Advertising and Firm Value: Mapping the relationship between Advertising, Profitability and Business Strategy in India

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With companies investing millions of rupees or dollars in marketing communication including advertising, it is but natural to examine its impact on the bottom line of the firm. With markets ruling the roost, practitioners and researchers have turned their attention towards examining the impact of marketing communication activities like advertising on firm valuations. Moreover, interest is rising in quantifying the impact of marketing activities on firm's profitability and value providing the framework for linkages between marketing, finance and strategy. This study focuses on studying these relationships by seeking to measure the impact of advertisement spending by firms on firm profitability and value as measured by the Q-ratio. A total of 172 firms are taken as the sample size and we find evidence that while the impact is significant in statistical terms, increased advertising has not been able to contribute conclusively in enhancing firm value.

In today's competitive era one is constantly bombarded with advertisements. Empirical studies show that advertisements have an influence on the purchase behaviour of consumers. Consumers purchase decision is also influenced by the "value" they feel they would derive from purchasing that particular product or service. Consumers expect a return on investment (price vis a vis value). In other words, consumers expect value for each penny they spend. At the other end of the spectrum the marketers expect a return on the investment they make (on advertising). This is natural given the fact that promotion activities do cost the firms a lot. The return may be in the form of increased profitability and an increase in the firm value. We find every year companies investing millions of rupees or dollars in marketing communication. A bulk of this obviously goes into advertising expenditure. Naturally, marketers expect a return on investment (RoI) on this. Their expectation stems from the likely impact, marketing investments have on the market performance and thus the profitability of the firm.

Raymond (1970) argues that the effectiveness of advertising conveys different meanings to different groups. To a general manager, it would obviously mean the impact the advertising strategy has on the firm's profitability. This background makes it sufficiently on the trend in advertising research. With marketing communication used for creating awareness and building a long lasting relationship, many studies have focused on copy and media effects and awareness building about the product. Metrics have been

developed to assess and measure consumer awareness and loyalty. Besides many studies use the AIDA or its adaptations that has been around from the early 20th century (Strong 1925). Few research studies concentrate on measuring the sales and profit effects (Gattignon 1993; Mantrala, 2002; Naik et al, 2007). A cursory glance at this suggests that these effects have been studied on the US consumers and markets. It therefore is imperative to study the impact of spending on advertisements on the profitability and firm value in case of Indian firms.

Moreover, questions arise whether advertising adds value to the firm. With little research focusing on this aspect we concentrate our study towards this end. Our objectives can be summarized as

- Does advertising add value to the firm?
- Impact of advertising on profitability of the firm
- Differences between the impact both in degree and time across the industry
- Implications for the marketers.

Literature Survey

There is increasing awareness over the need to measure the impact of marketing activities on firm performance. Practitioners are increasingly under pressure to report their contribution to the overall firm performance. The inherent complexity in quantifying the marketing activities has often become a barrier in developing metrics for marketing measurement. O'Sullivan and Abela (2007) report that the ability to measure the internal marketing performance causes a significant impact on firm performance, profitability; stock return and marketing's stature within the firm.

In recent years a number of studies suggest that a firm's advertising (Frieder and Subrahmanyam 2005; Grullon, Kanatas, and Weston 2004; Joshi and Hanssens 2007,) directly affects stock returns. This is in addition to the indirect effect of advertising through increase in sales revenues and profits. Srinivasan and Hansens (2007) carry out an extensive literature survey on the impact of advertisement on market and firm value.

The effect of the advertising on consumers rests on the theory of message repetition. It can be classified into three main effects: a current effect on behavior, a carryover effect on behaviour and a non behavioral effect on attitude and memory (Pechmann and Stewart 1988; Sawyer 1981; Sawyer and Ward 1976).

Researchers have tried to estimate the effects of advertising on brand sales using field data (Leone and Schultz 1980; Vakratsas and Ambler 1996). Most of these studies focus on many technical issues involved in efficiently capturing the unbiased effects of advertising, given the limitations of field data (Hanssens, Parsons, and Schultz 1990). Deeper analysis of these studies finds that the effects of advertising are significantly

greater than zero but do vary by market and product characteristics (Assmus, Farley, and Lehmann 1984; Sethuraman and Tellis 1991).

