

Sport in investor relations: the use of sport in investor relations by banks listed in the Warsaw Stock Exchange

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Abstract

The research objective of the article is to identify the use of sport in investor relations. Investor relations, although inseparably associated with listed companies, are present in every business entity, regardless of the legal form of the business. This is due to the fact that in order to operate on the market, the entity has to maintain contacts with the financial and economic environment. A negative opinion or doubts regarding the financial situation may result in the bankruptcy of the entity. That is why communication with stakeholders is so important. At the same time, there is a belief that sport is positively associated in the public space, and therefore often supports its' sponsorship as the part of brand promotion. In order to verify this opinion, the following research questions were asked in the study: 1. Is sport an important element of the company's presence in the public space? 2. Is supporting sport incidental, or is it a part of long-term financing strategy? The analysis was carried out on a group of 8 banks listed on the Warsaw Stock Exchange. Mainly qualitative research approach was applied, in order to identified the applied approach to sport in the analysed companies. The following research methods were used: a method of critical analysis of the subject literature on both the investor relations and the sport market, as well as a descriptive and comparative methods and case study method. Conducted analysis allowed to conclude that usually the value of the financial engagement is not disclosed. Primarily one-off events dominate in such engagements, however long-term commitment in 1-2 sport disciplines are present as well. Usually sport is passively supported as part of the sponsorship, but there are already cases of active sport usage to promote specific products and services offered by the bank. In terms of financing, most banks still use the fragmented system, based on bank foundations supporting numerous local projects for considerably insignificant amount of money. At the same time, banks were identified which, in principle, do not support sport or do not inform about such activities. However, because the sport is an important element of banks' presence in the social space and is included in the mainstream corporate social responsibility, hence intensifying support for sport in the future by listed companies is to be expected.

Key Words: sport, investor relations, public companies, sponsoring, CSR, capital market

Introduction

The financial market is an important part of the economy, enabling its' efficient financing. Its important part is the capital market with the stock exchange. The importance of the capital market in connection with the ongoing social processes forced the necessity to organize dedicated communication between the market and investors. As a result, it led to the emergence of investor relations. Investor relations are aimed at financial and economic communication of the company with capital market stakeholders, including in particular: investors, potential investors, analysts and the media. Investor relations are changing the capital market, but at the same time they are evolving. From passive reporting on financial results, they are becoming a tool of two-way, active communication. At the same time, they take into account new trends reported by the market, for example in the field of corporate social responsibility (CSR) (Dziawgo 2014) and political risk (Dziawgo 2020).

Investor relations can be defined as the provision of information of a financial and economic nature to the financial community, in particular to current and potential investors, to the extent provided for by law under penalty of losing the status of a public company (Dziawgo 2011). At the same time however, such relationships mean that the company limited communication to the necessary minimum required by law. In practice, IR (Investor Relations) are actively used as a tool for achieving various goals defined by companies, including social goals. Among them, an important goal is to support sport.

Therefore, this study deals with the issue of the presence of sport in the policy of interaction with the economic and social environment in publicly listed companies. It seems that it is important for organizations

related to sport to determine whether publicly listed companies perceive sport as a carrier of the company's presence in public space. It can be determined on the basis of actual activities and financial spending incurred by the companies. As a result, sports organizations will be able to adapt their external fundraising strategies accordingly. If a given publicly listed company does not perceive sport as an important element of the functioning of a socially responsible entity, the activities of sports organizations should focus on changing this approach. On the other hand, if a publicly listed company is already actively supporting sports activities, sports organizations should focus their attention on finding solutions where both parties would benefit from mutual cooperation. The next step would be to identify activities that can increase these benefits and make them more easily identifiable. Pointing to the mutual strong relationship between the expenditure on sports and the results obtained would certainly contribute to a stable, long-term financial commitment. This is certainly a desirable goal of sports-related organizations.

As a result, analysis of certain cases of engaging publicly listed companies in sports, could contribute to identifying solutions that could serve as an example for other entities. At the same time it enables to make theoretical and empirical contribution in development of sports.

Material & methods

The research objective of the article is to identify the use of sport in investor relations. The analysis was carried out on a group of banks listed on the Warsaw Stock Exchange. Table 1 presents the composition of the WIG-banks sub-index along with the value of their market capitalization. Banks meeting two criteria were selected for the analysis:

- the largest 10 banks in terms of stock market capitalization,
- business operations conducted in Poland.

As a result, a group of 8 banks was separated.

