end of the games
aim: \$500 mn incremental sales



Should companies concentrate their advertising efforts around major sports events?



ADVERTISING EFFECTIVENESS

INFLUENCING FACTORS AROUND MAJOR SPORTS EVENTS

Why it may go up

Audience: advertising messages reach more people more often.

Category-demand: categories that fit well (e.g., beer, soft drinks) with the event should experience higher demand.

Attention: consumers may think advertising messages are more interesting and important.

Emotion: to transfer positive emotions from the event to brands. Consumers should develop stronger associations increasing message salience and weight.

Why it may go down

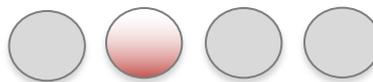
Cost: higher media rates reduce the amount of advertising for a given budget.

Competition: higher levels of clutter and interference because more brands are competing for consumers' attention.

Attention: commercials may stand out less and consumers may pay little attention to or ignore advertising messages.

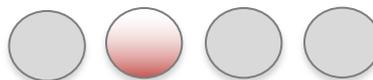
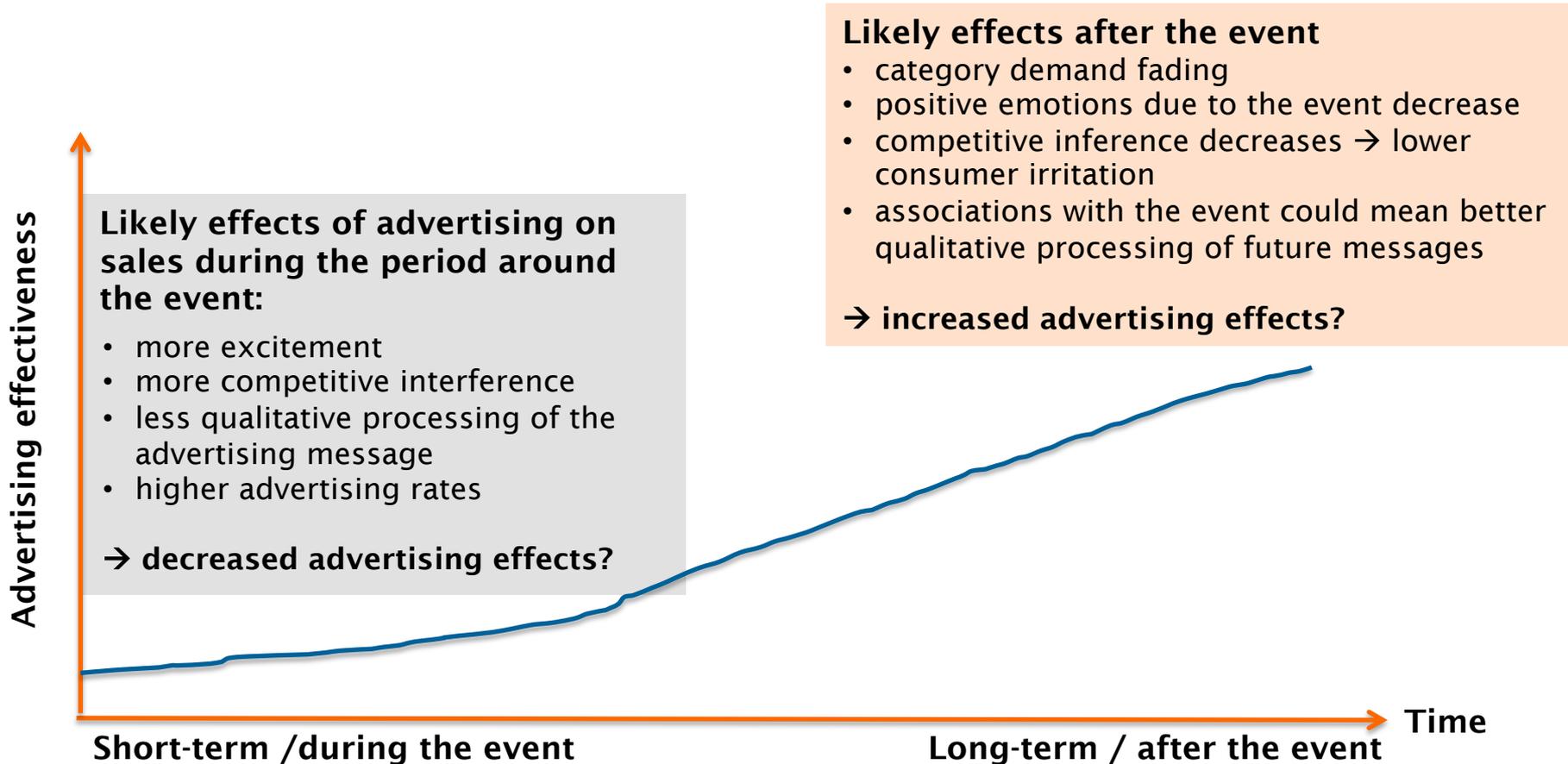
Frequency: many exposures to the same ads may lead to consumer annoyance.

