Does Award Nomination Announcement Affect Nominees' Value?: A Case of Hollywood

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ABSTRACT

Does the stock market react to award nomination announcements? To answer this question, the authors examined the relationship between the release of award nomination information and nominees' valuation in the stock market using the 2022 Academy Award and Golden Raspberry Award. The event study result shows that Academy Award nominees achieved positive abnormal stock returns, suggesting that Hollywood stock investors accept Academy Award nominations as the clear signals. On the contrary, Golden Raspberry Award nominees experienced negative stock returns, demonstrating Hollywood stock market negatively responded to the Golden Raspberry Award nomination, but the impact was not significant. This study is the first to show that stock investors react to the release of award nominations by investigating the relationship between the announcement of the Academy Award and Golden Raspberry Award nomination and nominees' valuation.

Keywords: Announcement Effect, Event Study, Marketing-Finance Interface, Academy Award (Oscar), Golden Raspberry Award (Razzies)

INTRODUCTION

Marketing scholars have emphasized examining the financial accountability of marketing strategy (Srivastava, Shervani, and Fahey, 1998; Lovett and MacDonald, 2005). Marketing-finance interface research stream uncovered the positive financial performance of corporate social responsibility (CSR), customer satisfaction (Luo and Homburg, 2008), new product development (Pauwels Koen, Srinivasan and Hanssens, 2004; Sorescu, Shankar, and Kushwaha, 2007), word-of-mouth (Lou, 2008), and advertising (McAlister, Srinivasan, and Kim, 2007)

Consistent with this research stream, prior marketing studies have addressed the financial impact of specific marketing-related announcements, such as new product development, award, and movie cast recruiting. For example, a delay in new product development announcement is not positively associated with the abnormal stock returns for the company (Hendricks and Singhal, 1997). The powers of movie stars create a positive valuation of movies, actors, and actresses (Elberse, 2007). The release of AdMeter rankings of Super Bowl commercials influences stock market reaction (Kim, 2015).

However, the literature has placed little emphasis on examining impact of the specific award nomination announcement. The release of award nomination information is expected to generate considerable buzz and word-of-mouth, eventually affecting the valuation of nominees. This study investigates the relationship between award nomination announcement and nominees' value using the Academy Award and Golden Raspberry Award. The authors review the research background, method, and data application. Presenting results, the manuscript discusses research findings and concludes with future research directions.

RESEARCH BACKGROUND

To certify a firm's performance compared to its competitors, numerous awards in various areas, including Quality, Sustainability, etc., exist, and the studies associated with such awards have been extensively conducted. Hendricks and Singhal (1997) addressed how the stock market reacts to the delay in new product introduction by analyzing a sample of 101 new product delay announcements. Authors empirically showed the magnitude of the economic impact of being not able to keep the promise. The economic effect of delaying the introduction of new products would be more harmful in a highly competitive industry than in a less competitive industry. Along with the delay in new product announcement, degree of diversification, expected delay length, level of competition, firm size, and product life cycle were considered as moderators (Hendricks and Singhal, 1997).

Tellis and Johnson (2007) investigated the relationship between information about the quality of the firm's new products and abnormal returns, suggesting a simple but powerful method to measure quality and assess market rewards for high-quality recognition (Tellis and Johnson, 2007). Pauwels Koen, Srinivasan, and Hanssens (2004) investigated the short- and long-term impact of marketing actions on financial metrics, including top-line, bottom-line, and stock market performance. Beyond the effects of the firm’s earnings and general investment climate, product introduction will positively increase firm value while sales promotions diminish the long-term firm value. New product introductions increase long-term financial performance and firm value. The investor community rewards new product introductions and punishes discounting beyond the readily observable financial performance of the firm (Pauwels Koen, Srinivasan, and Hanssens, (2004).

Luo (2007) investigated the negative side of customer experience and addressed the harmful impact of consumers' negative voice on firm stock return. He empirically showed that higher levels of customers' opposing voices harm firm's future idiosyncratic stock return (Luo, 2007). Luo and Homburg (2008) examined the effects of both customer satisfaction and customer complaint on the stock value gap of firms (Luo and Homburg, 2008).

