Foreword

The marketing-finance interface is a literature stream that considers research which aims to measure the impact of marketing on firm performance. Important conceptual components within the marketing-finance interface are so-called intangible market-based assets. They arise through the commingling of the firm with the environment and place the customer and his needs at the core of the organization. As such, they bridge the conceptual gap between managerial actions and financial performance. Market-based assets are extremely valuable from a management perspective as they are associated with higher firm value, lower firm risk, and a higher residual value of the firm. Nevertheless, many aspects about the links between market-based assets and firm performance remain unexplored.

Consequently, the overall aim of the dissertation written by Karlo Oehring is to provide more nuanced insights on the relationship between investments in market-based assets and firm performance. To achieve this aim, Karlo conducts three studies that jointly contribute to research in the marketing-finance interface conceptually, empirically, and methodologically.

In the first study, Karlo rigorously examines prior research and synthesizes the findings in a conceptual overview of the marketing-finance interface. He discriminates between different measures of firm performance, various marketing actions, and diverse market-based assets. Apart from finding numerous “smaller” gaps and conflicting findings in literature, Karlo identifies two “larger” pathways for further research, which he addresses in his following empirical and methodological projects.

In his second study, Karlo jointly examines investments into the three customer equity drivers value equity, brand equity, and relationship equity as well as investments in organizational knowledge. He also addresses the issue whether such investments drive firms’ growth expectations. To do so, he introduces “future growth potential” as an additional metric of firm performance. Even though previous literature has theorized about such a measure, he is the first to make use of it.

Finally, in his third study, Karlo chooses a methodological focus and tackles the problem of undisclosed accounting information from balance sheet and profit and loss statement. So far, accounting information is needed to estimate measures such as strategic emphasis, i.e. a firm's focus on value creation relative to value appropriation. Karlo demonstrates that textual analysis of legally required firm-generated textual information such as firm's management discussions and analyses (MD&As) can be used to estimate firms' strategic emphasis. His analysis allows to compare firms for which accounting information is available with firms for which such information is unavailable and hence allows to enhance the number of observations for future empirical studies.

Overall, this dissertation advances the marketing-finance interface: It demonstrates that market-based assets are valuable constructs within the marketing-finance interface and that investments towards them serve different firm needs. Furthermore, it illustrates that firm-generated textual data serve as an additional data source for research in this particular research stream.

Besides giving an outlook to the dissertation, I want to take the opportunity to thank Karlo for his work at the Institute for Value-Based Marketing (IWM) as part of the Marketing Center (MCM) at the University of Münster. Karlo is the fifth PhD student, Sonja and I have supervised. Even though Karlo joined an existing research team, he shaped the culture of the IWM. Karlo has always been a cheerful person to talk to and great to work with. He was engaging and caring for his fellow colleagues and students, alike, and I am convinced that during his studies he created bonds that will last for a lifetime. The continuing success of the "Start Up" IWM would not have been possible without Karlo's footprint. As with all the PhD students, his time with us had its ups and downs and we all learned a lot during that time. Karlo came in as a finance graduate and had to learn (sometimes the hard way) that marketing as market-oriented leadership has a lot to offer for managing a company as well as to the finance world. Anyhow, I can say that I am happy that I have been part of this experience and I believe that Karlo sees it the same way.

Throughout the last years, we have developed the theme that there are two things we would love students to take away from Münster: (1) Roots in terms of an excellent academic and practically relevant education at the IWM and (2) wings in terms of free and critical thinking in an environment that allows for making mistakes and where own creative ideas are more than welcome. This then hopefully leads to a long-lasting relationship, true to the motto: “PhD Student for a few years, Alumnus for a life!”

Karlo, thank you very, very much for the time together in Münster! I wish you all the best for your future.

Professor Dr. Thorsten Wiesel

Münster, December 2021

2 Study 1: Conceptual Overview and Systematic Literature Review of the Marketing-Finance Interface

2.1 Introduction

Marketeers have long raised concerns about their discipline being in steep decline (Feng, Morgan and Rego 2015; Nath and Mahajan 2008; Verhoef and Leeflang 2009; Webster, Malter and Ganesan 2005). They point out that marketing investments are among the first to be cut during economic distress, that analysts express their doubts about the value relevance of marketing, and that marketing has lost its former position in the board room (Feng, Morgan and Rego 2015; Ganesan 2012; Kumar and Umashankar 2012; Mizik 2010; Morgan 2012; Nath and Mahajan 2008). The increasing pressure by the capital markets to demonstrate the impact of marketing on firm performance has led to the rise of the *marketing-finance interface* literature stream (Edeling and Fischer 2016; Hanssens 2019; Srinivasan and Hanssens 2009; Zinkhan and Verbrugge 2000). Although two decades of research have since indicated that various aspects of marketing effort indeed have a positive influence on firm performance, to date no *systematic literature review* of this issue exists (Hanssens 2019; Reibstein, Day and Wind 2009). There are several related but conceptually distinct measures to assess firm performance: These measures stress different aspects and include bottom line profits, firm value, and firm risk.[3]