Table 1. Companies included in the WIG-banks sub-index, taking into account stock market capitalization

Ranking	Composition of WIG-banks sub-index	Market capitalization as of 30/06/2020 (million PLN)
1	Banco Santander S.A.*	146,239
2	UniCredit S.p.A.*	80,418
3	Powszechna Kasa Oszczędności Bank Polski S.A.	28,925
4	ING Bank Śląski S.A.	17,824
5	Bank Polska Kasa Opieki S.A.	14,882
6	Santander Bank Polska S.A.	16,487
7	mBank S.A.	8,675
8	BNP Paribas Bank Polska S.A.	6,988
9	Bank Handlowy w Warszawie S.A.	4,834
10	Bank Millennium S.A.	3,719
11	Alior Bank S.A.	2,059
12	Bank Ochrony Środowiska S.A.	586
13	Getin Noble Bank S.A.	242
14	Getin Holding S.A.	203
15	Idea Bank S.A.	174

*Does not conduct operating activities in Poland.

where exchange rates: 1 USD = 3.7076 PLN; 1 EUR = 4.3892 (17.08.2020).

Source: www.gpw.pl; www.money.pl/gielda/spolki-gpw/; www.nbp.pl

Mostly qualitative research approach was applied in order to understand the approach to sport in the analysed companies. The following research methods were used in the article: a method of critical analysis of the subject literature on both the investor relations and the sport market, as well as a descriptive and comparative methods and case study method.

In order to achieve the aim of the research, the following research questions were asked:

1. Is sport an important element of the company's presence in the public space?
2. Is supporting sport incidental, or is it a part of long-term financing strategy?

For the considerations of the article, it is important to refer to the research results presented in the literature of the relationship between the sport and capital market, as well as the concept of investor relations.

It should be noted that the conducted scientific research does not consider the issue of how sport is financed by companies and listed companies and the use of sport in investor relations (Lis & Tomanek, 2020). Hence, this study partially fills the gap in this regard.

Most of the research on the connections between sport and the capital market focus on determining whether there is a link between sports performance and the stock market. In fact, this type of research is dominant. The obtained results are not unequivocal in this respect. There are studies that confirm that in the case of bad sport results they have a negative impact on the stock market (especially in the case of national teams and

the stock market index in a given country), while the effect of obtaining positive sport results is not significant. This is usually explained by the impact on the mood of investors and the sport discipline examined. For example soccer influences mood of great amount of people in many countries (Sevil&Polat 2015).

At the same time however, there are studies that did not find such an impact. Of course, it should be noted at this point that the applied research methodologies were different, which could have had an impact on the obtained result. Some studies of this type are cited below by way of example.

Edmans et al. (2007) examines whether the impact of international soccer results on stock return. They find significant market decline after soccer losses. Using a cross-section of 39 countries they find that losses in soccer matches have an economically and statistically significant negative effect on the losing country's stock market. For example, a loss in the World Cup leads to a next-day abnormal stock decline of <-49> basis points. They also indicate a loss effect after international cricket, rugby, and basketball games. They conclude that is the evidence of the loss effect caused by a change in investor mood.

Demirhan (2013) explores national soccer team matches in the period between years 1988-2011 and finds that the market indexes are not affected by national team win results. However, losses have an effect on the market index. Scholtens and Peenstra (2009) assess soccer team and the results show that positive reactions are associated with wins and negative reactions are related to losses. But abnormal returns have strong responds in terms of losses than wins. Furthermore, findings suggest that abnormal returns are greater in European matches than national league. At the same time unexpected results cause higher effects on stock market. Also Dimic et. al. (2015) analysis suggests that bad news produce higher price effect than good news.