Elbers (2007) addressed the power of stars by examining the impact of movie stars on the value of film companies that recruit them. To conduct an event study, the author collected 1200 movie casting announcements (positive vs. negative) that cover approximately 600 stars and 500 movies from November 2001 to January 2005. Then she included artistic reputation and economic reputation as moderators in the regression model. The results showed that announcements of recruiting movie stars are positively related to estimated revenue and abnormal stock return (Elbers, 2007).

Kim (2013) examined the impact of the release of Super Bowl advertising on individual brands and advertising characters. In particular, the author estimated the financial impact of movie trailers released during the Super Bowl on movie stock trading activity. The result demonstrated positive cumulative abnormal return was present from two days before, indicating that a movie trailer release during the Super Bowl can create a favorable worth of a movie and influence the values of movie casts. The idiosyncratic return for movie casts was positive one day before and one day after the Super Bowl (Kim, 2013).

The other event studies have focused on examining the stock market response to Super Bowl advertisers by showing significant stock price performance and abnormal returns for companies sponsoring the Super Bowl advertising (Kim and Morris, 2003; Fehle, Tsyplakov, and Zdorovtsov, 2005). Chang, Jiang, and Kim (2009) found that well-liked Super Bowl advertisers can enjoy the higher stock market prices in the days following the game. Kim, Freling, and Grisaffe (2013) explained stock market reaction to Super Bowl advertisers' value in terms of advertising properties such as product benefit, ad appeals, and ad characters. They empirically found that positive abnormal return is closely related to emotional appeals and likable characters. The marketing-finance interface research has found that the stock market reacts to the specific information release and announcements.

Tippins and Kunkel (2006) examined the financial performance of the Clio award for excellent advertising and presented that not all award winners show the gaining of abnormal returns. They interpreted that market investors do not see any significant attention in the recipient of the Clio award. However, some industries, such as food, show significant returns. Authors argued that there might be an industry effect on the relationship between the awarding of the Clio and financial performance (Tippins and Kunkel, 2006).

Xia, Singhal, and Zhang (2016) presented that the announcement of the product design award contributed to the stock market reactions. The reaction from the stock market was higher for small-sized firms and firms trading consumer products. However, they could not determine the effects of a firm's growth potential, industrial competitiveness, and the association with first-time or repeated winners on such a positive reaction to the stock market (Xia, Singhal, and Zhang, 2016).

METHOD AND DATA

Academy Award (or Oscar) announces the nominees for 24 sections, including actor in a leading rand supporting role, actress in a leading and supporting role, etc. For the 94th Academy

Award, all the nominees were announced on February 8, 2022, and award winners were finally released on March 27, 2022 (https://www.oscars.org/oscars). Unlike Academy Awards, Golden Raspberry Awards (or Razzies; http://www.razzies.com) honors the worst actor, actress, directors, and so on. The nomination for the 42nd Golden Raspberry Awards was released on February 7, 2022, one day before the Academy Award nomination announcement.

Method

The authors selected an event study to explore the impact of award nomination announcements by examining how the stock market responds to Academy Award nomination and Golden Raspberry Award nomination. The event study has been widely used to predict the influence of specific event in terms of changes in stock price, assuming that stock market changes reflect new information made available to investors. Changes in stock price reflect the information added and released to the public and investors. Therefore, the stock price change is attributed to the information newly added or announced. According to the efficient market hypothesis, the authors assume a stock price reflects all public information, and stock prices should only change as a counter-reaction to unexpected information (Fama, Fisher, Jensen, and Roll, 1969).