Consequently, this study aims to bring together, compare, and generalize previous insights for a much needed rigorous systematic literature review of the marketing-finance interface (Edeling, Srinivasan and Hanssens 2020). To achieve this aim, this study systematically assesses the literature stream. It synthesizes find-

[3] The different measures are discussed in the following. Top line metrics, such as revenues and sales responses, are examples for other frequently used dependent variables. However, they do not qualify as measures for firm performance, since they disregard the costs of an investment.

ings from existing studies and addresses the question of how marketing effort (through both marketing actions and assets) affects accounting income and the financial market metrics firm value and firm risk. To assort prior research, it provides an updated framework of the marketing-finance interface value chain (Figure 2). Within this dissertation, this study also serves as a theoretical foundation for studies 2 and 3 (Chapters 3 - 4).

Comparably to the study at hand, there are conceptual overview articles that discuss frequently used measures and methodological developments in the marketing-finance interface and also name selected important findings (Edeling, Srinivasan and Hanssens 2020; Srinivasan and Hanssens 2009). Yet, none of these studies aim to systematically review the impact of all marketing actions and customer equity drivers on firm performance and put them into perspective.[4] These studies further do not make the distinction between the customer-based and financial-based perspectives on customer equity drivers. They also stop short of jointly addressing the various impacts of marketing effort on the different metrics of firm performance. Nevertheless, both these aspects are crucial to a systematic assessment of the marketing-finance interface: Some insights regarding the impact of marketing assets on firm performance depend on the perspective taken and most marketing effort affects different performance metrics simultaneously.[5]

The marketing value chain consists of three conceptually distinct pillars of variables (see Figure 2). On the independent side, there are the two pillars of marketing actions and marketing assets. Both these groups of marketing effort variables affect the third pillar firm performance (Hanssens et al. 2014; Katsikeas et al.

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[4] To be more elaborate on the exact differences, Srinivasan and Hanssens (2009) name selected important findings for all marketing actions but do not divide them along different aspects (e.g. they only name product introductions but do not include other aspects of product-related marketing decisions, such as product discontinuations). Edeling, Srinivasan and Hanssens (2020) follow up on the original study but cover only selected marketing actions. Furthermore, the study at hand differs from both articles by covering all drivers of customer equity (i.e. value equity, brand equity, and relationship equity) as well as the processes of value creation and value appropriation.

[5] Take previously neglected firm risk as an example: While information on risk exposure is crucial to investors and may even be of regulatory importance, management is often not incentivized to reduce it (McAlister, Srinivasan and Kim 2007). Therefore, this study includes firm risk as an important component of firm performance.

2016; Srivastava, Shervani and Fahey 1998). In this sense, marketing actions describe the managerial decisions made along the marketing mix and include e.g. product launch, pricing, advertising, or distribution decisions. By producing both revenues and costs, these actions have a direct *tangible*[6] impact on firm performance and are therefore generally measurable (Edeling and Fischer 2016; Srinivasan and Sihi 2012). Nevertheless, it is often reported that stock market participants tend to overly focus on the cost side of marketing actions making managers prone to myopic behavior (Bendig et al. 2018; Lou 2014; Mizik 2010; Mizik and Jacobson 2007).[7] Previous studies on the impact of marketing actions on firm performance have in parts yielded conflicting results while gaps for further research still remain (Gielens and Geyskens 2012; Srinivasan and Hanssens 2009).[8] Marketing actions can be divided along the four Ps of Marketing (i.e. product-, place-, promotion-, and price-related marketing decisions) and are subject of Chapter 2.3.[9]

In contrast, marketing assets arise from the "commingling of the firm with entities in its external environment" (Srivastava, Shervani and Fahey 1998, p. 2) and are thought of as intermediary results of marketing investments which again influence firm performance (Hunt and Morgan 1995; Srinivasan and Hanssens 2009). Lacking a clear definition, these *intangible* marketing assets are notori-

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[6] The impact of marketing actions on firm value has been described as tangible since marketing actions are generally assumed to lead to a positive sales response which again positively impacts top line results, such as revenues. Likewise, marketing actions negatively affect bottom line profits by inducing costs. It is a primary goal of the marketing-finance interface to investigate whether benefits or costs of marketing actions dominate (Edeling and Fischer 2016; Srinivasan and Sihi 2012).

