

CELEBRITY INFLUENCE ON CORPORATE AND STOCK PRICES

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ABSTRACT:

This research study on the various famous personalities (celebrities) having influence over the corporations and share market prices, we relied stress on how actors, actress and other well – known persons influence the stock price and the corporation. We have obtained data of the stock prices and other line graphs to depict that effect of such influence by the celebrity. We mainly chose to do the effect made by them only for the period of the year 2018. We went on to prepare this paper with the secondary data available and is mostly based on quantitative data. This is prepared in a way it helps the some MSME companies to have knowledge about the influences. The major limitation could be it did not focus on many other greater influences.

KEY WORDS: *Social media, Celebrity branding, Stock Exchanges, Sentiment.*

INTRODUCTION:

“Share”, generally means, the total capital of a corporation diversified into smaller units. “Stock price” can refer to the price of one’s holding. Public companies limited by share get themselves listed on stock exchanges (NSE, BSE or any regional). In India, listing (getting a company shares listed on stock exchanges) is not compulsory, as per Indian Companies Act, 2013. But, if the company is listed on stock exchange, those shares are eligible for trading by general public across the country. In the open market, where the shares are listed, the prices fluctuate every single second on people buying and selling, unlike private companies, where valuation done by authorized institution reflects the value of share. This research is made to prove such stock prices can also be

influenced by famous celebrities in India and across the globe. And such celebrities will also have dominance, if they enter business world with a motive.

REVIEW OF LITERATURE:

2.1 “FIVE CELEBRITIES WHO ROCKED THE STOCK MARKET THROUGH SOCIAL MEDIA” (Stefansky, 2018)

KYLIE JENNER:

TWEET: “Sooo does anyone else not open snapchat anymore? Or is it just me...ugh this is so sad”.

In February, 2018, Kylie Jenner, a Reality Television personality, tweeted about Snapchat which reached 24.5 million followers and caused a 7% plunge in the Snapchat’s parent organization, Snap Inc. stock price traded on NYSE. According to John Illsley, “underlines the fragility of social networking platforms from a corporate finance perspective”.

DONALD TRUMP:

The United States – President often used his influence to exploit rattle corporations, many-a-times Amazon Inc. But one of the notable was on Boeing in December, 2016. He argued on the “costs are out of control” on the aircraft manufacturer’s proposed new Air Force One commission, a 747 being built for US\$ 4 billion. The stock tumbled by almost US\$ 2 (Rs.140), a share.

2.2 “DI Corporation” (Wikipedia, 2018)

DI (Dongil) Corporation is a manufacturer of semiconductors test equipment. PSY, along with his family owns about 30% of the shares in the company. It was listed on Korea Stock Exchange in 1996. According to Reuters, the company’s market capitalization doubled after the release of Gangnam Style. Bloomberg L.P. reported that the father-son connection to the music video has triggered the share price by 500%, of DI Corporation. By the end of 2012, the prices have surged eightfold since the release of the song.

2.3 “ALL THE CELEBS WHO HAVE INFLUENCED THE STOCK MARKET” (Gale, 2018)

Earlier in 2018, when DJ Khaled signed on with Weight Watchers as their social media ambassador, the stock price which is listed on New York Stock Exchange went up by 7%. And when Oprah signed with the company in 2015, the share prices went up doubling its value in a single day trading.

Jeremy Jordan, star of the short-lived music drama Smash, tweeted that he “almost died” of food poisoning from eating Chipotle Mexican Grills, a company listed on NYSE. The share prices of the company fell to its lowest level in 5 years.

2.4 “Did Rihanna End Snap?” (Alpha, 2018)

In March, 2018, after Snap Inc. made a controversial advertisement against Rihanna and Chris Brown (“Slap Rihanna” or “Punch Chris Brown”), Rihanna criticized Snapchat on social media for such animation which would intentionally bring shame to domestic violence victims and making a joke of it. As a result, the share price of the parent company, Snap Inc. fell by over 5% wiping over US\$ 800 million of its market capitalized value.