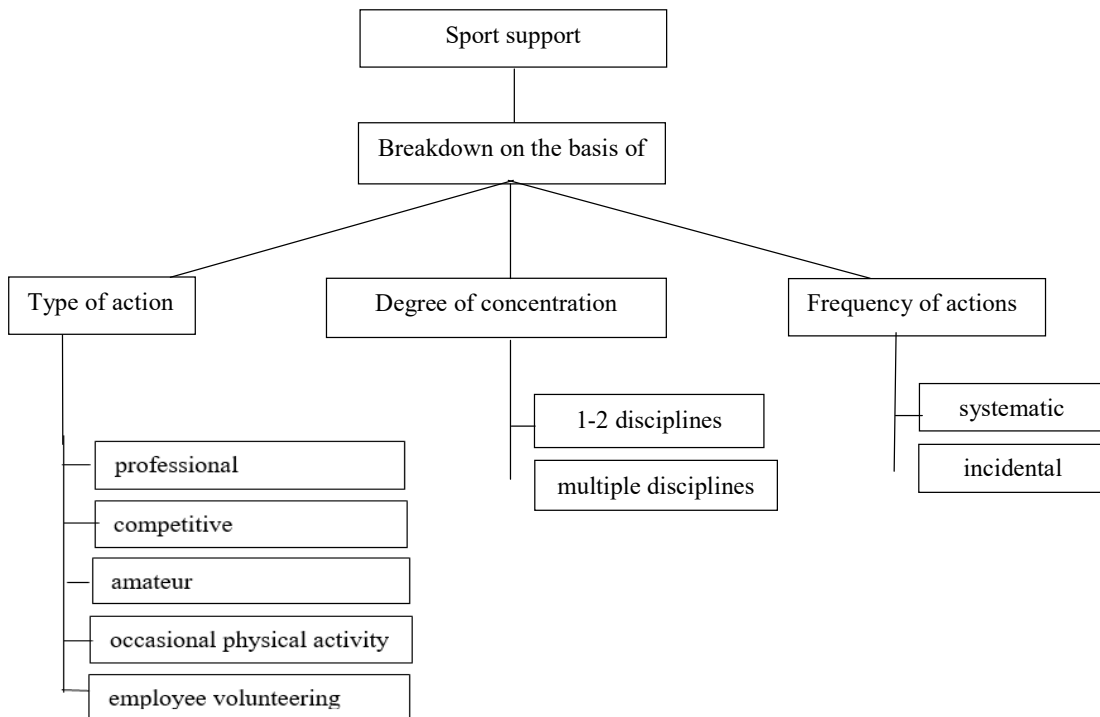
Gerlach(2011) on the other hand stated that national match effects on stocks are insignificant. Sport related investor sentiments do not cause any unusual return in markets. Also analysis of Lidemar and Karlsson (2015) did not suggest distinct evidence of sport sentiment. They pointed out that positive results of sport sentiments are detectedbut with insignificant impacts.

Results

In this part, the involvement in sport activities of banks listed on the Warsaw Stock Exchange is synthetically characterized. The period under analysis covers the years 2018-2020. The banking sector was selected due to the financial resources held, the status of a public trust institution, and the intellectual capital held. These elements predispose banks to position the leader of this innovation and trending, which can then be implemented by other entities economic.

Identified methods of sport support by analyzed banks were presented on figure 1.

Fig. 1. Methods of supporting sport by analyzed banks.



Source: Own elaboration.

Santander Bank Polska

The Santander Group has a tradition of sponsoring sport. In particular, it should be mentioned that Banco Santander sponsored Formula 1 teams for many years (2007-2017), and since 2018, the UEFA Champions football tournament. In addition to global actions, national initiatives are also supported (www.santanderconsumer.pl/). An international football tournament was held within the group, and teams were composed of bank employees. Over 160 employees participated in the Polish qualifying rounds. Employees also had the chance to win tickets and watch the Champions League final in Madrid live.

Moreover, the bank runs the 'Heath Academy', under which it organizes or sponsors: Nordic Walking; Nordic Walking Cups; Nordic Walking Guide; Run for a New Life; Run for the Breath. Santander promotes Nordic walking with a series of free training sessions in 30 locations, once a week for 16 weeks. In 2018, almost 36 thousand people took part in them. The bank is also a sponsor of the 'Run for New Life', the aim of which is to convince people to sign declarations of will for organ transplantation. The 15th edition of this race took place and was attended by over 100 relay teams. In attendance there were people after transplantation, actors, musicians, journalists and athletes.

On the other hand, 'Run for Breath' is an event organized by the Polish Society for Fighting Cystic Fibrosis. Its purpose is to raise funds for the purchase of rehabilitation equipment and drugs, as well as to raise awareness about this disease. Over 700 people took part in the fifth edition in 2019.

In 2017, the bank launched the 'Bank of Young Sport Champions' program. As a part of the grant program, the foundation supports sport activities for people aged 5 to 26. Organizations working with children and young people may submit a project to organize team sport competitions, Olympics, Paralympics, trainings and other activities, the main motive of which is sport and the promotion of fair play. In the 3 editions, 148 organizations received grants for sporting activities in the amount of 900,000 PLN.

In 2019, for the second time, the Santander Foundation carried out the campaign '1 mln kilometres donation for Good' for the hospice in Gdańsk. The kilometres were generated, for example, during walking, running or cycling - determined the amount of the donation.