[7] This is not surprising since – although the positive influence of marketing actions on top-line metrics, such as sales, is quite obvious – the impact on bottom line effects or financial market metrics are not as straightforward and studies have sometimes yielded mixed results (Pauwels et al. 2004).

[8] This study goes into more detail on both conflicting results and areas for further research in Chapter 2.3.

[9] Chapter 2.3 presents all the major findings from previous studies which were systematically researched. For the exact procedure, please refer to Chapter 2.2.

ously difficult to measure.[10] However, in order to overcome this caveat, marketing scholars (and researchers from other areas) continue to employ various measures to capture their financial impact (e.g. Barth et al. 1998; Frennea, Han and Mittal 2019; Madden, Fehle and Fournier 2006; Vomberg, Homburg and Bornemann 2015). Marketing assets help to improve firm performance by providing economic value or guidance to customers and other external stakeholders (Srivastava, Shervani and Fahey 1998). Therefore, building and maintaining marketing assets is a key focus of successful marketing departments. While marketing assets in a general sense capture every important aspect of relationships between firms and stakeholders, only the customer value metrics customer lifetime value and customer equity can be utilized to directly assess a firm's value (Kumar and Shah 2009; Rust, Lemon and Zeithaml 2004; Schulze, Skiera and Wiesel 2012).[11] According to Lemon, Zeithaml and Rust (2014), customer value metrics can be improved by strengthening their drivers value equity, brand equity, and relationship equity, which are the focus of this study (Lemon, Rust and Zeithaml 2001; Lemon, Zeithaml and Rust 2014; Vogel, Evanschitzky and Ramaseshan 2008). Consequently, typical marketing strategies concentrate on creating value for the customer (value equity) or appropriating value by building a powerful brand (brand equity) or a strong firm-customer relationship (relationship equity; Frennea, Han and Mittal 2019; Rust, Lemon and Zeithaml 2004). Investments in the three customer equity drivers are further complemented by investments into the marketing organization itself (Moorman and Day 2016; Srivastava, Shervani and Fahey 1998). However, as such investments are not directly associated with building customer-based firm value, they are frequently considered not to be directly part of the marketing-finance interface value chain (e.g. Edeling and Fischer 2016; Srinivasan and Hanssens 2009; Srivastava, Shervani and Fahey 1998). For that

[10] According to Edeling and Fischer (2016) marketing assets can be divided into financial and non-financial assets although this separation may not be entirely clear cut. This study focuses on the former.

[11] Other marketing assets besides customer value metrics include customer satisfaction metrics, acquisition and retention metrics, churn and win-back metrics, as well as referral metrics (Kumar 2018; Kumar and Reinartz 2016; Kumar and Umashankar 2012). Since only customer lifetime value and customer equity can be used to directly estimate firm value, other marketing assets are not considered in this study.

reason, they are beyond the scope of this systematic literature review but will nevertheless be regarded in study 2 of this dissertation.

Despite the fact that researchers generally agree that the ultimate goal of all marketing efforts is to create value for the firm, several conceptually different measures of firm performance have been utilized (Anderson, Fornell and Mazvancheryl 2004; Han, Mittal and Zhang 2017; Himme and Fischer 2014; Srinivasan and Hanssens 2009). In fact, the measures for firm performance can be divided into the accounting-based metric bottom line profits and the financial market metrics firm value and firm risk (Damodaran 2006; Edeling and Fischer 2016; Katsikeas et al. 2016). These differ primarily in their origin, purpose, and temporal orientation: Accountants continuously collect financial and non-financial information in order to adequately present the firm's current (financial) state.[12] This serves the purpose to disclose a period's income-statement results and to inform both internal and external stakeholders about the financial well-being of the firm. Accounting for all top line results (revenues) and costs within a given period produces the firm's bottom line profits (net income). As an accounting metric bottom line profits are – by their nature – past-oriented (Copeland, Weston and Shastri 2013; Damodaran 2006).

