Measuring stock market reaction to sponsorship announcements: The case of Fiat and Juventus

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Keywords *sport sponsorship, sponsorship announcement, marketing action, stock market reaction, event study*

Abstract The major objective of this paper is to test who benefits most from sponsorship agreements: the sponsor or the sponsored organisation. The paper deals with stock market reaction to official football club sponsorship announcements using the event-study method. Our intention is to test 123 daily stock prices, in order to investigate the potential influence of the announcement of an official football club sponsorship programme upon stockholders' behaviour within both organisations. For the purposes of this paper, we examine the consequences for both Fiat S.p.A. and Juventus Football Club S.p.A. of their recently announced three-year sponsorship agreement for 33 million euros.

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INTRODUCTION

Sponsorship is again on the rise and marketers have called for new efforts by researchers to measure the business value of this form of marketing communications. Sponsorship as a marketing tool has grown significantly, especially with respect to the endorsement of worldwide sports events. The estimated expenditures for sponsorship rose from 13.4bn US$ in 1996[1] to 30bn US$ in 2004, according to the World Sponsorship Monitor. Witcher *et al.*[2] have studied the impact of the organizational sponsorship activities upon organizational activities. Sponsorship has traditionally been seen as having an effect on brand awareness and image.[3–5] Some studies point to a shift in the priority of the objectives. In 1987, a survey was conducted among 300 of the Fortune 500 organisations regarding their sponsorship practices.[6] It was reported that the highest priority was given to broad corporate objectives. A survey among the Fortune 1,000 companies in the US supports this trend. The two main objectives of sponsorship reported were the enhancement of the corporate image (corporate objective) and the increase of brand awareness (marketing objective). This study[7] looks at the enhancement of corporate image, which is considered a strategic objective, in order

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to shift the expectations of stakeholders. Their measurement methods are often inadequate, as they only consider changes of sponsorship recall over time or changes in brand image, which is not correlated to sponsorship activities. In addition, academic marketing research has been accused of insufficient concern about sponsorship in general, and specifically the measurement of sponsorship effects.[1,8]

Event studies in the sport sponsorship context

Clark *et al.*[9] considered the sponsorship of stadiums and arenas, and Cornwell *et al.*[10] considered the value of winning an auto-racing event. Of particular relevance to our study, however, are the works of Spais and Filis,[11] and Farrell and Frame,[12] which considered Olympic sponsorships. All the above studies are of significant importance, as sponsorship announcement data are used in examining sponsors' stockholders' behaviour. Until now no study has, however, focused on the examination of stockholders' behaviour from the side of the sponsored sporting organisations, especially football clubs.

Metrics for making marketing matter

A major trend of the 20th century was specialisation, initially in production and then for activities in general. The functional areas that resulted provided great efficiency in specific tasks and facilitated a deep level of knowledge within each function. Unfortunately, this compartmentalisation also led to the development of specialised 'languages' (a Tower of Babel?), alienation, and integration problems. In the 1980s and 1990s, the pattern of rough equality among functions moved toward hegemony of a single function: finance. The consequence of this was the increasing pressure to 'meet the numbers' (ie deliver strong financial performance). This pressure only increased as the economy declined and as global competition and the use of the internet increased.

Given this history, it is not surprising that the Marketing Science Institute (MSI) has designated metrics, the measurement of the impact of marketing, as its top priority for the three most recent two-year priority periods (with the short-lived exception of e-commerce for two years). This led to MSI's proposal competition, which produced 111 entries (its largest-ever competition); and to two back-to-back conferences in Dallas in October 2001. The work herein has many ancestors: Srivastava *et al.*'s[13] conceptual development and Ambler's[14] detailed discussion. What binds the work together is a focus on evaluating marketing actions and assets in financial terms, not in marketing ones.

The stock market's reaction to marketing actions

Considerable research has investigated stock market reactions to marketing actions. In particular, the market reacts favourably to new branding initiatives. Evidence with respect to new product activity is, however, mixed.