PKO Bank Polski

The bank's sponsorship activities in the field of sport are aimed at encouraging activity and promoting mass sport. The bank primarily sponsors runs, and since 2018 it has also been involved in football. Currently, the bank is the main partner and the official bank of Ekstraklasa national football league. As a result, the current name of these games is: 'PKO BP Ekstraklasa'. The concluded contract is for a period of 3 years. The aim of this sponsorship project is to help the development of the league and young footballers in Poland. It is estimated that thanks to these activities, the clubs will receive a total of PLN 100 million for 3 years (<http://ekstraklasa.org/>; <https://www.pkobp.pl/>).

Every month, bank selects the Youth of the Month at PKO Bank Polski, i.e. the best Polish footballer under the age of 21 in a given month. In turn, the official Ekstraklasa Cards with images of football clubs were made available to the bank's clients. The cards provide benefits for fans, including the opportunity to win an invitation to matches, including a special Fan's Sofa located near the sideline. The clubs' official websites, fan shops and social media are places to attract new bank customers. The club will receive appropriate remuneration for each product purchased by a fan at PKO BP. Additionally, each fan who uses the bank's services will receive a voucher to be used in the fan club shop.

As part of the banking program 'PKO Bank Polski Run together', bank supported 37 different running events throughout Poland in 2019. In 2019, Bank PKO BP sponsored the project called 'PKO BP Charitable Run', which was attended by over nine thousand people. The Bank also supported sport events such as Cavaliada - a series of International Show Jumping Competition and Sail Szczecin Days of the Sea.

Bank PKO BP has also launched an affiliate program based on crowdfunding (Dziawgo&Dziawgo, 2019). This program enables clubs to obtain funds by promoting banking products among fans. Clubs define the goal for which they want to allocate funds in a given perspective, and the fan can decide whether he wants to participate in it or not.

ING Bank Śląski

'Warsaw Run' is an initiative associated with 'orange strength' (color of bank visualization). Employees can declare participation in the form of a run or a march. Depending on the attendance, the bank then transfers funds to the bank's foundation, including for financing sport projects. In 2019, 706 running and 1,500 marching employees of ING participated. As a result, the foundation's account was credited with nearly 146,000 PLN for the purchase of equipment in the sport for children and youth (<https://raportroczny.ing.pl/>).

Bank Pekao

The bank has sponsored the Pekao Open tennis tournament since 1993. Since 1997, the prize pool has been USD 150,000. The bank sponsored A. Bargiel's expedition during the K2 Ski Challenge in 2018 and in January 2020 the 'Podhale Run' aimed at popularizing cross-country skiing as a form of a healthy lifestyle and an active form of spending free time.

In addition, the bank's foundation supports the activities, of among others, in the field of promoting physical culture and sport.

For 10 years, the bank has also organized the Employee Olympics. In the last 10th edition - 650 employees participated and competed in 14 disciplines (<https://www.pekao.com.pl/>).

mBank

In winter 2019, mBank invited residents of 300 cities to free ice rinks. Additionally, mBank customers can rent skates for 1 PLN (<https://www.mbank.pl/>).

Earlier, in the years 2004-2009, the bank organized the 'mBankŁódźMaraton'. After 6 editions, this project was abandoned. A total of 3,500 runners from 14 countries took part in it. Bank also sponsors the Eurobuild CEE Golf and Tennis Tournament (6 seasons; <http://golf.eurobuildconferences.com>).

BNP Paribas Bank Polska

The Bank is known for long-term promotion of tennis. Since 2016 has been supporting 'The kids rocket', which is the program aimed at popularizing tennis among children aged 5-12 years in schools. Equipment and training were prepared for teachers for 70 schools. Condition for support was the message of the movie or photos illustrating the passions of sport. In 2019 bank was also the title sponsor of the tennis tournament in Sopot Open (<https://www.bnpparibas.pl/>).

Bank Citi Handlowy

It can be seen that the bank's sport offer has the classic features of a customer loyalty program. Its structure is as follows: if you use our products, you will get discounts on products of our partners and additional free bonuses.

Under the program 'Citi Specials' including the category 'Sport and Health' in cooperation with program partners (nearly 300 entities) various discounts are being offered. The condition is the payment by the bank's card. As an example the following bids can be cited: escort the players on the pitch, voucher PLN 50 shopping in sport shops, a monthly pass for the train at the Football Academy, attendance at UEFA Champions League games, tickets for ski jumping, 5% discount on bicycles, 10% discount on selected tourist assortment.

