

**Valuable, Rare Resources or Really Big Vanity Plates?
Market Reactions to Announcements of Stadium Naming Rights**

By Gregory G. Dess

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For decades, major-league venues have featured either the stadium owner's name or a locality-based identifying moniker (for example, Wrigley Field in Chicago and Texas Stadium near Dallas). This changed in 1973 when Rich Foods agreed to a 25-year naming agreement for the football stadium used by the Buffalo Bills. And, in 1987, Great Western Financial agreed to pay \$15 million for 15 years to put its name on the Forum, the home of the Los Angeles Lakers. Clearly, the pace has picked up, and today approximately 62 major-league stadiums feature corporate names.

Recently, the media has challenged the economic merits of the enhanced reputation and visibility associated with these arguments. After all, 70 percent of these agreements also provide corporate executives with the use of a luxury suite for entertainment purposes. Critics suggest that such issues were driven largely by a desire for perquisite consumption, as opposed to the acquisition of a valuable and scarce resource. Thus, the central research question becomes: Was the decision to purchase a given naming right an appropriate acquisition decision, or was the decision simply a case of executive trophy hunting in an attempt to enhance the executives' own stature and perquisites?

Employing a method termed "standard event method", my colleagues, Matt Gilley (St. Mary's University) and Jay Janney (University of Dayton), and I found a significant positive market reaction (stock price increase) to the announcements. Further, we found that whether or not the naming rights agreement included luxury suites had no significant difference on the market reaction to the announcements. Thus, we found that naming rights result less from agency problems (that is, a conflict between management and owners—stockholders) and more from the management team's desire to acquire a valuable and rare resource.