Branding initiatives that elicit a positive reaction from the stock market include company name changes,[15] increases in customer service,[16] winning a quality award,[17] the use of celebrity endorsers[18] and corporate Olympic sponsorship.[19] Moreover, the market exhibits a positive reaction to improvements in an organisation's customer-based brand equity, as evidenced in improved customer quality perceptions (eg Aaker and Jacobson[20]), and brand attitude (eg Aaker and Jacobson[21]).

In their investigation of the stock market's reaction to marketing actions, Mizik and Jacobson[22] report that the stock market, in general, reacts favourably to organisations shifting their strategic emphasis from value creation (ie innovation and product development activities) to value appropriation (ie extracting profits in the marketplace through more intensive product marketing).

Based on the Calderon-Martinez *et al.*[23] study, it seems that only commercial sponsorship events generate abnormal returns. The key determining factors are the size of the company and the link between the event and the organisation's activity.

In summary, the existent research activity collectively demonstrates that marketing actions affect stock prices.

Predictions of stock returns and stock volatility in positive events

Mellers *et al.*[24] discovered that individuals could accurately forecast the emotions they will experience after either outcome of a gamble. Investors may correctly anticipate how they will feel if the outcome of an investment is negative, but they may either not be aware of or deny the potential difficulty in controlling their behaviour when that outcome arouses strong reactive affect states.

McDonald and Hirt[25] report that affective preference correlates with self-forecasts of investing behaviour. Mellers *et al.*[24] find that some investors' choices are closely related to the strategy of selecting the monetary gamble associated with the better expected feeling. People prefer the gamble that, on average, gives them the greatest emotional satisfaction (eg Mellers *et al.*[24]). There is evidence that affective preferences drive buying and selling behaviours (eg Raaij *et al.*[26]). Anticipation of stock-related reward induces positive affect. Investors are thus predisposed to invest in (purchase) those stocks that they feel good about (positive affect). Investors are more likely to purchase a stock from which they can anticipate a rewarding future event.

Based on the above evidence, we believe that most investors (in a stable environment) optimally respond to memory loss with excess inertia, defined as a higher probability of following old decisions than would occur under full recall.

Research aim

At the heart of sport sponsorship is the commercial proposition that provides a return on investment for both the brand owner and rights holder. Recent years have seen the development of a host of measurement and evaluation techniques, yet many brand owners still fail to realise the full potential of their sponsorship investments.

The major objective of this paper is to test who benefited more from the sponsorship agreement: the sponsor or the sponsored organisation. The paper deals with stock market reaction to official football club sponsorship announcements using the event-study method. Our intention is to test 123 daily stock prices, in order to investigate the potential influence between the announcement of an official football club sponsorship programme and stockholders' behaviour of both organisations. For the purposes of this paper, we examined the announcement data of Fiat S.p.A. and Juventus Football Club S.p.A., based on the recent sponsorship agreement for 33 million euros for the next three years.

Thus, the influence of psychology in financial decisions and the clear shift of any organisation to prioritise the strategic objective of corporate image empowerment suggest the following two research hypotheses:

Research Hypothesis 1 (H_1): The official sponsorship announcement will have greater impact (daily returns and daily variance) on Juventus's stock than on Fiat's.

Research Hypothesis 2 (H_2): The official sponsorship announcement will have greater impact (daily returns and daily variance) on Fiat's stock than on Juventus's.

BACKGROUND INFORMATION ABOUT FIAT S.P.A. AND JUVENTUS F.C. S.P.A.

Fiat S.P.A. profile

The history of Fiat began many years ago, at the dawn of Italian industrialisation, in which the company has always played a leading role. From that moment on, the Fiat brand spread throughout the world and developed extensively. Fiat S.p.A. was founded in Turin in 1899 and incorporated in 1906 as a manufacturer of automobiles, but quickly expanded into the production of buses and motor coaches, commercial vehicles, aviation and marine engines. As of 2005, Fiat operated in 57 countries through 650 subsidiaries and affiliates; 155 of these subsidiaries and affiliates were located in Italy. In

2005, Fiat Auto continued to pursue a strategy focused on upgrading, improving and completing its model line.

