The Impact of Marketing on Share Performance: Evidence from Syria

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Abstract— **Firm performance is affected by several factors. marketing has been excluded for a long time from the company's evaluation research. So, researchers still have discussed the role of marketing applications on firm performance mostly on long term in the light of marketing-finance interface. The purpose of this research is investigating the impact of marketing activities measured by marketing expenditure on stocks performance measured by stocks value and turnover ratio in Damascus Securities Exchange for a period of seven years (2010-2016) depending on a sample of 7 listed banks. By using regression analysis, the findings show that the significant impact of marketing on stocks value, while the turnover does not affect by marketing expenditure, the findings can be an approach to enhance the performance of listed companies based on marketing action.**

*Index Terms—***marketing expenditure, share performance, marketing -finance interface, DSE**

I. INTRODUCTION

26 years ago, Harvard Business Review had predicted the current importance of marketing by *saying" marketing is everything and everything is marketing"* [1]. Nowadays, marketing has become one of the essential resources of the firm, plays a crucial role in value creation as well as performance improvement as an intangible asset. [2], marketing has been excluded for a long time from the company's evaluation research. So researchers still have discussed the role of marketing applications on firm performance mostly on long term [3], relying on traditional standards such as sales growth and customer satisfaction is not completely appropriate to measure the outcomes of marketing activities, without taking into account capital market measurements that leads to the company's original goal of maximizing owners' wealth, in other words, the releatioship between product market and capital market is reflected in the interaction between marketing and other functions, espicialy finance [4] for instant, lev & Zarowin [5] pointed to that relationship between share return and accounting profit is less significat,because of its inability

to realize some important and intangible elements like marketing actions.

Based on the above-mentioned marketing-value relation today has attracted wide attention by literatures, according to resource-based view that shows any marketing action or spending as a resource of company [6] on the other hand, the long-term effect of marketing strategies on firm' performance in stocks exchange has been proven in studies focused on strategic orientations [7]

A. Objectives of Research

The general objective of this research is to examine the role of marketing on listed company performance in the capital market and suggests a model that can help in the development of current practices by examining the relationship between marketing actions and performance of stocks measured by stocks value and stocks liquidity. Some sub-objectives are derived from this objective as follows:

1. To identify the theoretical framework of marketing influence in the capital market.
2. To identify the measurements are used to express both marketing and firm performance.
3. To provide a recommendation to listed companies to enhance their performance in the market depending on marketing activities.

Notably, most of the related studies have been conducted and applied in developed markets, while this paper investigates the relationship between marketing and firm value in Syrian market from developing markets, which could contribute to extending the results of previous research to developing markets.

II. LITERATURE REVIEW

A. The Theoretical Mechanisms of Marketing Impact on Capital Market

Capital market is highly volatile and is influenced by many factors that rational models can explain a very small percentage of this volatility such as stock return [8], in general, capital market has the same economic features of product market, but they differ in some properties such

as information and nature of products [9] as included in Table I

TABLE I.   DISTINCTIVE CHARACTERISTICS OF PRODUCT AND CAPITAL MARKET

Criteria	product	capital
Informational Production environment	Dispersed	Concentrated
Types of good traded	Consumption good	Investment good
Buyer and seller linkage	Until the point of sell	Beyond the point of sell
Information collection intensity	At a single point of time	Collection and dissemination is continual
Information friction	Transportation and storage	Costs of transaction, taxes and regulation and agency
Source of arbitrage	Arbitrage in space	Arbitrage in time

The mechanisms of marketing impact on performance arise from several theoretical as sumptions, such as the assumption that an investor cannot distinguish between a good and bad company, so he needs signal to depend on before decision making, that is a role of marketing spending as a costly activity to give positive signal about good position of company in the market [10], consequently, marketing signals will be reflected in the future performance as income increasing which in turn improves company value.[11], additionally, marketing signal could express a good brand of the company which leads to investors' positive trend.[12] in the same manner, based on information asymmetry assumption, listed firms face asymmetric information in both product and capital market, thus, any marketing activity will be observed by market participants to be able to assess the company more accurately, meaning that marketing helps to reach a more reasonable value of company's assets.[13]

B. Marketing and Financial Measures

Several measures had been used to present the relationship between marketing and firm' performance in the capital market in the context of marketing-finance interface, some studies investigate the impact of marketing on stocks returns, used customer satisfaction as a measur of marketing actions [14], while Luo & Jong [15] adupted advartising expenduturs as a measure of marketing.Gruca & Rego [16] found that the growth of future cash flows and share price variability reduction are affected positively by customer satisfaction. As well the explanatory power for stock returns increases as a result of marketing actions.[17], at the same time, the risk of stock returns associate significantly with consumers' negative voice.[18], With regard to the cost of capital as a very important indicator in the capital market, Yuan & Wei [19] points out that advertising expenditure reinforces investor recognition and reflects positively at firm value by decreasing implied cost of capital. While Singh, Faircloth, and Nejadmalayeri [20] test the correlation between advertising expenses and market-imposed weighted average cost of capital. From the perspective of valuation models, Anderson, Fornell, and Mazvanchery [21] illustrated that customer satisfaction

causes a better value of Tobin's Q as a valuation approch, on the same direction, Rao, Agarwal, and Dahlhoff [22] used firm's branding strategy to preasent the marketing activities, the funding showed that positive relationship between this viarable and Tobin's Q value. Likewise, Angulo-Ruiz, Donthu, Prior and Rialp [23] demonstrated the role of advertising and promotion spendings on the future value of firm measured by three-factor FF model such as Capital Asset Pricing Model.