Few studies have addressed the effect of advertising effects on sales. Little has been researched on capturing the impact of how the effects vary by creative medium or vehicle, and time of day for broadcast advertising (e.g., Bhattacharya and Lodish 1994). In particular, no study has researched the effects of advertising by these three factors simultaneously. While marketers know that that consumer behavior is influenced by multiple factors, yet little research has been done on understanding the impact using the integrated marketing mix model (Sethi 1977, Feichtinger, Hartl and Sethi, 1994). This is attributed to the fragility of advertising's effects and the complexities involved in getting bias-free estimates.

Naik and Raman (2003) present an insight as to how a marketer or a shareholder is keen on measuring the impact of marketing (advertising investment) on market performance. To assess these effects marketers often use regression analysis. Arguing that OLS models introduce biasing effects, they put forward the Weiner Kalman Filter(WKF) that provides estimates that are closer to the true parameters.

Advertising's effectiveness lies in its capability to help stimulate or maintain sales (Eachambadi 1994; Mantrala, Sinha, and Zoltners 1992; Naik, Mantrala, and Sawyer Sethi 1998; Vidale and Wolfe 1957). Thus, advertising is frequently used as an independent variable in explaining changes in sales (Lilien 1994). Abraham and Lodish (1990) believe that advertising effectiveness has to be captured by the additional sales of a product over and above those that would have happened in absence of any advertising or promotion. Although advertising managers have long believed that advertising's impact on sales can persist longer than the current period (Clarke 1976), the tendency to assume that advertising's effect on sales is short-term is yet prevalent. They further argue that the longer uses of advertising are better than less and shorter uses of it irrespective of the nature of contribution of advertisement to sales (Jones 1992, 1995). The inability of measures to differentiate the impact of advertisement between its short term and long term effects have resulted in wastage of advertising expenditure (Abraham and Lodish, 1990; Bass 1969).

Eechambadi (1994) uses the analogy of capital budgeting process to capture the effectiveness of ad spending on sales and profitability. He suggests that the brand managers be allowed to spend as much as they want on advertising if the return they generate is able to beat an internally agreed hurdle. His belief rests on the premise that absolute size of the ad budget does not matter but the return on that budget is the criteria for ad effectiveness.

The basic duopoly model leads to an equilibrium which can be determined analytically (Dixit, 1979); this basic model does not demonstrate any dynamic behavior. Introducing advertising into the model allows firms endogenously alter demand which does invoke dynamic behavior but is analytically intractable. Graham and Ariza (2003) present a model that optimizes allocation of firm advertising expenditure using a simulated

annealing approach. Sterman et al (2007) use an approach that combines duopoly theory with the behavioural theory of the firm.

Research on the response to advertising had primarily looked at the shape of the response function (Aaker and Carman 1982; Simon and Arndt 1980; Mesak 1999), the dynamics of advertising effects (Simon 1978), and the interaction of advertising with other promotional mix elements (Winder and Moore 1989; Wildt 1977).

Luo and Donthu (2001) apply DEA – Data Envelopment Analysis – to the question of how to measure the efficiency of the advertising in the traditional media. Further Yunjae Cheong (2006) uses the similar model to carry out a study on the evaluation of ad media spending efficiency. This model focused on how one could measure, maximize and benchmark the effects of advertising media spending thereby improving the effectiveness of advertising.

Yew, Keh and Ong (2005) report that intensive investment in advertising contributes positively to the one-year stock market performances of non-manufacturing firms. However their results were inconclusive whether manufacturing firms benefit from investment in advertising as measured by the three-year stock market performance.

Mathur and Mathur (1995) using event study methodology concluded that investors react positively to announcements of advertisement changes leading to higher market value for the firms.