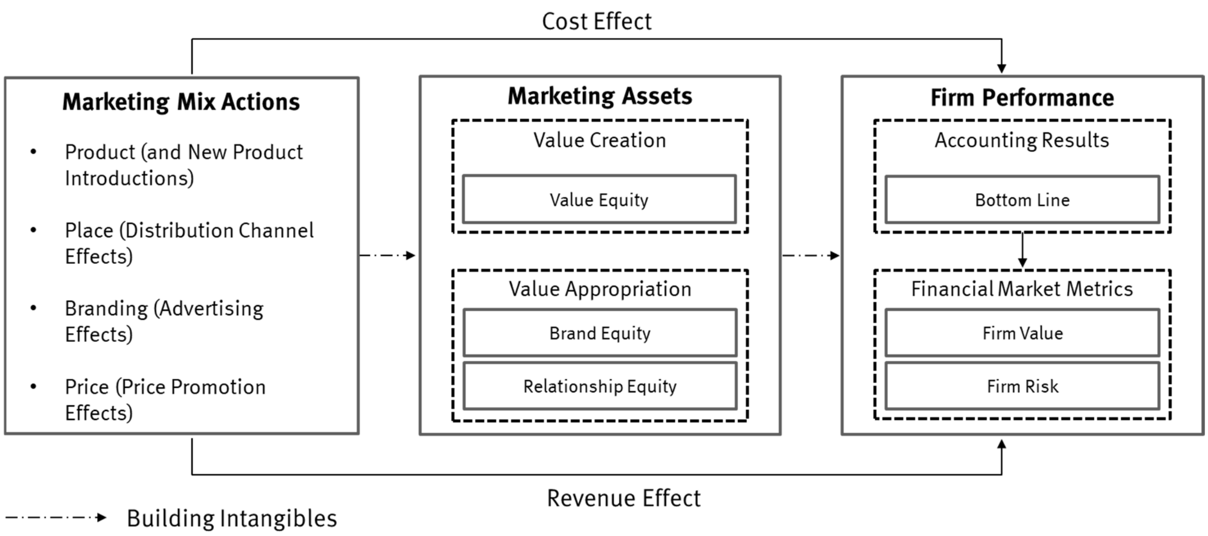
Stock market participants observe key accounting metrics and additionally incorporate private and public information to form an opinion about the future performance and, hence, the value of the firm (Gordon 1959; Gordon and Shapiro 1956; Hanssens 2019). The aggregated expectations of all investors are expressed in the assessment of the firm's current value (market value of equity), which – according to financial theory – equals the net present value of all expected future income streams to the firm's owners (Gordon 1959, 1962). Since for public firms market value of equity can also be calculated by multiplying the firm's current share price with the number of shares outstanding, real time aggregate investor expectations are available at all time (Ball and Brown 1968; Copeland, Weston and Shastri 2013; Sorescu, Warren and Ertekin 2017). Firms' market values can

[12] Their reported figures include the firm's revenues, costs, margin, cash flow, and profit, are typically based on book values, and need to be reported externally on a regular basis (Katsikeas et al. 2016; Kumar and Umashankar 2012; Srinivasan and Sihi 2012). Accounting metrics are mostly reported on a quarterly or annual basis.

further be expressed relatively to the book value of total assets (market-to-book ratio) or to the replacement value of assets (Tobin's Q; Bendle and Butt 2018; Kumar and Umashankar 2012; Tobin 1969). Observing the volatility of the firm's market value of equity additionally provides an estimate for the firm's risk exposure (Copeland, Weston and Shastri 2013; Merton 1987; Srivastava, Shervani and Fahey 1998). Firm value volatility that moves with stock market volatility as a whole is called systematic risk, while additional movements are called idiosyncratic risk (Copeland, Weston and Shastri 2013; Merton 1987). Together, firm value and firm risk (across all operationalizations) are considered market-based metrics of firm performance (Gordon 1962; Srinivasan and Hanssens 2009). Based on expectations of the future, both firm value and firm risk are forward-looking (Copeland, Weston and Shastri 2013; Gordon 1959).

Together, marketing mix actions, marketing assets, and firm performance represent the three pillars of the marketing value chain (Figure 2). The underlying premise is that all marketing effort aims to eventually improve firm performance (Edeling, Srinivasan and Hanssens 2020; Srivastava, Shervani and Fahey 1998). In this framework marketing actions describe managerial decisions that impact firm performance through both direct revenue and cost effects while marketing assets are an intermediate intangible outcome that arises from marketing effort and equally affect firm performance.