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III.   RESEARCH METHODOLOGY AND   ANALYSIS

A. Sample and Data Collection

To test the impact of marketing activities on stocks performance in Syria, this study used the methodologies adopted in earlier related studies. Seven Syrian listed banks out fourteen was selected as sample: The International Bank For Trade & Finance, Bank of Syria and Overseas, Banque Bemo Saudi Fransi, Bank Audi Syria, Arab Bank-Syria, Byblos Bank Syria and Syria International Islamic Bank, the sample selection was according to several criteria, first, only observations have data available during the period under study, second, the company selected to be one of the most traded companies on the market, in addition to the sample includes the first privet established banks in Syria, simultaneously their volume and value of trading exceeded 80% of total trading in Damascus Securities Exchange on whole period of study. Secondary data are adopted for a sample through published financial statements at www.dse.sy for period 2010- 2016 in terms of marketing spending, while the shares performance variables have obtained from published annual reports and bulletins of the market.

The linear regression method was used to examine the relationship between the variables after ensuring that they are subject to normal distributions, as well as descriptive statistics for analysis of data, based on the software package SPSS 20. Statistical Package for Social Sciences (SPSS) version 20.

B. Model Specification and Variable Measurement

Based on the extant literature marketing expenditure is used to measure marketing impact as an independent variable, as well as shares performance measured at first by annual closing share price, and by share liquidity presented by turnover ratio Therefor the model is expressed mathematically as:

$$V = F(MEX) \qquad V = a_1 + b_1 (MEX) + e$$
$$T = F(MEX) \qquad T = a_2 + b_2 (MEX) + e$$

Where: V: annual closing share price

MEX: annual marketing expenditure

T: annual turnover ratio

a_1, a_2, b_1, b_2: Coefficients

e: error term

C. *Descriptive Statistics*

The descriptive statistics for research variables included in Table II by SPSS, that determine minimum and maximum value, mean and stander deviation

TABLE II. DESCRIPTIVE STATISTICS OF VARIABLES

	Minimum	Maximum	Mean	Std.Deviation
MEX	6228239	39799988	17082207	11765566
V	107.7	306.56	204	59
T	.0068	.24	.059	.082

Table II shows there is a significant variation in marketing spending during the period under review through the difference between maximum and minimum value as well as std. Deviation value, same as the value of the stocks which did not fall below the par value of 100 Syrian Pounds during the period, that indicates an acceptable performance is spit of the crisis. But mean of liquidity measured by a turnover ratio equal to 5.9% which refers to the low level of liquidity of stocks listed in DSE due to the relatively new market establishment and hence its depth.

D. *Data Analysis and Results*

Regression method is applied to test the relationship between variables or to determine the effect of independent variable on both dependent variables. Table III involves the results of regression:

TABLE III. REGRESSION RESULTS BETWEEN MARKETING EXPENDITURE AND SHARE PERFORMANCE.

Variable	R	R square	Adjusted R square	F sig
V	.788	.621	.545	.035
	B	Std.Error	beta	T sig
constant	136.310	22.07	.788	.005
MEX	0.0004	.000		.035
	R	R square	Adjusted R square	F sig
T	.557	.310	.172	.194
	B	Std.Error	beta	t sig
constant	-.007	.053	.557	.895
MEX	0.00000	.000		.194

The table shows that a good significant correlation between value of company (V) and marketing expenditure (MEX), the coefficient of correlation is 0.788 and the coefficient of multiple determinations (R2) is 0.621, this means that 62% (adjusted R2 54.5%) of the variations in value (V) are explained by dependent variable (MEX), regarding to model fit measured by F and t test, where the analysis states the significant value of F is 0.035 for company value and refers to liner regression (F less than 5%), as well as for t test results which refers to statistically significant positive correlation between independent and dependent variables. This result is consistent with other results such as Joshi,

& Hanssens [11] and Yuan & Wei [19], sum it up the marketing expenditure affects on company value in Damascus Securities Exchange.

In the same way, the analysis refers to insignificant relationship between turnover ratio and marketing expenditure in terms of t and F values that are more than 5% which displays the model is not fit to statistical analysis, this result can This result can be explained by general market conditions and low trading volumes during the period under study. So the marketing expenditure does not affect on share liquidity measured by turnover ratio.

E. *Limitation, Recommendations and Conclusion*

Damascus Securities Exchange is one of the is one of the newest markets in the world, the time series for data is therefore short as well as the size of the studied sample was limited to one sector because of the small number of listed companies in general, so large sample would have provided more reasonable results.

According to results, Syrian listed companies can use marketing activities to enhance their performance in the capital market, the marketing activities, marketing can be a good channel for transferring positive information to investors and thus improving the value of stocks. Furthermore, the regulators of the capital market can benefit from the study result to develop the informative content of the published data to contribute to market efficiency enhancement.

For future research, we recommend further research on other marketing elements that may have an impact on firm performance, additionally, comparative studies are recommended to demonstrate the impact of marketing on the performance in several markets, whether in the region or markets in other regions around the world in the light of marketing-finance interface.

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