2.5 “Musk Marijuana Scandal Tanks Tesla’s Stock Price” (Torossian, 2018)

After Elon Musk appeared on “The Joe Rogan Experience”, the Tesla’s share price fell more than 6%, the following morning, despite Tesla’s super performance. The reason given is that Musk was seen to have smoked marijuana and sipped whiskey during the program. In such podcast, Musk can also be seen checking texts and laughing about friends asking why he is smoking weed.

RESEARCH DESIGN:

3.1 Statement of Problems:

It is a fact that celebrities and hit – stars are expensive and they charge a big figure for a single brand endorsement as per their value of recognition in the society. Usually, the value of recognition

depends upon how famous one, compared to another or how familiar they are across the globe. As they would have put in much hard work to shape their career, they charge in complement to it. For less than a 2 minute ad, these celebrities charge ranging from Rs.50 Lakhs to Rs.10Crores and even more. This ultimately brings the fact to the company that there can be a significant increase in the intangible advertisement expenditure. This resulted to the company choosing local or regional people/ actors to endorse the product. And there is also problems that star are famous ailing to the place of their origin. Some star may not be recognized in those areas which isn't their hometown/ residency. These risks are inherent so company should work accordingly.

3.2 Source of Data

This research study, solely contain secondary data which are obtain in Internet from various website like Wikipedia, Google and other news sites.

3.3 Hypothesis (Assumptions)

This topic “Celebrity influence on Stock Price” rely stress on the sentimental behaviors of investors/ share trader on celebrity mostly involving intermediary, social media. So, in such a case there will be no distinction between dependent and independent celebrities with the company. For instance, Kylie Jenner is completely independent with Snap Inc. (no contractual connections) but Elon Musk is completely dependent with Tesla Inc. (Co-Founder, Chairman, and CEO).

H₁: There is a significant relationship between celebrity and share prices.

H₀: There is no significant relationship between celebrity and share prices.

3.4 Data Analysis Tools

This study contain, mostly quantitative data and those data are obtained from those sites having similar studies.

3.5 Expected Outcome

This study mainly focuses on making the company know about the actual fact that celebrity has a predominant role amongst the people (regional/ national/ international).

There could use that as a tool to exploit or promote anything keeping social media as an intermediary and users as a parameter. The company, in turn having knowledge could use that as a tool to increase sales or profit, to reach a lot of audience, to make them get to know about all of their products, etc. It is expected that if a celebrity could bring about a billion - dollar destruction, they could also bring about a billion - dollar opportunity for the corporate.

3.6 Limitation

- This research study largely focus on the celebrities influencing share prices of a company but there are numerous factor that influence the share prices like largely buying and selling of the shares, each financials, top management executives, company's performance, venture capitalists, and so on. which are eliminated.
- As investors and capitalist are most sensitive towards the market scenarios, they give most attention towards the media, and thereby celebrity influence is the most and not considering the essential factors of share price change.

DATA ANALYSIS AND INTERPRETATION:

1. Kylie Jenner-Snapchat (Stefansky, 2018)

SNAP INC.		
DATE	CLOSING PRICE	DIFFERENCE
21-02-2018	18.64USD	
27-02-2018	16.32USD	2.32USD(162.4 INR)



