Signalling through the Olympic Games in Beijing 2008

Contact details
Name author(s): Dr. Holger Preuss & Christian Alfs
Institution(s) or organisation(s): Institute of Sport Science, Faculty of social science, media and sport, Johannes Gutenberg-University Mainz
City and country: Mainz, Germany
Email address for correspondence: preuss@uni-mainz.de

Aim of paper and research questions

China's expectations for hosting the 2008 Olympic Games in Beijing were ambitious. The plan was to stage gigantic Games, one that is parallel to the size of the country, its population and economy and never was showcased by a western society. Media reported an overall investment of approximately US$50 billion. Therefore, the question whether the Olympic Games in Beijing 2008 fosters any economic progress in China is fundamental. However, for a nation like China the cost of Olympic Games is economically not stimulating. The more important effect is the worldwide attention Beijing/China have received via the Games, which provided the opportunity to send messages to the world.

Therefore this paper will focus on the non-use value of the 2008 Olympics. We analysed if and how China signaled to become an economic power and how the information asymmetry about Beijing/China as a place for investments and tourism got reduced through the Games.

The research question is whether "internet news" produced by the Chinese, US-American and European media are different in terms of what messages are produced and whether they were negative or positive/neutral.

Literature review

For this paper we will use two signalling-theories to show how China used the Olympic Games in Beijing to signal information to target groups. We put our focus in particular on tourism and decision makers of international corporations.

Signalling is a way to bridge situations of asymmetric information between a better-informed sender and a less-informed receiver by sending signals to convey not directly observable qualities or to produce symbolic capital with the receiver. There are many disciplines using signalling-theory such as information economics (Rothschild & Stiglitz, 1976; Akerlof, 1973; Spence, 1970), economics and marketing (Cai, Duxbury & Keasey, 2007; Boulding & Kirmani, 1993), anthropology, biology and evolutionary science (Palmer & Pomianek, 2007; Bliege-Bird & Smith, 2005; Getty, 2002; Cronk, 1994; Nur & Hasson, 1984; Zahavi, 1975) and sociology (Veblen, 1994; Bourdieu, 1977; Mauss, 1924).

In context to this research question, the better-informed side is the Chinese government and media, trying to convey unobservable qualities and information about Chinese issues to the rest of the world. They attempt to reduce information asymmetry, which equals the signalling approach used by the Principal-Agent-Theory (Jensen & Meckling, 1976). Besides signalling information about the existing location factors, the building up of symbolic capital by sending "costly signals" (Zahavi, 1975; Veblen, 1984; Bourdieu, 1977) may have been another goal of the Chinese government.

Research design and data analysis

The data collection was done by using "Google Alerts". This service sends daily mails with links to Internet news reports on – in our case – the keywords "Beijing Olympic Games 2008".

The news reports are sorted using variations of the Google Page Rank algorithm, prioritising the ones most relevant to Internet users and therefore the most recognised ones. During July 1st through September 30th 2008 the 10 TOP-news in the Internet were collected daily. 740 news were analysed, by their origin, their central topic and whether they were positive/neutral or negative.

Results

Most of the TOP-news stem from the USA, due to the fact that webpages in USA (n=288) are often better linked than others. However, also Europe (n=137), China (n=135) and the "Rest" of the world (n=180) had many news reports.
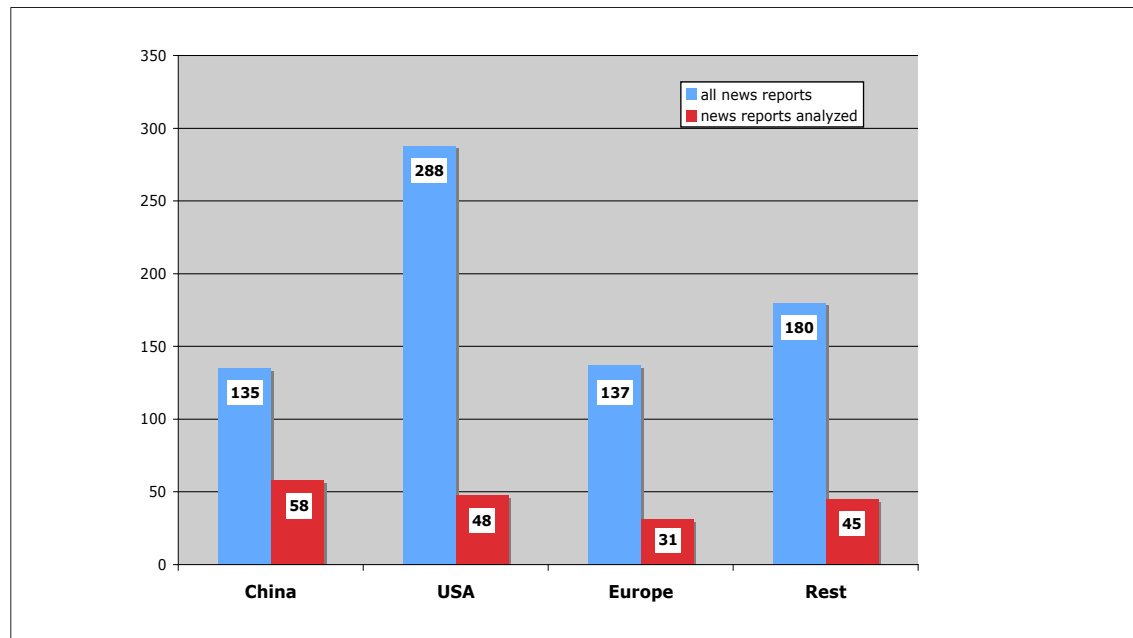

Figure 1: Origin of data.