Figure 2: Conceptual Framework: The Marketing Value Chain



Source: Author's own illustration

Remarkably, although marketing scholars have made it a key objective to prove the value relevance of marketing (Hanssens 2019; Reibstein, Day and Wind 2009), to this date no systematic literature review of the marketing-finance interface exists. Consequently, this part of the thesis reviews previous literature and synthesizes the most important findings along the categories presented in the conceptual model (Figure 2). In doing so, it addresses the question of how marketing effort (i.e. through both marketing actions and assets) affects firm performance (i.e. the bottom line and the financial market metrics firm value and firm risk).

This project contributes to the marketing-finance interface in two different aspects: First, by systematically exploring prior research, it addresses three highly relevant but previously neglected issues in research:

a) Studies on the impact of marketing actions on firm performance have sometimes yielded conflicting findings and are surprisingly shy about certain aspects. This article unveils both gaps and conflicts so they can be covered in future research (Gielens and Geyskens 2012; Srinivasan and Hanssens 2009).
b) Literature focusing on marketing assets is characterized by two conceptually different approaches reflecting diametrically different underlying comprehensions (Edeling and Fischer 2016; Kumar and Umashankar 2012): While some studies approach marketing assets from a customer perception perspective, others maintain a firm perspective to understand which investments help to build and sustain such assets (Johansson, Dimofte and Mazvancheryl 2012). Yet, little research has aimed to reconcile these two distinct perceptions of the same concepts. Consequently, this article explicitly stresses the underlying assumptions to compare and put findings from previous literature into perspective.
c) Similar concepts to the ones frequently used in the marketing-finance interface also exist in related fields of research. This study therefore further contributes to literature by synthesizing findings not only from marketing literature but also from studies in finance, accounting, and management (Srinivasan and Hanssens 2009).

Second, relying on a well-published conceptual overview of the marketing-finance interface (and its more recent update), this study brings forward the updated framework of the field depicted in Figure 2 (Edeling, Srinivasan and Hanssens 2020; Srinivasan and Hanssens 2009). This framework helps to categorize and assort all relevant findings along the different aspects of firm performance and marketing effort. It thus assists future research in demonstrating the impact of both marketing actions and assets on bottom line profits, firm risk, and stock market returns. The framework further provides the necessary conceptual background for the gaps in literature that are addressed in Studies 2 and 3 (Chapters 3 and 4). This study differs from previous conceptual overviews by always keeping the impact on customer value in mind without intermingling internal and external perspectives of marketing effort (Edeling, Srinivasan and Hanssens 2020; Srinivasan and Hanssens 2009).

The remainder of Chapter 2 is structured as follows: In Chapter 2.2, the literature search procedure is introduced. Section 2.3 is the central part of this chapter: Here, all relevant findings are categorized and synthesized according to the previously introduced conceptual framework. It first presents literature on the impact of marketing actions before going into detail on studies regarding the effects of marketing assets. In the same chapter the findings are further discussed. Next, in Chapter 2.4, gaps are identified that should be addressed in further research. Finally, this study ends with a summary in Chapter 2.5.

2.2 Literature Search Procedure

The article by Srinivasan and Hanssens (2009) represents the foundational rigorous *conceptual* overview in the context of the marketing-finance interface and has been cited by most marketing-finance papers since. Although their research has been updated by Edeling, Srinivasan and Hanssens (2020),[13] both studies reflect conceptual overviews of methodology including some exemplary findings but do not aim to systematically review literature. That research is further complemented by the meta study conducted by Edeling and Fischer (2016), which provides support for the marketing value chain presented in Figure 2. Consequently, the study at hand relies on conceptual groundwork of these three articles

[13] Edeling, Srinivasan and Hanssens (2020) specifically address new methodological developments and go into detail which suggestions for further research from the Srinivasan and Hanssens (2009) article have already been addressed. They further suggest topics that should be part of a future research agenda.

and follows a four-step approach for a rigorous literature review as presented in Table 4 (Watson et al. 2018, pp. 257–259):

1. Conduct a general database search of specific search terms in relevant scientific journals.
2. Examine relevant forward and backward citations from literature retrieved in step 1 and scan all articles published within the last five years in relevant scientific journals.
3. Limit the results with respect to the dependent variables used.
4. Synthesize the most important findings and analyze results.