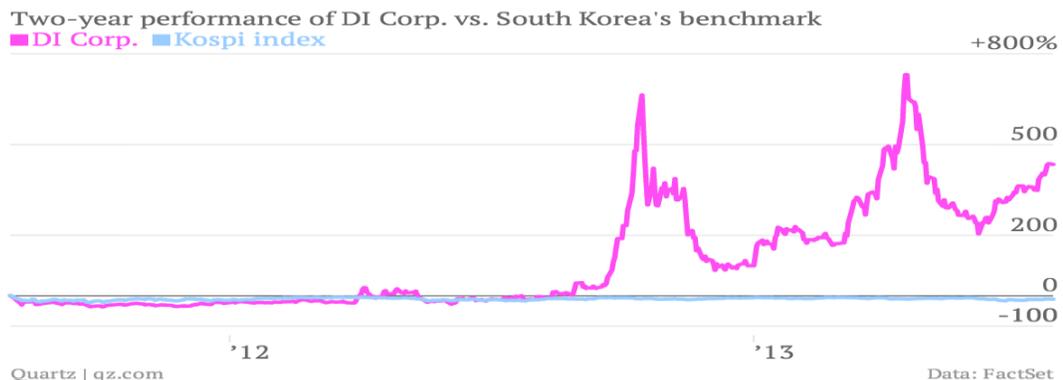


The Kardashian sister had caused a rough week for snapchat. The celebrity tweeted on February 21st 4:50 pm. The above is the graph showing the downfall of snapchat. Kylie Jenner has caused the company to suffer a loss of almost \$1.3 billion. A person with more than 24 million followers on twitter will have greater impact on any company with even a slight tweet. Basically we can say that Kylie Jenner even though she had tweeted that snap chat is still her favourite application subsequently the previous tweet had already done the damage to the company. So that's the level of influence she has. Popularity of Kylie Jenner among the society marks the sentimental influence which led to the decline of the value of Snap Inc.

2. Donald Trump – Boeing (Revesz, 2016)

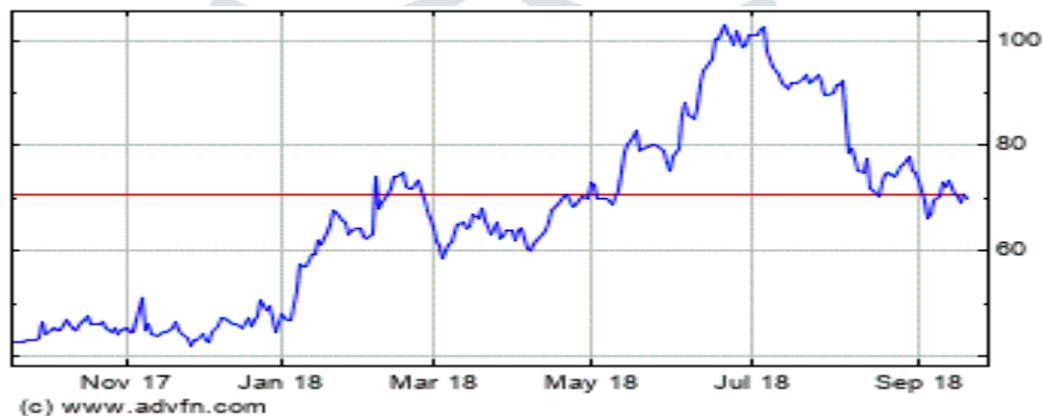
U S President Donald Trump took a dig at Boeing over a new Air Force One on 6th December 2016 at 7:52 am. With respect to this he took this to twitter and tweeted saying costs are too high and cancel order. This created a rumble in the stock market. Before the President's tweet the stock price was \$152.16 per share. But afterwards it fell to \$149.75. The above graph shows the company's performance in the subsequent weeks after the tweet.

3. PSY – DI Corporation (Phillips, 2013)



Korean POP sensation PSY's most sensational video Gangnam Style had created a boom in the field of music. It's the most viewed video till date. It's got more than 34 million likes also in the video site. The above graph shows the improvement of the company's stock price in just a year. This was caused not only because of the original video but also due to the other parody videos and PSY's next video titled 'Gentleman'. His video was released on July 15th 2012 and by 2013 it had a huge impact on the company.