Today, following a change in corporate culture and mentality, the name Fiat is still fraught with meaning, and not only on account of the cars they produce — cars with attractive styling and exciting engines, cars that are accessible and improve the quality of everyday life — but also on account of their heritage and tradition. In 2006, Fiat had more than 173,000 employees, including approximately 77,100 in Italy.

Juventus F.C. S.p.A. profile

Juventus Football Club is also referred to as Juventus Turin (or Juventus Torino), Juventus FC or simply Juve (pronounced like the Latin word for *youth*).

Founded in 1897, Juventus is one of the oldest and most renowned football clubs of Italy. Together with A.C. Milan, Juventus is one of only three clubs to have won all three *major European trophies* at least once (the European Cup, the (now defunct) Cup Winners' Cup and the UEFA Cup), and the only team in the world that has won all international official championships (all official European tournaments and the Intercontinental Champions Clubs' Cup).

With the advent of the new century, Juventus undertook a strategic move to refashion itself into a global business. It set out to find international sponsors to assist the team in becoming such a business, something European arch-rivals, like Manchester United, had already accomplished. Between 2000 and 2001, it hoped to double its international sponsorship revenue from about 25 to 50 per cent of total revenue. With one of its major sponsors, Pepsi Cola International, it launched a 'Dream Prize' campaign, offering club fans across the globe a chance to watch the team live and meet its star players.

The company planned to increase and diversify its revenue streams and to enhance its profitability, while making it less sensitive to sports performance, by pursuing strategies intended to reinforce its core business and to develop new side operations in connection with the exploitation of sports events.

Background information about the sponsorship agreement between Fiat S.p.A. and Juventus F.C. S.p.A.

Fiat S.p.A. and Juventus Football Club S.p.A. announce that they have signed (Turin, 28th March, 2007) a Memorandum of Understanding (MoU) under which the Fiat Group will become 'Official Sponsor' of Juventus for all competitions from 1st July, 2007 to 30th June, 2010.

Under the terms of the MoU, the Fiat Group will have the right to exploit the image of Juventus, including the right to use its brands' trademarks on all technical clothing for all the teams of the sports club.

Juventus Football Club will receive a total fixed consideration of 33 million euros and a variable consideration to be set on the basis of the achievement of predetermined sporting results in Italian and international competitions.

The final agreement was signed on 23rd April, 2007 and will have a three-year duration.

Based on the agreement, the trademark of New Holland, the Fiat Group company active in the field of agricultural and construction equipment, will appear on the players' shirts during the 2007/2008 season.

More specifically, the logo represents a stylised form of a leaf or of a tire tread pattern with 'New Holland' written in dark blue on a yellow background in the upper part of the logo, and 'Fiat Group' written in white on a dark blue background in the lower part.

'The agreement signed today', said the Fiat Group CEO, Sergio Marchionne, 'is part of a strategy aimed at enhancing and strengthening all of our Group's brands, a strategy we are pursuing also through sports sponsorships at the highest level such as that of Juventus. We are convinced that this agreement will offer New Holland great visibility and will allow us to get millions of people acquainted with a world leader brand in terms of quality and technology in the field of agricultural and construction equipment'.

The Juventus CEO, Jean Claude Blanc, stated, 'Today's signing seals a strategic agreement, which we are proud of, and kicks off the new Juventus marketing strategies. The Fiat Group will be a key partner in our future: the way its management succeeded in creating new momentum for the Group brands is an example that we set for ourselves and will inspire our work'.

METHOD

For this study, we will use an event-study methodology in order to investigate stockholders' reaction to the announcement of the sponsorship agreement between Fiat S.p.A. and Juventus Football Club S.p.A. Our intention is to test 123 daily stock prices in order investigate the potential influence between the announcement of an official sport sponsorship programme and stockholders' behaviour. In order to reject or accept the stated research hypotheses, we will perform an event study.

