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Impact of Marketing Activities and Firm Performance on Company Value

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Abstract

Marketing is becoming a function that cannot be separated from the company's strategic implementation. For this reason, marketing activities should be integrated with all strategic functions of the company. This research aims to examine the impact of marketing activities and firm performance on company value in 32 manufacturing sector companies listed on the Indonesia Stock Exchange for the period of 2019 - 2022. Companies that focus on customer acquisition and retention through targeted marketing are more likely to achieve steady revenue, which contributes to greater financial stability and increased market value. On the other hand, factors like Debt-to-Equity Ratio (DER), Return on Assets (ROA), and Credit Ratios do not directly affect a company’s value.

Keywords: marketing activities, firm performance, company value

1 Introduction

An increasingly competitive business environment requires companies to always look for ways to increase their value and financial success. One factor that can significantly increase company value is marketing activities. Marketing is an integral part of company strategy. Company activities have a crucial role in creating and delivering value to customers, organizations, and even the environment (Adiguzel & Sönmez Çakır, 2022). Through strategic implementation of strategies *branding* and consumer-focused interactions, companies can influence target consumers and create long-term relationships. This has an impact on *customer retention* and ultimately greater value for *shareholders.*

Marketing decision makers are increasingly recognizing the importance of maximizing shareholder value, which requires evaluating the long-term impact of the actions they take on market and investor responses. Until now, marketing literature still focuses on how to respond to sales or profits obtained from marketing activities, as well as marketing objectives which have traditionally been formulated based on the customer's perspective (Joshi & Hanssens, 2010). Marketing departments face increasing challenges to demonstrate their role for the company. On the one hand, some aspects of marketing are seen as a waste of company resources, while on the other hand, marketing aspects such as brand awareness, brand loyalty, and sales revenue are seen as sources of company success. Therefore, measuring (Hanssens & Pauwels, 2016). Several researchers currently examine the long-term relationship between advertising spending and market capitalization with the hypothesis that advertising has a direct effect on company valuation. Empirical results in the computer and sports equipment manufacturing industry show that advertising spending has a long-term positive impact on market capitalization.

Research conducted by (Husain & Sharma, 2015) shows that between sales and expenditure in the marketing sector (*marketing expenditures*) has a positive correlation with profitability. Research conducted by (Berliana & Manda, 2021) also shows the same results, namely that marketing costs have an effect on company value. A literature study conducted by (Tosun et al., 2021) also shows that company spending on marketing activities has a positive impact on profitability, company value and company sales.

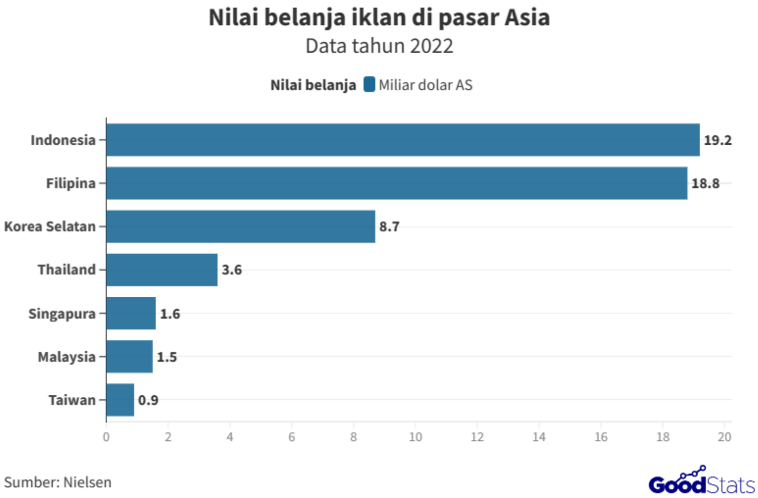

Figure 1: Projected Advertising Expenditure in Indonesia 2017 – 2028 (Source: https://goodstats.id, 2025)

Figure 1 explains that company advertising expenditure in Indonesia tends to experience a consistent increase. A survey conducted by Nielsen shows that the company spending on advertising 2022 will increase by IDR. 259 trillion from the previous year, even though at that time the pandemic was still hitting. The most widely used advertising channel is television which accounts for 78.2% of total advertising expenditure (Naurah, 2023).