Graham and Frankenberger (2000) examined the asset value of advertising expenditures of 320 firms with reported advertising expenditure for each of the 10 consecutive years ending in 1994, seeking to determine the impact of advertising expenditures on the financial performance. They used the changes in year to year differences in advertising expenditure to measure the impact on asset value and subsequent market value of the publicly traded firms.

Framework for the Study

The research framework is constructed to examine the impact of advertising on profitability of the firm as measured by Profit after tax and the firm value as measured by Tobin's Q (Wu and Bjornson, 1996). Q ratio has extensively used as a measure of firm's intangible value. This has enabled studies to be carried out in assessing the relationship between various firm and industry characteristics and firms intangible value. Besides the impact of ad spending on Tobin's Q can serve as a proxy for contribution of ad spending on intangible firm value. We use an adaptation of Chung and Pritt's method of arriving at Tobin's Q. Since replacement costs of assets are difficult to obtain we take book value of assets to be a reasonable proxy.

Specifically in this method,

Tobin's q = (MVE - PS - DEBT)/TA

MVE = (Closing price of share at the end of the financial year)*(Number of common shares outstanding);
PS = Liquidating value of the firm's outstanding preferred stock;
DEBT = (Current liabilities - Current assets) +(Book value of inventories) + (Long term debt), and
TA = Book value of total assets.

Drawing from empirical literature in economics, finance and marketing, two firm specific variables that could potentially impact Tobin's Q were included in the study. Firm size as measured by the assets of the firm and leverage as measured by the Debt Equity Ratio (D-E ratio) were used as control variables to explain operating performance. Besides finance text books have argued a positive relationship between leverage and profitability of the firm (eg. Brigham and Houston, Prasanna Chandra)

We ran a multiple regression equation to test our hypothesis. We framed the following equation for measuring the effect of advertising spending on profitability of firm as measured by PAT controlling for leverage

- Profitability = $\alpha + \beta$ Advertising Expenses+ γ Dummy D/E Ratio +Error

We ran for the whole set of 172 firms. Further the same equation was run at the sectoral level. In multiple regressions we used ANOVA, Coefficient of Correlation in order to find out the impact of advertising on profitability and firm value. Besides, pie charts and graphs were used for the representation of data.

Further, we ran the following equation to test the impact of advertising spending on the firm value as measured by Tobin's Q controlling for firm size and leverage

- Firm Value=α+ β Assets + γD/E ratio +δ Advertising expenses +Error

Further we tested impact of advertising intensity on firm value. We define advertising intensity (ad intensity) as the ratio of advertising expenses to net sales.

Summarizing the above we can state our propositions.

Proposition I
H_0: There is no Impact of Advertisement spending on Profitability of the firm.
H_1: There is an Impact of Advertisement spending on Profitability of the firm.

Proposition II
H_0: There is no Impact of Advertisement Spending on firm value.
H_1: There is an Impact of Advertisement Spending on firm value

Proposition III
H_0: There is no Impact of Advertisement Intensity on firm value.