The event study

An event study, in economics/finance/accounting research, is an analysis of whether there was a statistically significant reaction in financial markets to past occurrences of a given type of event that is hypothesised to affect public organisations' market values.

The event that affects an organisation's market value may be within the organisation's control, such as the event of the announcement of a stock split. The event may be outside the organisation's control, such as the event of a legislative act being passed, or a regulatory ruling being announced, which will affect the organisation's future operations in some way.

The basic steps for an event study are as follows:

1. To collect a number of such events, that is, a list of organisations and dates, perhaps by running a literature search to find news announcements.
2. To run programmes that look up stock price changes for those organisations in periods around those dates, and also changes in a market-wide index in the same periods (eg collecting these data from databases such as the huge CRSP database of daily stock market returns for US organisations from July 1962 to 31st December, 1997).
3. To run additional programmes that evaluate whether event-period price changes for the list of organisations are abnormally large, compared to usual returns for those organisations, and controlling for market-wide effects on all organisations' returns during the event periods.
4. Optionally, to run further regressions to explain the abnormal returns in (3) by external organisation characteristics.

Table 1: Selected sources on the event study methodology

1. Brown and Warner[27]
2. Bowman[28]
3. Brown and Warner[29]
4. Peterson[30]
5. Fama[31]
6. Salinger[32]
7. Armitage[33]
8. MacKinlay[34]
9. McWilliams and Siegel[35]

A large academic literature has built up, reflecting debate on how to comment on the evaluation in a statistically sound way. Issues, for example, include how to measure what are usual returns for an organisation, how to summarise returns during an event period and how to control for market-wide effects.

Selected general sources on the event-study methodology (in alphabetical order by first author) are included in Table 1.

Based on the sources given in Table 1 we can summarise the most important advantages and disadvantages (Table 2).

Measures and statistical analysis

Huddart *et al.*[36] performed a study of the investors' behaviour on trading volumes and stock price fluctuations. Performing an event study, they were able to conclude that investors' behaviour is influencing the trading volumes of the stock market and the stock prices themselves. The measures used to test the hypotheses were obtained through classical buying behaviour and trading analysis (eg Barberis and Thaler[37]).

Regarding the statistical procedure, primarily we get daily data for the two stocks. The period of the study is five months. These five months will be two months prior to the announcement, two months after the announcement and the announcement month. We also get daily data for

Table 2: Advantages and disadvantages of the event study methodology

Advantages of event study	Disadvantages of event study
1. In a corporate context, the usefulness of event studies arises from the fact that the magnitude of abnormal performance at the time of an event provides a measure of the (unanticipated) impact of this type of event on the wealth of the organisations' claimholders 2. Thus, event studies focusing on announcement for a short-horizon around the event period is relevant for understanding corporate policy decision. Event studies also serve an important purpose in capital market research as a way of testing market efficiency 3. In this research, we will be analysing the short-horizon, which are relatively straightforward and trouble free 4. As a result, there can be more confidence and more weight can be put on the results of short horizon than long-horizon test. Short-horizon test represent the "cleanest evidence that is there on efficiency",[31] but the interpretation of long-horizon results are problematic. Long-horizon test is highly susceptible to the joint-test problem and have low power.	1. Considering that the event study method is increasingly used to examine the impact of managerial decision-making it is necessary to ensure whether it has been implemented correctly, results have been reported clearly, and whether the interpretation of the results has been appropriate 2. It is generally accepted that the effectiveness of the event study methodology depends on strong assumptions. By violating these assumptions, the empirical results may be biased and inaccurate and therefore basing the conclusions on them is problematic 3. Additionally, the results depend on how the research is structured and designed, and it is possible that some theories have been unjustifiably supported because of inappropriate techniques

the market index for the same period. We use the index of the Italian market (Mibtel) in order to compare the means and variance of daily returns for both stocks. We employ a standard *t*-test and *f*-test to examine the significance of the results. If the announcement has an impact on the stock, then we should be able to find significant differences in the risk (variance) and return of the stock before and after the announcement.

