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Marketing's Impact on Firm Value: Generalizations from a Meta-Analysis

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Abstract

Despite the growing body of research on the marketing-finance interface, there have been only limited attempts to integrate results and derive empirical generalizations. Such generalizations would be especially relevant to marketing managers seeking to increase marketing's accountability within and outside of the firm, as well as to the investor community, which is still reluctant to integrate marketing variables within their investment decisions and firm valuations.

Alexander Edeling and Marc Fischer fill this research gap by conducting a meta-analysis of econometric elasticity estimates of the impact of marketing variables on firm value. Analyses are based on 488 elasticities drawn from 83 studies using data from North and South America, Europe, and Asia spanning 40 years (1971-2011). They reveal a mean elasticity of .04 for advertising-expenditure variables and .54 for marketing-asset variables that include brands and customer relationships.

The finding that most marketing firm-value elasticities are positive offers two important insights for managers: First, it shows that investing in marketing is indeed value-relevant, since the majority of elasticities is positive. In particular, the large magnitude of marketing-asset elasticities suggests that the potential for firm value growth is substantial.

Second, from an optimization point of view, the results suggest that firms are still underinvested in brands and customer relationships, since the elasticities should be zero at optimal investment levels. This again appears to be more relevant to marketing

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assets than advertising expenditures, since marketing-asset elasticities are, on average, much greater than advertising elasticities.

With respect to marketing-asset variables, their results also suggest that it is preferable to combine brand and customer perspectives, rather than focus narrowly on one “right” marketing metric.

Finally, the analysis reveals heterogeneous firm-value effects of marketing variables between different industries.