H_1: There is an Impact of Advertisement Intensity on firm value

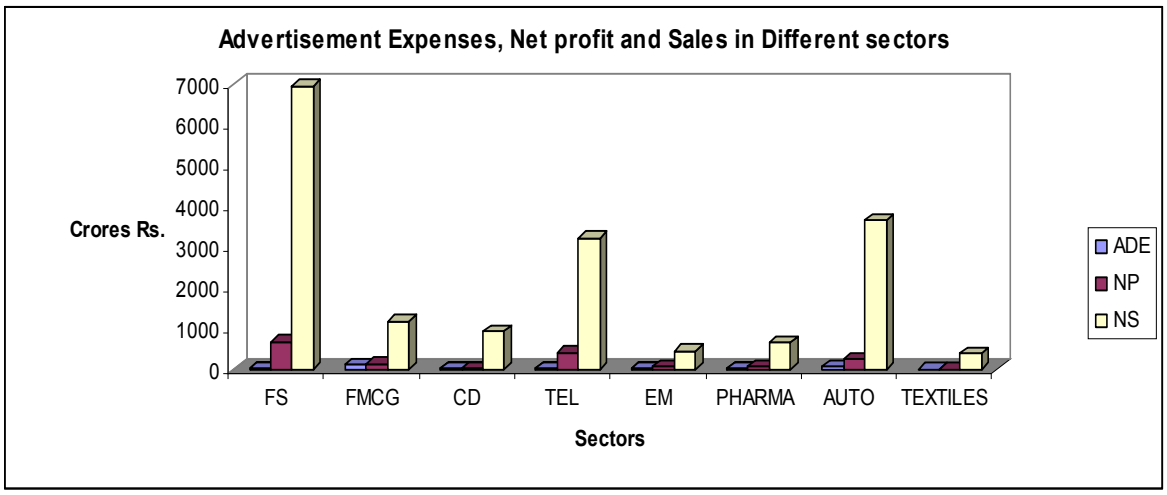
Data Description

The data for the study is obtained by CMIE-Prowess. The sample size was 200 companies. After accounting for the missing data, we got a sample size of 172 firms for a period 8 years (2000-2007). The variables which were included in the data collection were sales, advertising expenses, PAT, Asset value of the firm (as a proxy for the size of the firm),and D/E Ratio (proxy for capital structure). Tobin's Q for each company was calculated using the above formula

Besides we further classified these firms into sectors as defined by the BSE Industry Classification. Some sectors were clubbed together. In some sectors, there were not enough firms to arrive at a robust conclusion necessitating their elimination for sectoral analysis. The results of our sectoral decomposition got clubbed under the following categories viz. Automobiles, Telecom, Fast Moving Consumer Goods (FMCG), Consumer Durables, Entertainment and Media, Pharmaceuticals and Health Care, Banking and Financial Services and Textiles.

Results and Discussion

The following graph illustrates advertisement spending, net profit and sales in different sectors.



We proceed to test the correlation among the advertisement spending (ADE), Net Profit (NP) and Net Sales (NS) as represented in Table I.

It indicates a positive correlation between Advertising Spending and PAT and also between Advertising Spending and Net Sales. While the results indicate that there is an increase in PAT and Net Sales following an increase in ad spending, the correlation is not strong enough to support a robust conclusion.

Table: I

Table of correlations

	ADE	NP	NS
ADE	1.000		
NP	0.166	1.000	
NS	0.172	0.809	1.000

The regression results on the impact of ad spending on profitability are shown in Table II. Table III shows the regression results for impact of ad spending on profitability on different sectors

Table II

Sample Size	**F value**	**Constant α**	**Ad. Coefficient β**	**Dummy DE-ratio Coefficient γ**	**R**	**R square**	**Standard Error**
172	3.5351 **(0.0313)****	17.4163 0.0313^t (0.0012)	2.1275 0.0012^t **(0.0358)****	1429.0836 -1.4836^t (0.1398)	0.2004	0.0402	805.4751

* indicates Significant at 1% Level of significance
** indicates Significant at 5 % Level of significance
*** indicates Significant at 10 % Level of significance
The values inside the parenthesis are the p-values.
t indicates the computed t-statistic value.

Table III

Sample Size	**F value**	**Constant α**	**Ad. Coefficient β**	**Dummy DE-ratio Coefficient γ**	**R**	**R square**	**Standard Error**
Banking and Fin services (15 Samples)	5.7632 **(0.0176)****	73.4163 0.3047^t (0.7658)	17.4334 2.1851^t **(0.0494)****	566.9134 1.6306^t (0.1289)	0.7000	0.4899	614.8696

