

Studying the Financial Impact of Marketing Strategies: Should We Differentiate between B2B and B2C Companies?

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ABSTRACT

Previous research asserts that branding is important for both the business-to-business (B2B) and business-to-consumer (B2C) companies. However, literature is silent about the appropriateness of different types of branding strategies for the two types of companies. B2B and B2C companies are inherently different owing to their widely different operations and consumer bases. Therefore, we propose that different marketing strategies may not be equally valuable for the two types of companies. The present research examines the impact of two types of marketing strategies – advertising and branding strategy – on the shareholder value of companies. In particular, we focus on how these impacts vary across B2B and B2C companies, using a sample of 73 B2B and 78 B2C companies in India. The results reveal that B2B firms are uniformly following corporate branding strategy. In contrast, a significant variation is found in the branding strategies of B2C companies. However, branding strategy of a B2C firm is not associated with its shareholder value. Further, the findings suggest that **advertising-expenditure-shareholder-value** relationship holds only for B2C companies, but not for B2B firms. Our results are robust after controlling for relevant control variables. The findings suggest that the marketing managers at B2B companies should not base their marketing decisions solely on the models developed for B2C companies. Further, academic researchers are advised to differentiate between B2B and B2C companies while studying the financial impact of marketing variables.

Keywords: Advertising expenditure, Branding strategy, Shareholder value, B2B, B2C

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INTRODUCTION

Over the last two decades, shareholder value has become the governing objective of business. There is growing acceptance that top managers nowadays do not hold their jobs for long unless they demonstrate their ability to enhance shareholder value. So, managers are required to have a better understanding of what shareholder value is and how they can enhance it (*Lucas et al., 2005*). The pressure for increasing market value

of firms is not only on finance managers; rather marketing managers are also facing the pressure of shareholder value maximisation (*Joshi and Hanssens, 2010*).

Marketing managers increasingly realize the importance of answering questions like Do marketing expenditures pay off? Does marketing work? Do marketing expenditures make an expense or an investment? To answer such questions, academic

researchers are also putting in their efforts to find the relationships between marketing activities and financial performance. For instance, previous research has focused on the relationship between promotional expenditure and profitability (*Hasan et al., 2000*), stock market reaction and brand attitude (*Aaker and Jacobson, 2001*), brand equity and revenue premium (*Ailawadi et al., 2003*), type of branding strategy and shareholder value (*Rao et al., 2004*), customer satisfaction and firm value (*Mittal et al. 2005; Fornell et al., 2006*), branding and shareholder value (*Madden et al., 2006*), and advertising expenditure and firm's market capitalisation (*Chauvin and Hirschey, 1993; Srinivasan et al., 2009; Joshi and Hanssens, 2010*). Other studies that find the influence of marketing variables on firm performance are based on event study method. The event study method involves measuring excess returns on a sample of common stocks that result from the specific announcement, for instance, when a firm terminates an ad agency (*Hozier and Schatzberg, 2000*), corporate announcements of green marketing activities (*Mathur and Mathur, 2000*) and so on.

A survey of existing literature provides rich insights about the financial impact of marketing activities. But it does not put forth if such influence differs from business-to-business (B2B) and business-to-consumer (B2C) companies. Further, many of the studies are based on the aggregate data of both B2B and B2C companies. The results based on aggregate data may not reveal how uneven these effects are across B2B and B2C companies. The B2B and B2C companies are inherently different owing to their widely different operations and consumer bases. The marketing strategies and expenditures also widely differ across B2B and B2C companies. Therefore, the financial

impact of marketing strategies may vary across the two types of companies.

Thus, the present research aims to explore if the effect of marketing activities on firm's financial performance varies across B2B and B2C firms. In other words, the purpose is to determine if it would be useful to segregate between B2B and B2C companies while studying the financial effect of marketing variables. This study analyses and compares the effects of two marketing activities, advertising and branding strategies, between B2B and B2C companies. Advertising and branding strategies are such marketing activities that are entirely controlled by firms. Further, the relationship between advertising expenditure and firm's financial performance has been widely studied. Previous studies prove that advertising expenditure has a positive impact on financial variables. But none has validated these findings by segregating between B2B and B2C firms. There are not many studies that focus on the branding-strategy-shareholder-value relationship. The studies that exist provide equivocal results as discussed in the subsequent sections. These studies have also not differentiated between B2B and B2C companies. Thus, we examine the influence of advertising expenditure and different types of branding strategies on the shareholder value of the companies.

