

Stock Price Correlated to Likeability of Super Bowl Ads

January 29 2008

When TV viewers like a company's Super Bowl commercial, the company's stock price goes up, according to a study by researchers in the University at Buffalo School of Management and Cornell University.

The study examined 529 commercials that aired during 17 Super Bowls from 1989-2005, and found that investors favored stocks of firms that aired likeable Super Bowl commercials.

The researchers used ratings gathered by USA Today's Ad Meter, a real-time consumer likeability ranking of Super Bowl commercials. They found that firms with the most likeable commercials had higher than normal stock purchases on the days following the Super Bowl, which increased the firms' stock price.

"This reaction is irrational because the stock returns were based solely on likeability of the commercials," says researcher Kenneth A. Kim, associate professor of finance in the UB School of Management. "If the likeability of the commercials caused a subsequent increase in company sales, a stock increase would make sense, but we did not find this to be the case."

Firms with the least-liked commercials and commercials that drew a neutral response from viewers did not experience the same stock price reaction, according to Kim and co-researchers Charles Chang, assistant professor of finance in Cornell University's School of Hotel Administration, and Jing Jiang, a doctoral student in the UB School of

Management.

However, having an "unliked" commercial did not harm those firms, the researchers concluded.

The findings on liked commercials demonstrate how people often take mental shortcuts rather than go through longer analytical processing when making decisions that should be complex, Kim explains.

In this case, people bought stock because they liked a firm's TV commercial instead of making a decision based on a firm's long-term value.

These investors appeared to use a mental short cut known as "representativeness bias" when evaluating the firms, Kim says. In investment decision making, representativeness bias is irrationally relating one aspect of a firm to its expected stock returns.

"We're probably all guilty of this bias in our everyday lives. When shopping for a used car, we might think that a clean car is a good car," explains Kim. "We might think a person with a nice haircut is a good person. We might think a tall person is a good basketball player."

In investment decision-making, another example of this bias occurs when investors believe recent past returns are representative of what they can expect in the future.

Source: University at Buffalo

Citation: Stock Price Correlated to Likeability of Super Bowl Ads (2008, January 29) retrieved 25 April 2024 from <https://phys.org/news/2008-01-stock-price-likeability-super-bowl.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.