From the 740 news reports we analysed only 182 due to their link to signalling-theories. The news reports were analysed by categories and whether the content was positive. We distinguished six categories, however only 4 categories were related to signalling and 8 news were counted double:

- Sport (n=303; these news are logically the central messages of the Olympics but not related to signalling).
- High Tech/architecture/great organisation (n=24; these news are related to costly-signalling-theory).
- Business climate/people/organisational skills/security (n=81; these news are related to reduce information asymmetry concerning business relations).
- Tourism/people/environment (n=30; these news are related to reducing information asymmetry concerning the attraction of tourists).
- Freedom of Press/Human rights (n=47; these news are related to positive/negative criticism on the Chinese political system).
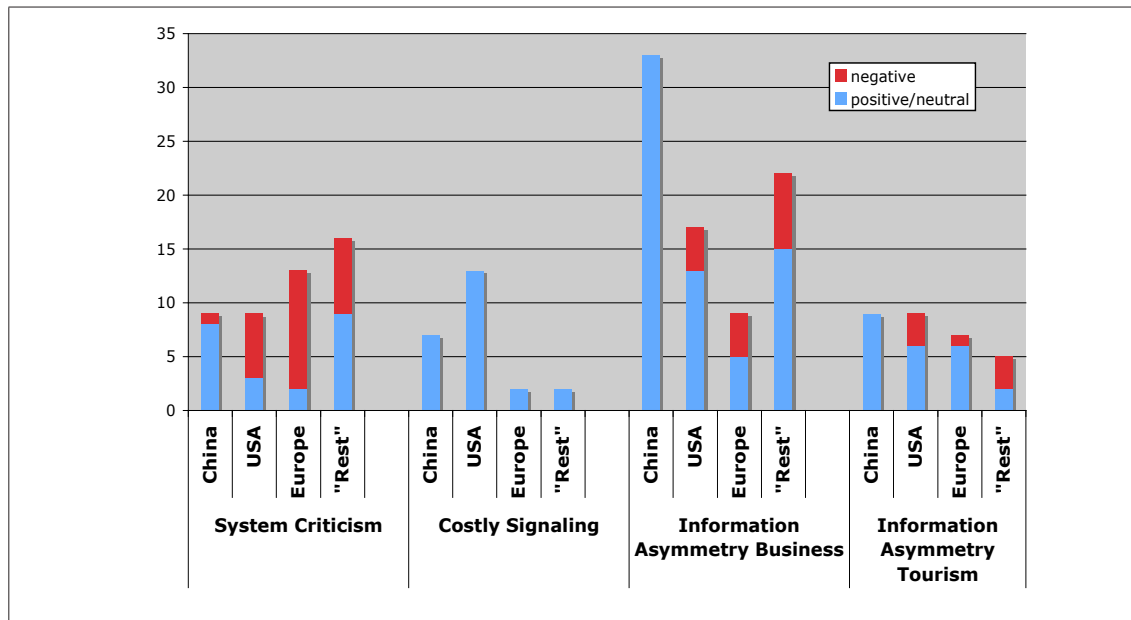- Others and non-Olympic (n=263; not related to signalling).

Figure 2: Content of data by origin, signalling-theory and value.

The results in Figure 2 will be presented backed by the signalling-theories mentioned above.

Discussion and conclusion

The results are important for learning more about intangible values of mega sport events, here the ability to signal a particular image/information to a worldwide audience. So far host cities believe that the promotional effect of Olympics is a great free marketing opportunity, however, in the case of Beijing 2008 that must be qualified due to a relatively high number of negative news in most categories.

References

Akerlof, G. (1970). The Market for "Lemons": Quality Uncertainty and the Market Mechanism. *The Quarterly Journal of Economics*, *84*, 488-500.

Bliege Bird, R., & Smith, E.A. (2005). Signalling Theory, Strategic Interaction, and Symbolic Capital. *Current Anthropology*, *46(2)*, 221-248.

Boulding, W., & Kirmani, A. (1993). A Consumer-Side Experimental Examination of Signalling Theory: Do Consumers Perceive Warranties as Signals of Quality? *The Journal of Consumer Research*, *20*, 111-123.

Bourdieu, P. (1977). *Outline of a theory of practice*. Cambridge.

Cai, C., Duxbury, D., & Keasey, K. (2007). A New Test of Signalling Theory. *Finance Letters*, *5(2)*, 1-5.

Cronk, L. (1994). Evolutionary theories of morality and the manipulative use of signals. *Zygon*, *29*, 32-58.

Getty, T. (2002). Signalling health versus parasites. *American Naturalist*, *159*, 363-371.

Jensen, M., & Meckling, W. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, *3(4)*, 305-360.

Mauss, M. (1924). *The gift: Forms and functions of exchange in archaic societies*. London.

Nur, N., & Hasson, O. (1984). Phenotypic plasticity and the handicap principle. *Journal of Theoretical Biology*, *100*, 275-298.

Palmer, C.T., & Pomianek, C.N. (2007). Applying Signalling Theory to Traditional Cultural Rituals. *Human Nature*, *18*, 295-312.

Rothschild, M., & Stiglitz, J. (1976). Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information. *The Quarterly Journal of Economics*, *90*, 629-649.

Spence, A.M. (1973). Job Market Signalling. *The Quarterly Journal of Economics*, *87*, 355-374.

Veblen, T. (1994). *The Theory of the Leisure Class*. New York.

Zahavi, A. (1975). Mate selection: A selection for a handicap. *Journal of Theoretical Biology*, *53*, 205-214.