Therefore, abnormally increased or decreased stock price represents the market situation where investors react to the release of information accordingly. The authors adopted a constant mean return model to calculate an abnormal return for Academy Award nominees and Golden Raspberry Award nominees, as shown below (MacKinlay, 1997; Elberse, 2007).

$$AR_t = R_t - E(R_t),$$

AR_t is the abnormal returns for period t, R_t is the actual returns for period t, and $E(R_t)$ is the expected returns. If the valuation changes because of the nomination announcement, the impact of the nomination release is expected to be present. Returns are given by the constant mean return model as follows:

$$R_t = \mu + \delta_t, \text{ with } E[\delta_t] = 0, \text{ Var } [\delta_t] = \sigma^2_{AR}$$

The authors calculated the nominees' cumulative abnormal return (CAR) by aggregating abnormal returns across time (from τ_1 to τ_2).

$$\text{CAR } (\tau_1, \tau_2) = \sum_{(\tau1,\, \tau2)} AR_t, \text{ with}$$
$$\text{Var } [\text{CAR } (\tau_1, \tau_2)] = \sigma^2 (\tau_1, \tau_2)$$

To assess the stock market impact of each nominee, the authors calculated expected returns for the nominee in a sample over an estimation window of 13 trading days ending three days before the award nomination announcement.

Data

This study used Hollywood Stock Exchange (http://www.hsx.com), which contains stocks for directors, actors, and actresses, to collect stock price data of 2022 Academy Award nominees and Golden Raspberry Award nominees. For Academy Award nominees, the authors considered five best actress nominees, five best actor nominees, four best-supporting actress nominees, four best-supporting actor nominees, three best director nominees, and one best screenplay nominees.

For Golden Raspberry Award nominees, the authors traced the stock price changes of three worst actress nominees, four worst actor nominees, one worst supporting actress nominee, three worst supporting actor nominees, and two worst director nominees. The nominees with no data on Hollywood Stock Exchange were not taken into consideration.

RESULTS AND DISCUSSION

The event study result shows that the Hollywood stock market favorably responded to the valuation of Academy Award nominees while negatively reacting to the worth of Golden Raspberry Award nominees. Table 1 summarizes the abnormal returns and cumulative abnormal returns of Academy and Golden Raspberry Award nominees from twelve days before to nine days after the nomination announcement. Academy Award nominees continually enjoyed positive abnormal returns after the nomination announcement. Abnormal returns for seven days except for day 3, day 7, and day 8 were significantly positive. Cumulative abnormal returns started to increase on day 1 with significantly positive through day 9. In contrast, Golden Raspberry Award nominees experienced negative abnormal returns right after the release of the award nomination information. Abnormal returns for Golden Raspberry nominees dropped to a negative number from day 2 through day 9.

Figure 1 displays the average cumulative abnormal return changes of the two awards nominees. The average cumulative abnormal return for Academy Award nominees decreased till one day before the announcement but increased six days after the information. This increasing aspect of CAR was discontinued six days after the announcement and dropped six days after the announcement. Therefore, stock market investors favorably interpret the Academy Award nomination information when evaluating nominees' value for seven days from one day before six days following the release of nomination information.

Meanwhile, the Hollywood stock market response to the Golden Raspberry Award nomination information was unfavorable. Abnormal returns for the Golden Raspberry Award nominees fluctuated till one day after the announcement. Still, they continued to reduce from one day following the nomination announcement to nine days after the announcement. Golden Raspberry Awards nomination was accepted as a negative sign to the Hollywood stock market.

Table 2 shows more specifically Academy Award nominees' CAR with four event windows, [-1, 1], [0, 1], [-1,3], and [0, 3]. For three days from one day prior to one following the announcement, twenty-two Academy Award nominees, on average, achieved 0.0029 cumulative abnormal returns. Four best-supporting actress nominees all attained positive cumulative abnormal returns in the window [-1, 1], while only four out of ten best actress and best actor nominees showed positive returns. However, CAR in the window [-1, 3] showed a different aspect. Only five of eighteen nominees for best actress, best actor, best supporting actress, and best supporting actor recorded negative cumulative abnormal returns. In the window [0, 3], fifteen nominees enjoyed positive returns, but seven experienced negative returns. Interestingly, Penelope Cruz, one nominee for best actress, showed significantly negative returns in the four event windows. Benedict Cumberbatch, one of the best actor nominees, received positive cumulative abnormal returns. Jessie Buckley, and Jesse Plemons realized positive returns, but best director nominees and one best screenplay nominee achieved insignificant positive or negative returns.