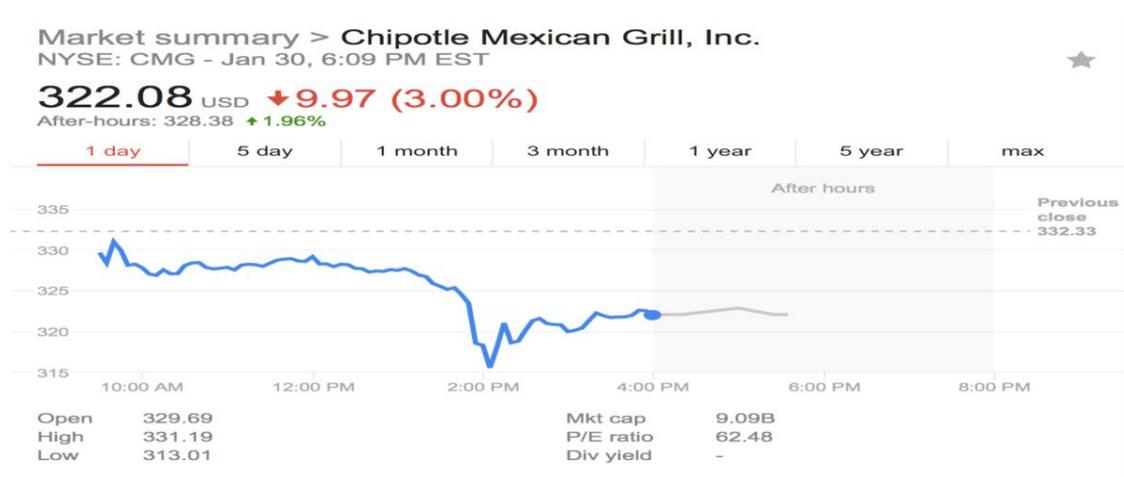
4. DJ Khaled – Weight Watchers (Price, 2018)



WEIGHT WEIGHER		
DATE	CLOSING PRICE	DIFFERENCE
02-01-2018	47.83	
09-01-2018	57.37	9.54 (667.8 INR)

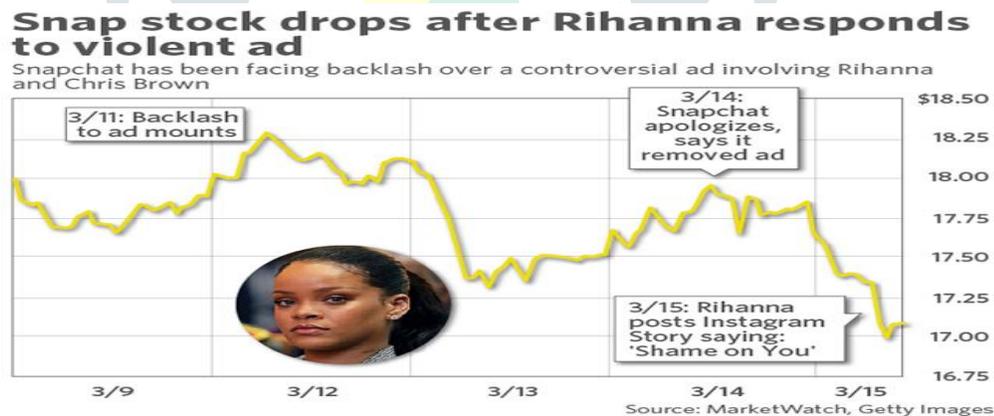
Weight Watchers a UK based company which offers various products for weight loss and weight control. They had appointed DJ Khaled an American Disco Jockey on Jan 2nd 2018. He took to Instagram to his 8.9 million followers. This gave the company a 7.6% boost in their stock prices. The above graph shows the company's price.

5. Jeremy Jordan – Chipotle Mexican Grill (Taylor, 2017)



Jeremy Jordan the actor from the TV series Supergirl tweeted that after having Chipotle a Mexican food chain made him hospitalized and mentioned that he “almost died”. This shook the stock price of Chipotle and its price to the lowest it can it can fall in the last 5 years. Not only he tweeted but he also posted a video on his instagram too. The above graph shows how the prices fell for the company i.e. it fell up to 5.9%.

6. Rihanna – Snapchat (Stefansky, 2018)



Rihanna after claiming that an appropriate ad was posted by a third party through snapchat and became really furious about this and took this to her instagram story. Hours after she posted the story Snapchat’s price began to fall. It decreased from \$17.50 to \$17.20 and by the end of the week falling down up to \$16.50 which later led to a total loss of almost \$800 million.