Stock details of Fiat and Juventus for the last year (March 2007–2008)

Based on the analyses presented in BusinessWeek, let us see the current stock quotes for Fiat and Juventus F.C. and some of the recent key developments (Figures 1 and 2).

14th March, 2008: Fiat S.p.A. is considering to spin off its car business if the group's current structure permanently undervalues the asset, CEO Sergio Marchionne said. Marchionne, in an interview published by MF had said; 'we have always thought that Fiat, because of its structure as a holding company, could penalise the underlying value of its assets.' The CEO, however, added that the spin-off would only happen if Fiat identifies a permanent and effective underestimation of the value of the group. 'We haven't abandoned the idea of a spin-off but it isn't yet the right time to do it,' Marchionne added.

Figure 1: Current stock quote for Fiat over the last year (March 2007–2008)

10th March, 2008: Tata Group said that it was interested in a stake in Ferrari, denying a magazine report. L'Espresso had quoted chairman Ratan Tata as saying in an interview that he would like to buy a stake in Ferrari S.p.A from Fiat S.p.A. 'Tata Group wishes to clarify that the statement has been misquoted and taken out of context,' a representative for Tata Group said. 'The report is completely untrue,' he added.

Figure 2: Current stock quote for Juventus F.C. over the last year (March 2007–2008)

7th March, 2008: 'Ratan Tata would like to acquire a stake in Fiat S.p.A.'s sports car unit Ferrari S.p.A.', said Finanza & Mercati, citing a Tata interview in L'Espresso publication. Tata is already in an alliance with Fiat, and manages Fiat's India auto operations. 'I have two passions in my life: cars and aircraft. I have always dreamed of being able to be a fighter pilot and I confirm the desire to participate in the shareholding of Ferrari,' Tata said. 'Luca di Montezemolo (both Fiat and Ferrari chairman) has invited me to look around in Italy because his country offers a lot of opportunities in the design and luxury sectors,' he added.

Some of the key developments for the stock of Juventus Football Club S.p.A. are as follows:

13th February, 2008: Juventus Football Club S.p.A. announced earnings results for the second quarter to 31st December, 2007. Net profit rose to €5.4m from €3.6m a year earlier, as higher sales more than offset higher costs. Sales in the second quarter rose 32.4 per cent to €53.0m due to higher sales of radio and television rights, sponsorship and tickets because of its promotion to Series A.

20th November, 2007: Juventus Football Club S.p.A. announced that they will report first half, 2008 results on 18th March, 2008 and publish the Report Fiscal Year 2008 Results on 24th September, 2008.

RESULTS

Descriptive statistics

We start our analysis with the descriptive statistics of the two stocks for the whole sample, the pre-event period and the post-event period. Table 3 reports the mean, median, mode, maximum, minimum and standard deviation of the two series. We focus our attention on the pre- and post-event period. Further, some interesting observations can be generated from the descriptive statistics table. We observe that Juventus F.C. is the only series that exhibits an average negative daily return. In addition, Juventus F.C. is the variable that exhibits the higher variance, that is, it seems to be the riskier asset of the three.

Descriptive statistics on the daily returns

In addition, Figure 3 presents the stock price fluctuations for Fiat, Juventus and Mibtel.

Interpretation of the findings

Regarding the stock of Fiat

1. There is no significant difference in average daily returns, as p-value is even higher than 10 per cent.
2. There is a significant difference in the daily variance of the stock, at 10 per cent significance level.