CARs for Golden Raspberry Award nominees are summarized in Table 3, representing no significance. The result cannot show that Hollywood stock market investors seriously accepted Golden Raspberry Award. However, the four worst actor nominees recorded negative cumulative abnormal returns in the window on the announcement day, suggesting the Hollywood stock market unfavorably responded to Scott Eastwood, LeBron James, Ben Platt, and Mark Wahlberg. Interestingly, investors neutrally reacted to Amy Adams, nominated as the worst actress and worst supporting actress at the same time. The three worst supporting actor nominees, Ben

Affleck, Mel Gibson, and Jared Leto, received marginal returns, and the two worst director nominees showed negative cumulative abnormal returns.

CONCLUSION

The authors explore the impact of the Academy Awards and Golden Raspberry Award nomination announcement on nominees' value in the stock market. The results demonstrate that 2022 Academy Award nominees enjoy the benefit of being nominated by the Academy of Motion Picture Art and Science (AMPAS) and the recognition of excellence in terms of artistic performance. Abnormal returns and cumulative abnormal returns for the nominees support for Academy Award nomination announcement as a positive signal in the stock market. The positive returns for the Academy Award nominee are attributed to the positive word-of-mouth effect that flows on the media, especially social media.

On the contrary, the Hollywood stock market unfavorably responded to the worst actor nominees. Still, they showed a neutral and unserious reaction to the 2022 Golden Raspberry Award nomination announcement, suggesting 'worst' not be the 'worst'. Hollywood stock investors might have accepted Golden Raspberry Award as a joke or humor. Golden Raspberry Award cannot be considered negative information in the stock market even though people talked about the award through chat or social media. The results support the previous research where the effects of awards are not always present (Tippins and Kunkel, 2006)

Although this study empirically shows that award nomination announcement affects nominees' value in terms of abnormal and cumulative abnormal returns, the result is limited to the 2022 Academy and Golden Raspberry Award. Future research should examine the relationship between the release of award nomination information and nominees' worth. Other nominees' characteristics, such as years of experience, age, and former award-winning experience, can impact the nominee's value. The additional cross-sectional analysis will also make it easier to reveal how the stock market evaluates award nomination information and nominees' value.

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APPENDIX

Table 1. Abnormal return and CAR for award nominees

	Academy Awards		Golden Raspberry Awards	
Event Day	Abnormal Returns	CAR	Abnormal Returns	CAR
-12	-0.0004	0.0050 ***	-0.0007 ***	-0.0029 ***
-11	-0.0008 **	0.0042 ***	0.0002	-0.0028 ***
-10	-0.0006 **	0.0036 ***	-0.0001	-0.0029 ***
-9	0.0003	0.0039 ***	0.0003 *	-0.0026 ***
-8	0.0016 ***	0.0054 ***	0.0026 ***	0.0000
-7	0.0012 ***	0.0066 ***	-0.0002	-0.0002
-6	-0.0056 ***	0.0011 ***	-0.0006 ***	-0.0008
-5	-0.0009 ***	0.0002	0.0008 ***	0.0001
-4	-0.0003	-0.0001	0.0013 ***	0.0014
-3	0.0001	0.0000	-0.0014 ***	0.0000
-2	-0.0007 **	-0.0007	-0.0012 ***	-0.0012
-1	-0.0011 ***	-0.0017	0.0001	-0.0010
0	0.0015 ***	-0.0002	0.0009 ***	-0.0002
1	0.0024 ***	0.0022	0.0008 ***	0.0006
2	0.0023 ***	0.0045 ***	-0.0005 **	0.0001
3	-0.0003	0.0042 ***	-0.0002	-0.0001
4	0.0020 ***	0.0062 ***	-0.0002	-0.0003
5	0.0015 ***	0.0077 ***	-0.0001	-0.0004
6	0.0009 ***	0.0086 ***	-0.0007 ***	-0.0011
7	-0.0014 ***	0.0072 ***	-0.0019 ***	-0.0031 ***
8	-0.0021 ***	0.0051 ***	-0.0016 ***	-0.0046 ***
9	0.0011 ***	0.0062 ***	-0.0019 ***	-0.0066 ***