7. Elon Musk – Tesla (Browne, 2018)



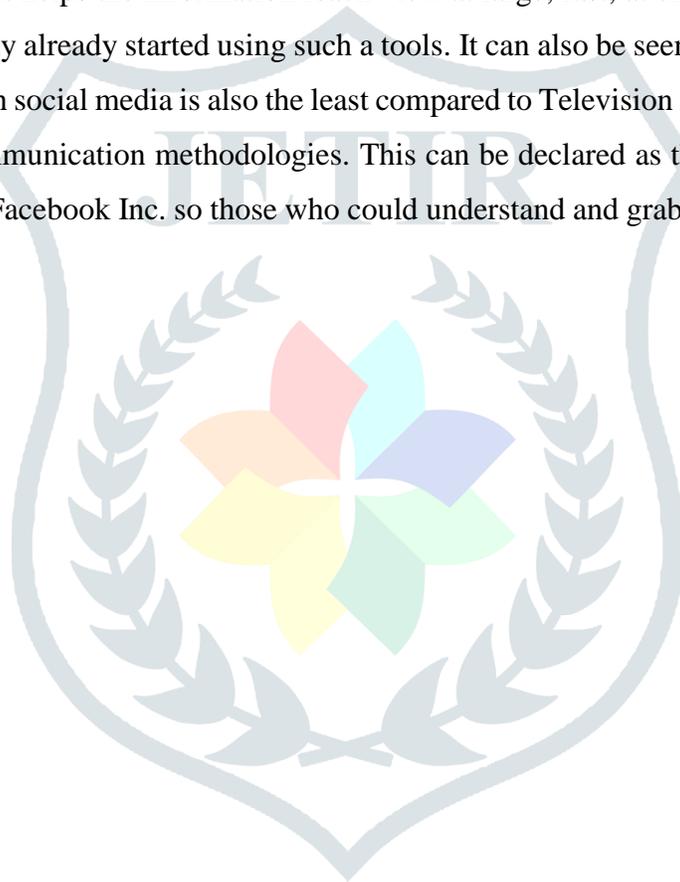
Elon Musk the CEO of Tesla was on a late night show with Joe Rogan where they were discussing about humanity, business and various other topics. During the show the CEO was seen smoking marijuana and sipping whiskey. Due to this in-appropriate behavior of his the stock price of the company had fallen. The sentiments of the people that this act of his is unethical has shown a reflection on the stock prices of Tesla bringing it down to more than six percentage fall in its share prices.

FINDINGS AND SUGGESTIONS:

This study “The influence of celebrities on stock markets and corporates” shows a significant relationship between the celebrities and stock prices of corporates. As in, the influence that the celebrities shows through their intermediaries such as social media – Instagram, Twitter, Snap chat, Facebook etc. is conveyed in this paper. The celebrities can have either a positive impact or a negative impact on the stock market. But in most of the cases, the stock market has seen a negative impact. This event study analysis has shown a negativity with the influence by the celebrities. By studying the sentiment analysis of various shareholders, we have found out that their sentiments towards an event occurred reflects their behavior towards the respective corporate’s stocks.

CONCLUSION:

From this research study, we could conclude that spending on advertisement where the brand or the product is endorsed by any famous stars of the industry is no wasteful anymore, like economist used to criticize the fact previously. This now-a-days, is a billion-dollar opportunity for those start-ups or big companies to lift up their company using the influence of the celebrities. Also, those can be may simple and easy by using the influence of social media like Facebook, Instagram, Twitter, etc. because it helps the information reach view at large, fast, at cheapest possible cost – yet and many company already started using such a tools. It can also be seen that the cost incurred on advertising through social media is also the least compared to Television channel, satellite radio and other related communication methodologies. This can be declared as the era of social media led by revolutionary Facebook Inc. so those who could understand and grab the opportunity could win in this period.



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