Comparing the stock of Fiat with the index (Mibtel)

1. Overall, regarding the Italian stock market index (Mibtel) and Fiat, we can suggest that the

Table 3: Descriptive statistics (total sample)

	Fiat daily stock return	Juventus F.C. daily stock returns	Mibtel daily returns
Mean	0.003339	−0.00145	0.000144
Median	0.004422	0	0.000369
SD	0.01738	0.019534	0.007527
Sample variance	0.000302	0.000382	5.67E-05
Kurtosis	1.817159	8.185975	2.140194
Skewness	−0.49502	−0.60895	−0.66467
Count	123	123	123

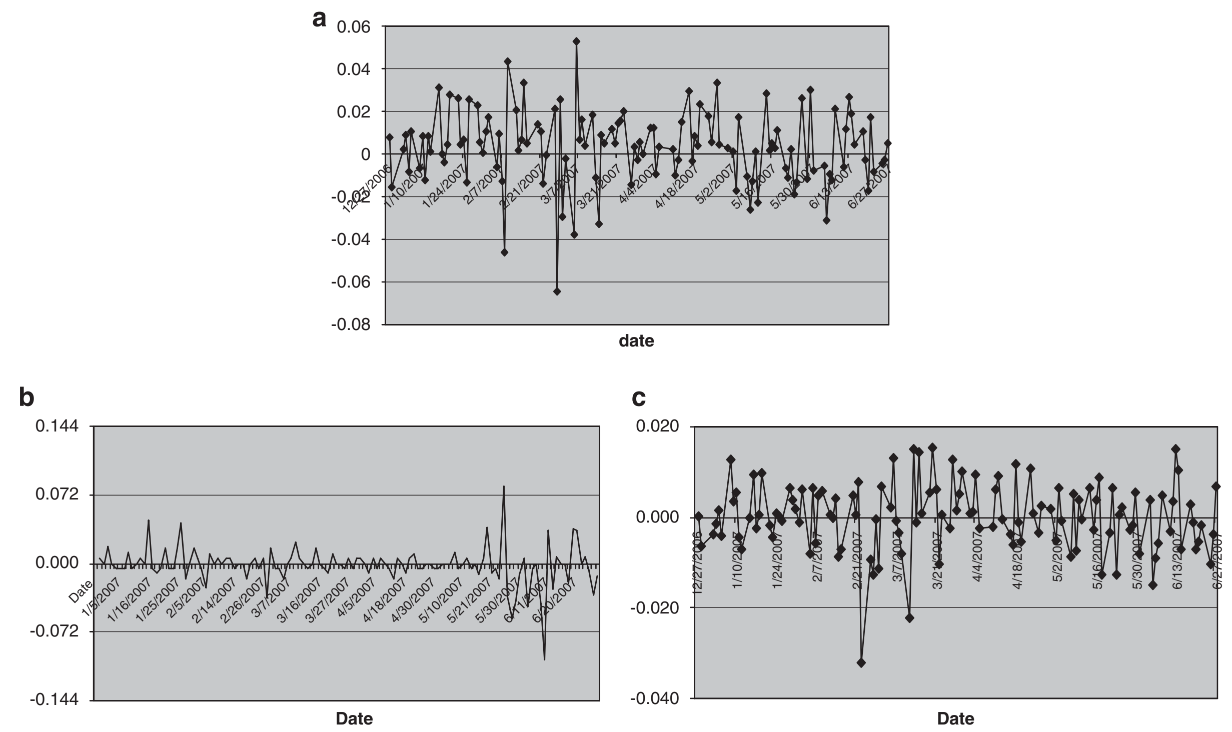

Figure 3: Stock price fluctuations: (a) Fiat, (b) Juventus and (c) Mibtel index daily price fluctuations

stock shows a significant difference in variance from the index in both periods, that is, before and after the announcement, at the 1 per cent level of significance. In both periods stocks' variance is significantly higher than the index, that is, more risky. As this occurred in both periods, we cannot suggest that this is an effect caused by the announcement. Regarding the mean daily returns we notice that before the announcement, Fiat had a significantly higher return compared to the index, at the 10 per cent level. Yet this difference became insignificant after the announcement.