Category-demand: demand in mature CPG categories is more stable and may not be affected by these events.



ADVERTISING EFFECTIVENESS

SHORT TERM VS. LONG TERM SALES EFFECT



THE STUDY

Sports events studied:

2002 Winter Olympic Games	Multi-sports	2003 IRB Rugby World Cup	Single-sport
2002 FIFA World Cup	Single-sport	2004 UEFA European Championship	Single-sport
2002 Commonwealth Games	Multi-sports	2004 Summer Olympic Games	Multi-sports
2003 ICC Cricket World Cup	Single-sport	2002-2005 FA Cup Final	Single-sport
		2002-2005 Wimbledon	Single-sport

Data:

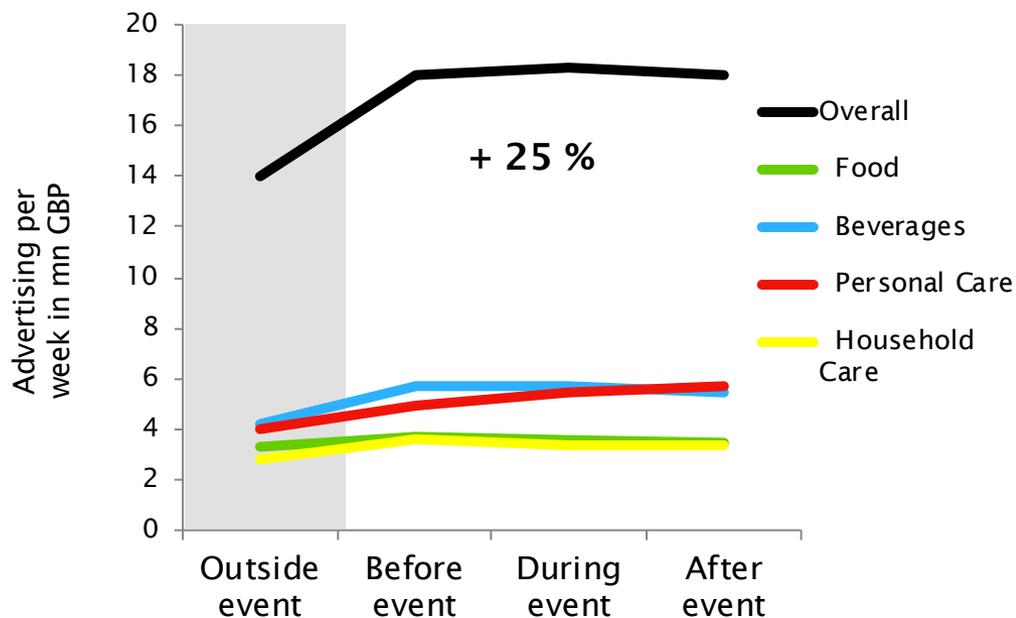
- Weekly panel data (Kantar Worldpanel), 2002-2005, for 64 CPG categories and 206 brands in the UK
- Categories: food, beverages, personal care, and household care products
- Volume sales and prices
- Aggregated data across TV, radio, print, direct mail, outdoor and cinema advertising (Nielsen Media)

Timing Conditions:

- Benchmark → periods outside the event
- Before → 2-week period before the event
- During → week(s) when the actual event takes place
- After → 2-week period after the event



BRANDS' ADVERTISING BEHAVIOUR AROUND MAJOR SPORTS EVENTS



25% increase in advertising investment in all three periods adjacent to the event:

- more companies advertise (**63% vs 56%**)
- higher spend than during non-event periods (**+10%**)

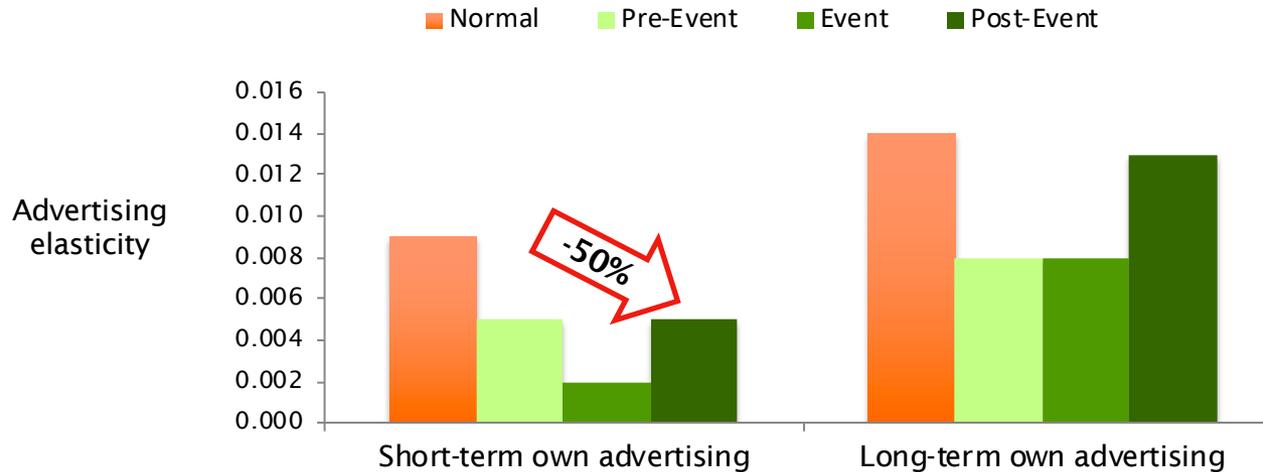
Some brands found to **advertise more** during events