First, a general search was conducted via *EBSCOhost* and *Google Scholar*. In order to be included in this literature analysis, an article had to meet the following criteria:[14]

1. Inclusion of one of the search terms *firm valu**, *financial performance*, *growth expectations*, *shareholder value*, *idiosyncratic risk*, *value creation*, *value appropriation*, *firm performance*, *value equity*, *brand equity*, *relationship equity* in either title or keywords.[15]
2. Publication in one of the following journals: *Journal of Marketing, Journal of Marketing Research, Marketing Science, International Journal of Research in Marketing, Journal of the Academy of Marketing Science, Marketing Letters, Journal of Finance, Journal of Financial Economics, Review of Financial Studies, Journal of Financial and Quantitative Analysis, Accounting Review, Journal of Accounting and Economics, Review of Ac-*

[14] As a preparatory step for this study and in order to get an up-to-date overview of the marketing-finance interface, all forward citations of Srinivasan and Hanssens (2009) and Edeling and Fischer (2016) were investigated. The work by Srinivasan and Hanssens (2009) was chosen since it represents the most widely cited conceptual overview of the marketing-finance interface. The paper by Edeling and Fischer (2016) reflects a meta study within the marketing-finance interface. It lists a large body of studies from the marketing-finance interface without going into detail about the content or covering measures of firm risk. The idea behind this approach was to discover relevant research and to find adequate search terms and scientific journals for a general database search.

[15] For articles, which were not published in the discipline of marketing, it was additionally required that they contain the search term "marketing."

counting Studies, Management Science, Administrative Science Quarterly, Academy of Management Journal, Academy of Management Review, Strategic Management Journal.[16]

The search terms were selected since they reflect frequently used terms in both title and keywords in influential studies (e.g. Edeling and Fischer 2016; Madden, Fehle and Fournier 2006; Mizik and Jacobson 2003; Srinivasan and Hanssens 2009; Srivastava, Shervani and Fahey 1998). The journals were chosen since they represent leading journals from the disciplines of marketing, finance, accounting, and management research and are most likely to cover relevant findings (Edeling and Fischer 2016; for a list of the most frequently cited journals see Table 5).[17]

In step two, to further broaden the scope of this review the refences of the most frequently cited papers were again manually investigated for additional relevant literature.[18] To extend the range of the covered literature even further, all issues of the above-mentioned journals from the last five years were again screened for articles investigating the impact of both marketing assets and marketing mix actions on firm performance.

However, as step three and in order to set the outer perimeter of this study, the following limiting criterion was defined for research to be part of this review: The study needed to include firm performance as a dependent variable. To cover the full range of studies in the marketing-finance interface a variety of different operationalizations were considered. Possible metrics for firm performance were the stock market and accounting-based figures market capitalization, Tobin's Q, mar-

[16] All journals are ranked A+/A according to VHB-JOURQUAL 3 (except Marketing Letters is ranked B; VHB 2021). The journals were selected as they reflect leading journals in the respective disciplines of business research and cover topics related to the marketing-finance interface. The list of journals was borrowed from Edeling and Fischer (2016). This procedure identified 425 studies.

[17] In fact, Edeling and Fischer (2016) explicitly name these journals as the most relevant for the marketing-finance interface.

[18] This step also served to verify the keywords mentioned in step two.

ket-to-book ratio, abnormal stock return, idiosyncratic risk, systematic risk, and bottom line profit (for definitions please see Appendix A).[19]

Finally, in step four, the collected articles were analyzed and categorized according to the previously introduced conceptual framework depicted in Figure 2.[20] The conceptual model itself relies on the propositions put forward by Edeling and Fischer (2016) and Srinivasan and Hanssens (2009), who refer to the groundwork laid by Srivastava, Shervani and Fahey (1998) and Srivastava, Shervani and Fahey (1999). Foundation of this framework is the idea that all marketing activities aim to eventually create a positive financial outcome for the firm (Srivastava, Shervani and Fahey 1998, 1999). Since marketing effort can conceptually be broken down into marketing mix actions and marketing assets, the presented findings in the following are also divided along these lines. An overview of the most frequently cited journals is provided in Table 5.

[19] Another commonly used measure is sales, which was not included in this study due to the monotonic relationship between marketing effort and sales (Edeling and Fischer 2016). Investigating sales has been criticized by literature (Edeling and Fischer 2016; Mizik and Jacobson 2003). As pointed out earlier, studies focusing entirely on the investing in the marketing organization are beyond of the scope of this study. When assessing bottom line profits, marketing means net income, which has the advantage that it is precisely defined by the US Generally Accepted Accounting Principles. Free Cash Flow is another metric that aims to put costs and benefits into perspective. Instead of working on an accrual basis it aims to attribute cash inflows and outflows per period (Copeland, Weston and Shastri 2013). However, it is infrequently used in the context of marketing actions.

[20] For an additional overview of inclusion and exclusion criteria please see Appendix B.