Regarding the stock of Juventus

1. Juventus' stock, based on the graphical representation, shows some extreme movements after the announcement, evidence that investors may not consider it a positive announcement.
2. There is a significant difference, at the 10 per cent level, on the average returns two months before the announcement and two months after the announcement. The average returns before the announcement were positive, whereas after the announcement they became negative (Table 4).
3. There is a significant difference, at the 1 per cent level, on the average variance of the stock two months before the announcement and two months after the announcement. The average daily variance became actually four times higher after the announcement compared to that before the announcement. This is also in line with the observation made from the graph (Table 5).
4. All the above points show us that investors seem not to perceive this sponsorship programme as positive.

Table 4: Differences on mean daily returns prior and after the announcement

	Juventus F.C.		Fiat	
	Prior	After	Prior	After
Mean	0.0013	−0.0057	0.0046	−0.0002
T-stat	1.4027		1.2461	
p-value	0.0822		0.1081	

Comparing the stock of Juventus with the index (Mibtel)

1. The stock follows the same average returns with the index, before and after the announcement (Tables 6 and 7).
2. The stock shows a significantly higher average daily variance, compared to the index, in both periods, that is, before and after the announcement. That is, stock seems to be more risky compared to the index. (Tables 8 and 9).
3. The above point can be observed in the graphical representations of the stock and index, where stock exhibits a much higher volatility compared to the index.

Table 5: Differences on variance of daily returns prior and after the announcement

	Juventus F.C.		Fiat	
	Prior	**After**	**Prior**	**After**
Variance	0.0002	0.0008	0.0004	0.0002
F-stat	0.2401		1.6317	
p-value	0.0000		0.0605	

Table 6: Differences on mean daily returns prior to the announcement between the index (Mibtel) and the stocks (Juventus F.C. and Fiat)

	Mibtel & Juventus		Mibtel & Fiat	
	Prior S	**Prior I**	**Prior S**	**Prior I**
Mean	0.0013	−0.0006	0.0046	−0.0006
t-stat	0.7442		1.5994	
p-value	0.2294		0.0568	

Table 7: Differences on mean daily returns after the announcement between the index (Mibtel) and the stocks (Juventus F.C. and Fiat)

	Mibtel & Juventus		Mibtel & Fiat	
	After S	**After I**	**After S**	**After I**
Mean	−0.0057	−0.0008	−0.0002	−0.0008
t-stat	−1.0605		0.2618	
p-value	0.1460		0.3971	

Table 8: Differences on variance of daily returns prior to the announcement between the index (Mibtel) and the stocks (Juventus F.C. and Fiat)

	Mibtel & Juventus		Mibtel & Fiat	
	Prior S	**Prior I**	**Prior S**	**Prior I**
Variance	0.0002	0.0001	0.0004	0.0001
F-stat	3.5444		6.5487	
p-value	0.0000		0.0000	

Table 9: Differences on variance of daily returns after the announcement between the index (Mibtel) and the stocks (Juventus F.C. and Fiat)

	Mibtel & Juventus		Mibtel & Fiat	
	After S	**After I**	**After S**	**After I**
Variance	0.0008	0.000	0.0002	0.0000
F-stat	18.228		4.9549	
p-value	0.000		0.0000	

Table 10: Research results

Hypothesis	Support
H_1= *The official sponsorship announcement will have a greater impact (daily returns and daily variance) on Juventus's stock than on Fiat's.*	Supported
H_2= *The official sponsorship announcement will have greater impact (daily returns and daily variance) on Fiat's stock than on Juventus's.*	Rejected

Research results

Overall, we can suggest that the announcement had greater impact on Juventus' stock than on Fiat's. More specifically, the impact on Juventus' stock seems to be negative, whereas the impact on Fiat's stock seems to be positive (Table 10).