Some brands found to **advertise less** during events



ADVERTISING ELASTICITIES EVOLUTION AROUND MAJOR SPORTS EVENTS



Short-term advertising effects are on average **more than 50% less** sales effective around major sports events compared to non-event periods.

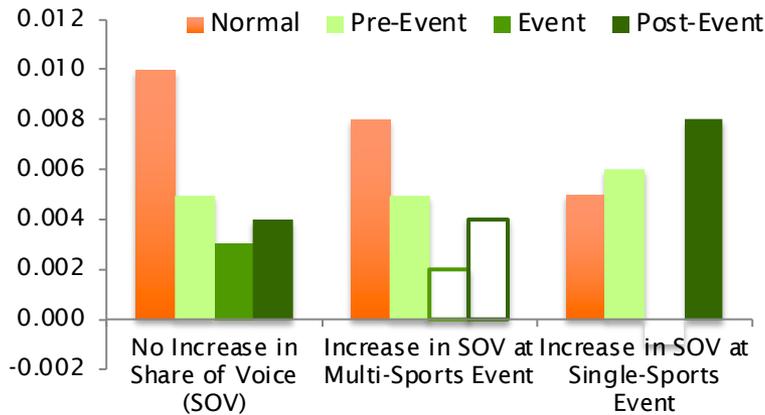
Long-term advertising effects significantly decrease before and during the event but do not significantly change after the event.

For the short term effects, product categories that fit with the event behave like product categories that do not fit. But in terms of the long term effects, **event-fit categories suffer less** before and after the event.

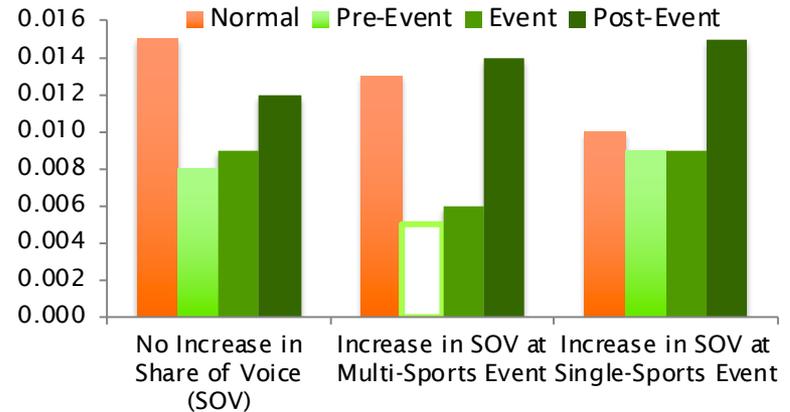


STRATEGY: INCREASED SHARE OF VOICE TO COUNTER DIMINISHED ADVERTISING EFFECTIVENESS

Short-term own advertising elasticities



Long-term own advertising elasticities



- Brands that do **not significantly increase** their Share-of-Voice (SOV) face clear reductions in short-term advertising effects.
- Investing in SOV around **multi-sports events** is not beneficial in the short term: wide audience but lower exposure.
- Investing in SOV around **single-sport events** pays off in the short term **before (+20%)** and **after (+60%) the event**: narrower audience and higher exposure
Too much clutter during the event?

- Brands focusing on **single-sport events** can increase their long term advertising effects by about **50 % after the event**.
- Higher SOV during the event has no long term impact on sales.



Note: transparent bars = non-significant results

IMPLICATIONS

Thinking about investing around major sport events, management should evaluate whether

- their brands receive more 'bang for their advertising buck' **outside these events**
- to **shift** some emphasis to **price promotions** around major sports events
as results show a doubling of price effects around these events

When investing in advertising around sport events companies should

- focus on **single-sport events** → more beneficial to reach a more focused group of consumers multiple times
- increase advertising to ensure a **significant lift of the brand's Share of Voice**

Investing around major sport events, however, may not necessarily be without value by **improving brand awareness and brand image**