FMCG (18Samples)	189.1583 **(0.0000)***	-51.5167 2.6086^{t} (0.0198)	1.6506 14.9311^{t} (**0.0000)***	57.8048 1.0163^{t} (0.3256)	0.9807	0.9619	71.9521
Consumer Durables (10 Samples)	24.8959 **(0.0004)***	3.9421 0.2088^{t} (0.8398)	0.2448 0.3150^{t} (0.7608)	239.5787 5.0502^{t} (0.0010)	0.9282	0.8616	33.7502
Telecom (15Samples)	10.1375 **(0.0026)***	206.5603 0.4955^{t} (0.6292)	-7.1997 -0.9024^{t} (0.3846)	3473.3535 4.3283^{t} (0.0010)	0.7926	0.6282	1053.3326
Entertainment & Media (7 Samples)	33.9175 **(0.0031)***	-36.6866 -1.7517^{t} (0.1547)	2.7325 3.2557^{t} **(0.0312)****	138.6127 4.3824^{t} (0.0119)	0.9718	0.9443	31.1299
Automobile (10 Samples)	5.8247 **(0.0324)****	-0.3592 -0.0034^{t} (0.9974)	2.2474 1.6797^{t} (0.1369)	215.7577 1.2878^{t} (0.2388)	0.7904	0.6247	203.5455
Textiles (10 Samples)	18.5949 **(0.0016)***	-14.1615 -1.5887^{t} (0.1562)	1.9968 3.6915^{t} **(0.0077)***	31.3119 1.7788^{t} (0.1185)	0.9174	0.8416	18.0619
Pharmaceuticals (13 Samples)	12.1231 **(0.0021)***	8.5688 0.3835^{t} (0.7094)	1.6998 2.9324^{t} **(0.0150)****	56.4262 1.2673^{t} (0.2338)	0.8414	0.7080	57.9580

* indicates Significant at 1% Level of significance
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*** indicates Significant at 10 % Level of significance
The values inside the parenthesis are the p-values.
t indicates the computed t-statistic value.

The regression indicates a significant and positive relationship between advertisement spending and profitability as measured by PAT. However the elasticity is very small and this can be attributed to the fact that ad spending is given as the treatment of expense on the current revenue. The results show an aggressive impact of ad spending on PAT controlling for leverage in Banking and financial services (a one unit increase in ad spending results in 17.434 units of PAT). R and R^2 too show satisfactory results. Similar results albeit on a smaller scale are visible in FMCG (coefficient of 1.6506); Textile (1.99); Entertainment and Media (2.73) and Pharmaceuticals (1.70). In FMCG sector, R and R^2 approach near unity. We however find no significance in telecom, consumer durables and automobile sector.

Firm Value and Ad Spending

Firm value has a tangible component and an intangible element. Tobin's Q is taken as the measure of firm value. We define the following function

Firm value= f(Assets, DE-ratio, Advertising expenses)

We then used the multiple regression model using the following equation.

- Firm Value=α+ β Assets+ γ D/E ratio +δ Advertising expenses +Error

The regression results are given in Table IV. Table V gives the results of the multiple regressions when carried out on different sectors

Table IV

Sample Size	F value	Constant α	Assets B	DE-ratio γ	Ad. Expenses δ	R	R square	Standard Error
159	6.3536 **(0.0004)***	1.5535 7.4849^t (0.0000)	0.0000 -2.0199^t (0.0451)	0.0435 0.9529^t (0.3421)	0.0082 3.8300^t (**0.0002)***	0.3309	0.1095	2.0822

* indicates Significant at 1% Level of significance
** indicates Significant at 5 % Level of significance
*** indicates Significant at 10 % Level of significance
The values inside the parenthesis are the p-values.
t indicates the computed t-statistic value.

Table V

Sector and Sample Size	F value (Overall)	Constant α	Assets B	DE-ratio γ	Ad. Expenses δ	R	R square	Standard Error
Banking & Financial Service (14 Samples)	10.3832 **(0.0020)***	-0.0280 -0.3665^t (0.7216)	0.0000 -2.2803^t (0.0458)	0.0860 2.1238^t (0.0596)	0.0094 4.1806^t **(0.0019)***	0.8700	0.7570	0.1445
Automobile (10 Samples)	0.2639 (0.8492)	1.5977 2.7130^t (0.0350)	-0.0001 -0.7495^t (0.4819)	-0.0334 -0.4321^t (0.6808)	0.0037 0.6550^t (0.5368)	0.3414	0.1166	0.8513
FMCG (16 Samples)	1.9716 (0.1721)	3.3703 3.8162^t (0.0025)	-0.0016 -0.8020^t (0.4382)	-1.6756 -1.1541^t (0.2709)	0.0172 1.1161^t (0.2862)	0.5746	0.3302	2.0986
Telecom (13 Samples)	3.2585 **(0.0736)***	1.2492 4.1893^t (0.0023)	0.0000 -1.9688^t (0.0805)	0.0727 1.4263^t (0.1875	0.0067 1.3283^t (0.2168	0.7216	0.5207	0.6545
Entertainment and Media (5 Samples)	10.7212 (0.2200)	1.2303 2.9961^t (0.2051)	0.0007 4.9452^t (0.1270)	-2.0426 -1.8148^t (0.3206	0.0067 0.4210^t (0.7463)	0.9848	0.9698	0.3789