Company value is not only influenced by financial aspects. One thing that influences company value apart from marketing activities is *corporate social responsibility* (CSR). CSR is used as an important indicator for investors because through CSR, investors can find out where and how their money is invested. Business goals cannot be separated from the environment and social life where the organization or company is located. Failure to implement CSR will cause a business to fail *sustainable* (Jihadi et al., 2021).

Another factor that influences company value is company size, meaning the scale or volume of operations carried out by the company. Company size is an important aspect in assessing company value because company size greatly influences the company's efficiency and profitability (Sondakh, 2019). Other researchers (Lorenza & Hidayat, 2024) suggest that company value is affected by investment decision and the firm value. The better the performance, the higher the price of the share in the stock market.

2 Literature Review

2.1 Marketing Activities and Company Value

According to (America Marketing Association, 2017), marketing is a series of institutions and processes needed in the process of creating, communicating, delivering, and exchanging offers that have value for customers, clients, partners, and society as a whole. This definition emphasizes the value of the company's offerings aimed at meeting consumer demand. Marketing activities are all actions taken by a company to optimize marketing costs with the aim of increasing sales, which ultimately increases company revenue. An increase in company revenue is expected to increase the company's value. The higher the company's value will increase the value of shareholders who are satisfied with the company's performance. The marketing strategy implemented by the company is closely related to the marketing costs that must be incurred. For this reason, management must assess how relevant marketing costs contribute positively to the company

Investing in marketing is regarded a long-term asset that has a strong contribution to firm value, therefore marketing managers must communicate the financial benefits of marketing activities to the organization (Reibstein, 2015). Nonetheless, this can be difficult for the marketing teams to disclose the connection between marketing efforts and financial benefits. Most of the times marketers only focus on brand awareness or customer preferences. Thus, it is important for marketers to be able to clarify the value of their marketing efforts in financial terms to make the company get a clearer image of how marketing creates long-term financial benefits. Multiple research have shown that there is a positive relationship between marketing spending and firm value (Amit & Hanssens, 2010).

Effectively measuring and demonstrating the value of marketing is crucial for securing buy-in from stakeholders and justifying marketing investments. (Hanssens & Pauwels, 2016) suggests that marketing analytics can improve decision-making and demonstrate marketing's value. (Srinivasan & Hanssens, 2009) provides a comprehensive overview of metrics, methods, and findings related to marketing and firm value, offering valuable insights for researchers and practitioners. By linking marketing concepts to shareholder value, companies can make more informed decisions and optimize their marketing strategies for long-term growth and profitability.

2.2 Firm Performance and Company Value

One of the company's goals is to achieve optimal and guaranteed company performance *its sustainability*. The better company performance shows the better corporate performance and the implementation of strategies that are comprehensive and integrated with the strategies of each section. Other company performance can be seen from profitability (Fitzimmons et al., 2005). Company performance can be assessed using comparative analysis of financial statements, trend analysis, analysis of sources and uses of working capital, analysis of sources and uses of cash, various financial ratio analysis, analysis of changes in gross profit, and analysis of financial statements (Jumingan, 2006). Firm performance can be measured using Debt Equity Ratio (DER).

$$DER = \frac{Total\ Liability}{Total\ Equity}$$

2.3 Company Value

Company value is investors' perception of the company's success as reflected in the company's share price. An increase in share prices indicates the level of investor confidence in the company so that they are willing to pay more to get greater profits (Jihadi et al., 2021). High share prices are a good indication for investors before making investment decisions. One measure of stock price assessment is *Price to Book Value* (PBV). PBV is the ratio of a company's market value to its book value. The PBV ratio provides a picture of a company's growth which is often paired with the model's rate of return (*return on equity*, ROE. The higher the PBV, the higher the company value.

$$PBV = \frac{Price\ per\ Share}{Book\ Value\ per\ Share}$$

3 Research Method

This research uses data from 32 manufacturing sector companies listed on the Jakarta Stock Exchange for the period 2019 - 2022. This research uses a multiple linear regression to estimate the relationship between the specified variables.