* $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$

Figure 1. Plot of Average CARs

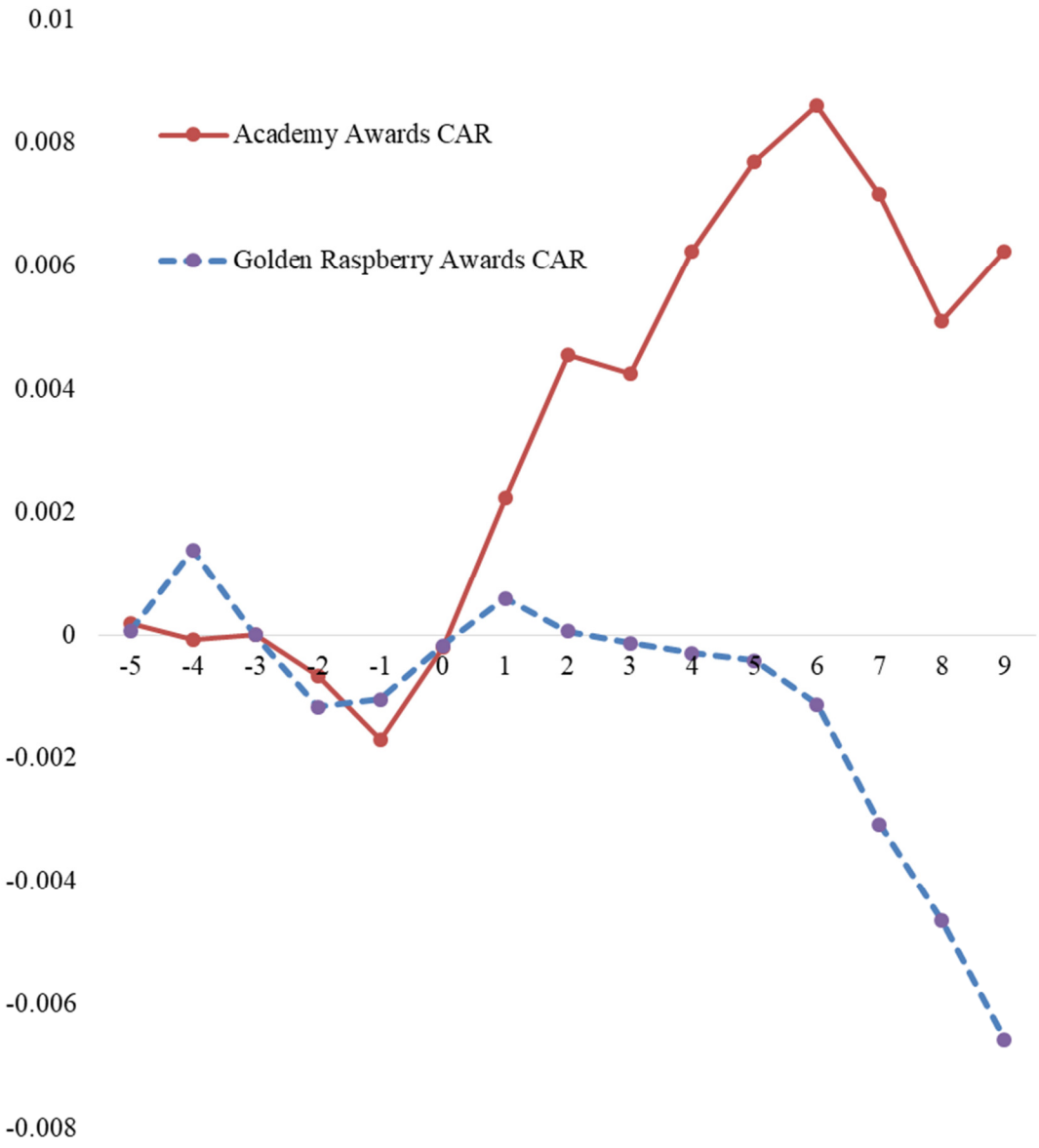

Table 2. CARs for Academy Award Nominees

	Windows			
	[-1, 1]	[0, 1]	[-1, 3]	[0, 3]
Best Actress				
Jessica Chastain	-0.0023	-0.0019	0.0019	0.0023
Kristen Stewart	-0.0010	0.0030	0.0007	0.0047
Nicole Kidman	-0.0087	-0.0036	-0.0141	-0.0090
Olivia Colman	0.0048	0.0032	0.0083	0.0067
Penelope Cruz	-0.0581 ***	-0.0421 ***	-0.0550 ***	-0.0390 ***
Best Actor				
Andrew Garfield	0.0072	0.0119	0.0000	0.0046
Benedict Cumberbatch	0.0458 ***	0.0378 **	0.0619 ***	0.0540 ***
Denzel Washington	-0.0010	0.0005	0.0093	0.0109
Javier Bardem	-0.0126	-0.0058	-0.0113	-0.0044
Will Smith	0.0017	0.0012	0.0028	0.0023
Best Supporting Actress				
Ariana DeBose	0.0000	0.0000	0.0044	0.0044
Jessie Buckley	0.0358 **	0.0316 **	0.0303 **	0.0261 *
Judi Dench	0.0160	0.0154	0.0172	0.0166
Kirsten Dunst	0.0093	0.0062	0.0021	-0.0010
Best Supporting Actor				
Ciarán Hinds	-0.0015	-0.0021	0.0064	0.0058
J.K. Simmons	-0.0045	-0.0032	-0.0101	-0.0087
Jesse Plemons	0.0347 **	0.0336 **	0.0532 ***	0.0521 ***
Kodi Smit-McPhee	0.0024	0.0037	-0.0014	-0.0001
Best Director				
Kenneth Branagh	-0.0039	-0.0013	-0.0067	-0.0041