Additionally, the lottery was offered: for each payment by Citibank credit card for at least 50 PLN and for every 1000 PLN of credit taken, one lottery ticket was granted. Every week client can win a 100 PLN voucher for shopping in a sport shop and additional prizes: a bicycle or an electric scooter.

The Bank also conducts program 'Live Well at Citi', promoting culture of health among employees and corporate clients. During sport competitions, employees of the bank and the clients form a single team supporting several charitable initiatives. The bank supports the Paralympic movement in Poland.

Bank has been using city bikes as the tool promoting that its products and services in several cities. However, in June 2020 it organized 'Citi Handlowy COVID-19 Relief Challenge' - virtual cycling race over a distance of 40 km (Sprawozdanie ... 2018, 2019).

Bank Millennium

This bank supports sport through its foundation. Bank Millennium Foundation provides grants, through which volunteers - employees of the bank - can, for example, renew fields and playgrounds where children and young people will be actively spending time. Numerous projects are aimed at showing children how important sport is in human life and taking care of physical health. Bank employees are encouraged to volunteer (<https://www.bankmillennium.pl/>). Bank's primary focus is on sponsoring cultural activities, not a sport activities.

Discussion

Summarizing the presented case studies, a general conclusion can be drawn that the actions of banks in Poland promoting sport take various forms and values. In most cases, however, the amounts involved are not disclosed, and the actions taken are primarily of a one-off nature. At the same time, in many banks, sport is not only passively supported under sponsorship, but is also actively used to promote products and services offered by a given bank. In terms of financing, most banks are still dominated by a fragmented system, based on the support of many local projects, many sport disciplines, for relatively small amounts by bank foundations. However, there are also examples of relatively greater financial commitment, often related to long-term contracts and initiatives, which turned from one-off to cyclical. At the same time, it is possible to identify banks which, in principle, do not support sport or do not inform about such activities.

Despite these critical remarks, however, we can look to the future with optimism, because apart from one-off measures, there are more and more examples of long-term support for sport by banking institutions that focus on selected 1-2 sport disciplines.

Sport, promoting a healthy lifestyle, has a positive reception in society. The Polish Economic Institute estimated that the media value of sport marketing in 2018 amounted to PLN 10 billion (Polski rynek sportu, 2019). It should also be noted that physical activity and health are part of sustainable development activities.

Therefore, the involvement of listed companies in sports is closely related to building relations with society and supporting its development.

The market trend changes in approach and corporate social activity can be observed. Business based on one-time grants reactive and responding to requests is slowly fading away for support of long-term social commitment. Increasingly, it is being built on the basis of partnerships with selected organizations who rejoice recognition and social trust.

Therefore, it should be expected that sport will be supported within the framework of implemented strategies of social involvement, included in the framework of long-term financing strategies. Business entities now function in a society where there is an increasingly well-educated citizen, client, investor and employee who is better educated and aware of their rights and position (Dziawgo, 2010).

Therefore also the operators cannot ignore trends widely accepted socially, and to include corporate social responsibility. CSR in companies not only can, but should be used to create competitive advantage in the market. The modern stage of economic development requires practical application of CSR principles.

At the same time, the beneficiaries of sport must also undertake activities related to communication and effective use of resources, which can basically be described as a sport business model (Perechuda, 2020). For example from the point of view of transaction costs analysis, sport club is a kind of firm operating in a market so it must be analysed as an economic entity with financial goals (Boehlke, 2020).

This kind of approach opens up new opportunities for sport clubs and their relations to market structure.

Conclusions

Summing up the conducted analysis, it can be stated that sport is an important element of the business presence of banks in the social space. In particular, sponsorship of sport activities in the analysed listed companies is an important element in creating their image as a socially responsible entity. At the same time, however, the activities carried out and their financing are, in most cases, one-off, ad hoc measures. In addition, the amounts allocated to the broadly understood sport are not relatively significant in relation to the generated profit.

Sport has a wide potential to be used in communication - not only fans of sport clubs, not only people actively practicing sport, but customers, potential customers, investors and potential investors. Unfortunately, it seems that this potential is currently not being used effectively. It's basically limited to spending money on sponsorship/advertising. Meanwhile, from banks - entities experiencing creating their image - one would expect a more active use of opportunities that creates commitment to sport. Offering certain elements of customer loyalty programs is a breakthrough in this regard.

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