4 Research Result

To select a panel data estimation model, testing needs to be done first. This research uses several models, namely:

a. Chow Test Results

The results of "The Influence of Marketing Activities and Company Performance on Company Value" are $p < 0.05$, namely 0.0000, so the best model is *Fixed Effect Model* (FIVE).

b. Hausman Test Results

The results of "The Influence of Marketing Activities and Company Performance on Company Value" show a p value <0.05, so the appropriate model to use in this research is *Fixed Effect Model* (FEM), so there is no need to test *Lagrange Multiplier* (ULM)

The regression equation in this study is as follows:

$$Y = 10.9981 + 0.4164X1_1 - 0.0793X_2 - 1.0225X_3 - 0.8387X_4 + [CX = R]$$

Dependent Variable: NILAI PERUSAHAAN
Method: Panel EGLS (Cross-section random effects)
Date: 12/26/23 Time: 11:40
Sample: 2019 2022
Periods included: 4
Cross-sections included: 32
Total panel (balanced) observations: 128
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.99811	2.107489	5.218582	0.0000
AKTIVITAS PEMASARAN	-0.416462	0.087162	-4.778016	0.0000
ROA	-0.079311	0.269590	-0.294191	0.7691
CR	-1.022571	0.519187	-1.969561	0.0511
DER	-0.838729	0.472071	-1.776699	0.0781

Effects Specification

	S.D.	Rho
Cross-section random	2.353772	0.3833
Idiosyncratic random	2.985744	0.6167

Weighted Statistics

R-squared	0.174790	Mean dependent var	0.810593
Adjusted R-squared	0.147954	S.D. dependent var	3.360573
S.E. of regression	3.102023	Sum squared resid	1183.573
F-statistic	6.513226	Durbin-Watson stat	2.368723
Prob(F-statistic)	0.000087		

Unweighted Statistics

R-squared	0.344020	Mean dependent var	1.513422
Sum squared resid	1818.994	Durbin-Watson stat	1.541267

Using Eviews, here is the result of the data processing:

- The t-statistic value of marketing activity has a variable value of -4.778016 and value probability 0.0000 (<0.05) which indicates there is a significant influence so that hypothesis 1 is accepted.
- Mark t-statistic obtained by other variables:
  a. The t-statistic value of Return on Assets (ROA) is -0.294191 and value of probability 0.7691 (>0.05).

b. The t-statistic value of Credit Ratio (CR) is -1.969561 and the value of probability 0.0511 (>0.05).
c. The t-statistic value of Debt-to-Equity Ratio (DER) is -1.1776699 and value of probability 0.0781 (>0.05).

Based on the test performed, dependent variable company value is only impacted by marketing activities ; it is not impacted by Credit Ratio, ROA and DER..

- The Adjusted R-Squared scored a value of 0.147954, which means that the contribution of the independent variable to variable dependent is 14.79%, while the remaining 85.21% is influenced by other variables not examined in this model.

5 Conclusion

Marketing activities play a significant role in shaping a company's value. They help enhance a brand's visibility in the market. When customers recognize a brand and associate it with positive qualities, they are more likely to choose it over competitors, leading to higher sales and revenue. A brand's value increases as it gains more recognition and trust. Well-executed marketing strategies attract new customers and help retain current ones. Companies that focus on customer acquisition and retention through targeted marketing are more likely to achieve steady revenue, which contributes to greater financial stability and increased market value.

On the other hand, factors like Debt-to-Equity Ratio (DER), Return on Assets (ROA), and Credit Ratios do not directly affect a company's value. A higher DER indicates more financial leverage, which can increase the company's financial risk due to the obligation to pay interest. However, this risk can be balanced by the potential for higher returns, which investors may factor into their decisions. While these financial metrics provide insight into a company's operations and financial health, they alone do not determine its value. Investors generally consider a wider range of factors, including cash flow projections, market position, and long-term growth strategy, when assessing a company's worth.

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