Paul Thomas Anderson	0.0001	0.0001	0.0048	0.0047
Steven Spielberg	-0.0050	-0.0010	-0.0033	0.0007
Best Screenplay				
Adam McKay	0.0045	-0.0003	0.0061	0.0013
Average CAR	0.0029 *	0.0039	0.0049 *	0.0060 *
Positive: Negative	11:11	12:10	14:8	15:7

* $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$

Table 3. CARs for Golden Raspberry Award Nominees

	Windows			
	[-1, 1]	[0, 1]	[-1, 3]	[0, 0]
Worst Actress				
Amy Adams	0.0057	0.0058	0.0055	0.0059
Megan Fox	0.0089	0.0012	0.0207	0.0006
Ruby Rose	-0.0042	-0.0006	-0.0082	-0.0003
Worst Actor				
Scott Eastwood	-0.0031	-0.0060	-0.0066	-0.0005
LeBron James	0.0009	-0.0026	-0.0049	-0.0029
Ben Platt	0.0050	0.0053	0.0045	-0.0003
Mark Wahlberg	-0.0051	-0.0075	0.0062	-0.0038
Worst Supporting Actress				
Amy Adams	0.0057	0.0058	0.0055	0.0059
Worst Supporting Actor				
Ben Affleck	0.0065	0.0067	0.0042	0.0063
Mel Gibson	0.0247	0.0164	0.0220	0.0043
Jared Leto	-0.0002	0.0036	-0.0026	-0.0006
Worst Director				
Renny harlin	-0.0131	-0.0008	-0.0259	-0.0004
Joe Wright	-0.0087	-0.0058	-0.0069	-0.0029
Average CAR	0.0228	0.0213	0.0135	0.0113
Positive: Negative	7:6	7:6	7:6	5:8

* $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$