DISCUSSION

The major objective of this paper was to test who benefited more from the sponsorship agreement: the sponsor or the sponsored organisation. The paper dealt with stock market reaction on official football club sponsorship announcements using the event-study method. Our intention was to test 123 daily stock prices, in order investigate the potential connection between the announcement of an official football club sponsorship programme and stockholders' behaviour of both organisations. For the purposes of this study, we examined the announcement data of Fiat S.p.A. and Juventus Football Club S.p.A., based on the recent sponsorship agreement for 33 million euros for the next three years. This study is aimed at the managers of sports organisations and sponsorship relationships, who are seeking a guide to assist in their marketing decisions.

Based on the research results, the announcement had a greater impact on Juventus' stock than on Fiat's. More specifically, the impact on Juventus stock seems to be negative, whereas the impact on Fiat's stock seems to be positive.

Contribution of the study in the sponsorship research

Meenagahan[38] argued that the majority of commercial sponsorship research has focused on two main areas. First, a substantial amount of academic research has attempted to profile management practices with regard to sponsorship (eg Copeland *et al.*,[39] Farrelly *et al.*,[40] Irwin and Sutton,[41] and Pope and Voges[42]). In particular, Meenagahan stated that this research is primarily concerned with examining 'the motivation, choices and behaviour of sponsorship decision-makers' (p. 23). For example, Copeland *et al.*[39] profiled Canadian corporate sponsors to determine the criteria they used when selecting which level of sport to sponsor (eg grassroots, elite, amateur or professional sport opportunities). In addition, Copeland *et al.* attempted to uncover the reasons why sponsors discontinued their support, and assessed the level of perceived benefits received by corporations through the sponsorship exchange process. As the Copeland *et al.*[39] study illustrates, the majority of research profiling management practices with regard to sponsorship is focused primarily on corporate decision-makers' motives for engaging in such agreements. This area of research, however, has all but ignored the motives of the sponsorship decision-makers within the organisation that is receiving the support.

The findings of our study confirmed previous research activities regarding the statement that marketing actions affect stock prices. According to the research results, the sponsorship announcement had a greater impact on Juventus' stock than on Fiat's. More specifically, the impact on Juventus stock seems to be negative, whereas the impact on Fiat stock seems to be positive.

Based on our research results, can we claim that a sports entity can empower its image from a sponsorship relationship?

We believe that such a claim can be supported. Several empirical efforts have investigated the objectives that organisations try to achieve through their organisational sponsorship activities (eg Witcher *et al.*[2]). Sponsorship has traditionally been seen as having an effect on brand awareness and image (Hoek *et al.*,[3] Shanklin and Kuzma,[4] Abratt *et al.*[5]).

In the case of Juventus and Fiat, the sport sponsorship relationship between the sponsor and sports entity is approached as a form of co-marketing alliance. A rationale is provided, and factors deemed critical to alliance success (including strategic compatibility, goal convergence, commitment and satisfaction) are defined and explored through the background information. While sponsorship partners believe that the relationship can function as a co-marketing alliance, their interpretations differ, and this appears to stifle the relationship. The background information and research results reveal that approaching the sponsorship relationship as a co-marketing alliance provides valuable managerial insights and can have a positive effect on performance.

Limitations of the study and further research

The use of event-study methodology is both the strength and a weakness of this study. The event-study methodology enhances generalisability because the measures studied are based on measures of the general trading and buying behaviour analysis for a wide variety of products, services and brands. More solid results could be achieved if more data were available (in order to conduct a full trading analysis of both stocks). In terms of a better evaluation of the significance of the research results, it could be quite valuable to conduct comparisons of the underlined stocks from previous sponsorship agreements.

CONCLUSION

The major objective of this paper was to test who benefits more from the sponsorship agreement: the sponsor or the sponsored organisation. The paper dealt with stock market reaction on official football club sponsorship announcement using the event-study method.

Our intention was to test 123 daily stock prices in order investigate the potent connection between the announcement of an official football club sponsorship programme and stockholders' behaviour of both organisations. For the needs of this paper, we examined the announcement data of Fiat S.p.A. and Juventus Football Club S.p.A. based on the recent sponsorship agreement for 33 million euros for the next three years. This was an paper aimed at the managers of sports organisations and sponsorship relationships.

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