Consumer Durables (10 Samples)	184.4977 **(0.0000)***	1.0119 9.6686^t (0.0001)	-0.0001 -1.480^t (0.1892)	0.1656 23.1788^t (0.0000)	0.0081 1.9431^t **(0.1000)*** **	0.9946	0.9893	0.1694
Textiles (10 Samples)	1.7754 (0.2516)	1.1546 6.5888^t (0.0006)	0.0005 2.0935^t (0.0812)	0.1086 1.6064^t (0.1593)	-0.0203 -1.7230^t (0.1357)	0.6858	0.4703	0.3197
Pharmaceuticals (12 Samples)	4.4167 **(0.0413)****	2.4515 6.3653^t (0.0002)	0.0008 1.7068^t (0.1262)	-2.1902 -2.4119^t (0.0424)	-0.0014 -0.1200^t (0.9074)	0.7896	0.6235	0.7794

* indicates Significant at 1% Level of significance
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*** indicates Significant at 10 % Level of significance
The values inside the parenthesis are the p-values.
t indicates the computed t-statistic value.

The results present a mixed picture. We find a positive and significant relationship between ad spending and Tobin's Q accounting for firm size and leverage. However the weak coefficient (0.0082) coupled with R value of 33% and R^2 of 10% do not present encouraging results. The effect e can sat at best is small. This may not be surprising since ad spending has a time lag before creating an impact on the intangible. Moreover we visualize a case of decreasing returns to scale. This gets reinforced when we analyze the results from different sectors. Only two sectors show a positive and significant relationship (Banking and Financial Services and Consumer Durables). Further both the sectors tend to show a very high correlation coupled with a high coefficient of determination. This indicates the advertising does not influence firm value and Tobin's Q is is influenced by multiple factors.

Firm Value and Ad Intensity

Firm value has a tangible component and an intangible element. Tobin's Q is taken as the measure of firm value. We define the following function

Firm value= f(Assets, DE-ratio, Advertising intensity)

We then used the multiple regression models using the following equation.

- Firm Value=α+ β Assets+ γ D/E ratio +δ Advertising intensity +Error

The regression results are given in Table VI. Table VII gives the results of the multiple regressions when carried out on different sectors

Table VI

Sample Size	**F value**	**Constant α**	**Assets β**	**DE-ratio γ**	**Ad. Intensity δ**	**R**	**R square**	**Standard Error**

159	1.4032 (0.2440)	1.8176 6.4026^{t} (0.0000)	0.0000 -1.7204^{t} (0.0874)	0.0269 0..5660^{t} (0.5722)	1.8736 0.4392^{t} (0.6611)	0.1626	0.0264	2.1771

* indicates Significant at 1% Level of significance
** indicates Significant at 5 % Level of significance
*** indicates Significant at 10 % Level of significance
The values inside the parenthesis are the p-values.
t indicates the computed t-statistic value.

Table VII

Sector and Sample Size	**F value (Overall)**	**Constant α**	**Assets β**	**DE-ratio γ**	**Ad. Intensity δ**	**R**	**R square**	**Standard Error**
Banking & Financial Service (14 Samples)	3.2796 **(0.0670)*** **	-0.0694 -0.5862^{t} (0.5708)	0.0000 0.7245^{t} (0.4853)	0.0769 1.1711^{t} (0.2687)	28.1882 1. 8020^{t} (0.1017)	0.7042	0.4959	0.2081
Automobile (10 Samples)	0.1285 (0.9397)	1.6303 1.9761^{t} (0.0955)	-0.0001 -0.3805^{t} (0.7167)	-0.0604 -0.5109^{t} (0.6277)	4.7437 0.2109^{t} (0.8399)	0.2457	0.0604	0.8780
FMCG (16 Samples)	1.5374 (0.2555)	2.7890 1.6692^{t} (0.1209)	0.0006 1.6883^{t} (0.1171)	-1.4967 -0.9751^{t} (0.3487)	8.2260 0.5316^{t} (0..6047)	0.5269	0.2776	2.1793
Telecom (13 Samples)	4.4069 **(0.0362)****	1.0077 3.0467^{t} (0.0139)	0.0000 -1.2650^{t} (0.2376)	0.0592 1.2389^{t} (0.2467)	12.8877 1.9338^{t} (**0.0852)*****	0.7713	0.5950	0.6017
Entertainment and Media (5 Samples)	35.4380 (0.1227)	-2.2784 -1.0530^{t} (0.4836)	0.0012 3.7148^{t} (0.1674)	1.8386 .7830^{t} (0.5771)	29.5728 1.6761^{t} (0.3425)	0.9953	0.9907	0.2106
Consumer Durables (10 Samples)	126.5137 **(0.0000)***	1.0433 6.3695^{t} (0.0007)	0.0000 0.2645^{t} (0.8002)	0.1630 19.1640^{t} (0.0000)	2.3808 0.8582^{t} (0.4237)	0.9922	0.9844	0.2040
Textiles (10 Samples)	1.5316 (0.3000)	1.4116 4.9080^{t} (0.0027)	0.0001 0.3625^{t} (0.7294)	0.1115 1.5691^{t} (0.1677)	-6.6341 -1.5459^{t} (0.1731)	0.6586	0.4337	0.3305
Pharmaceuticals (12 Samples)	4.4764 **(0.0400)****	2.5459 4.8179^{t} (0.0013)	0.0007 2.8967^{t} (0.0200)	-2.1613 -2.5002^{t} (0.0369)	-1.7628 -0.2863^{t} (0.7820)	0.7916	0.6267	0.7761

* indicates Significant at 1% Level of significance
** indicates Significant at 5 % Level of significance
*** indicates Significant at 10 % Level of significance
The values inside the parenthesis are the p-values.
t indicates the computed t-statistic value.

There seems to be no significant relationship between ad intensity and firm value represented by Tobin's Q accounting for leverage and firm size. This indicates the firm increasing its advertising in relation to sales may not have an impact on the firm value. Rather advertising spending in absolute terms show a significant impact. When we try to probe further across various sectors, four sectors (banking and financial services, telecom, pharmaceuticals and consumer durables) show a significant positive relationship.

Inferences and Managerial Implications

Taken together the results of regression in profitability and firm value provide indicators of ad spending influencing these factors. But the influence seems weak. The results therefore seem inconclusive. However this study which incorporates the usage of metrics and attempts to establish a relationship between advertising (language of marketing) and firm value and profitability (language of finance) serves as an attempt to quantify the impact of marketing practices on valuations of the firm. The complexity of the relationships presents a challenge to researchers and managers alike. We believe further investigation into these relationships is essential to uncover the influence of advertisement in building firm value. Besides, the study has sought to move away from the traditional approach of uncovering product-market demand effects of advertisement to uncovering financial effects of advertising. A major limitation of studies such as this is that the findings are only as good as the secondary data obtained. While some new and interesting insights on the effects of advertising on firm value could be garnered, the study can however be extended to include the other elements of marketing mix that are likely to influence the firm value and the linkages among these marketing mix activities particularly in the Indian context.

This study follows the current approach to the subject; we yet remain uncertain of the best way to value the effect on intangibles. However, we have attempted to use rational logic within the constraints of available data to uncover the relationship in the Indian context. We believe the study's attempt to explore the effects of firms marketing activities on firm value is a first step in stimulating further studies on this subject.

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