B2B AND B2C: A COMPARISON

Companies existing in the marketplace can be broadly classified as B2B and B2C companies. These two types of companies are inherently different in nature, as depicted in Table 1. B2B companies sell products and services to other businesses. Examples of B2B companies include advertising agencies, companies

Table 1: B2B and B2C – a comparison

	B2B	B2C
Customers	Business houses	End consumers
Characteristics of purchases	Large quantitiesLow frequency	Small quantityHigh Frequency
Examples: services	Advertising agenciesCall centres	Retail storesRestaurants
Examples: products	Industrial lubricantsHigh-tech components	SoapsCars

selling products like industrial lubricants, high-tech components and so on. B2C companies sell products and services to individual consumers and include services like retail stores, restaurants and products like soaps, cars and so on. Further, in B2B, transactions take place between two businesses and buyers purchase large quantities of products/services. B2C purchases are characterised by small quantities, little margin and high frequency.

Because of these differences, the marketing strategies also differ across B2B and B2C companies. For instance, there is a widely held belief amongst managers most people often think that the phenomenon of branding is relevant only to B2C companies, and B2B companies do not need branding. They argue that branding is irrelevant to B2B companies because buyers in this category make their purchases on objective criteria, whereas branding strategies are more relevant to B2C companies as these companies target the consumer emotions through brands. However, previous research acknowledges that branding is as relevant to B2B companies as it is to B2C companies (Blackett, 1998; Morrison, 2001; Anderson and Narus, 2004; Kotler and Waldemar, 2007). Kotler and Waldemar (2007) also argue that it is impossible for a human being to make decisions purely objectively and unemotionally, as humans can never act like machines, and conclude that brand management is critical to the success of companies in the B2B world. Thus, marketing is relevant to both B2B and B2C companies. However, because there are inherent differences between B2B and B2C businesses, therefore, it can be safely hypothesised that there would be disagreements between the B2B and B2C branding strategies. This further suggests that financial influence of marketing expenditures and strategies may also differ across B2B and B2C companies.

BRANDING STRATEGIES

Laforet and Saunders (1999) define a branding strategy as the way the companies mix and match their corporate brand (CB), house brand, family brand and

individual brand (IB) types for their products or services. Past literature suggests several taxonomies for classifying branding strategies (Gray and Smeltzer, 1985; Murphy, 1987; Olins, 1989; Laforet and Saunders, 1994, 2005; Aaker and Joachimsthaler, 2000; Berens et al., 2005; Rajagopal and Sanchez, 2004). Broadly speaking, companies can choose from among three types of branding strategies – monolithic, mixed and house of brands, which have their advantages and disadvantages (Olins, 1989) and differ mainly in the visibility of different brand types (Mann and Kaur, 2013).

Monolithic branding strategy is defined as the strategy in which only CB name is used in all communications of the company (Olins, 1989), also called the branded house strategy (Aaker and Joachimsthaler, 2000; Rajagopal and Sanchez, 2004). The major advantage of corporate-dominant strategy is that it provides the strength of consistency (Zyglidopoulos et al., 2006). Hulberg (2006) asserts that a CB creates synergies among brands and consistent messaging costs less to communicate. Hence, a company following the solid strategy can save big sums of money by exploiting economies of scale in advertising and marketing. Further, the products branded using the corporate name benefit from the overall reputation of the company (Olins, 1989). A CB is simpler to recognise and provides a clear reference to its stakeholders. The CB also leads to a reduction in costs associated with CB extensions. Discussing the advantages of CB extensions, de Ruyter and Wetzels (2000) state that for CB extensions, corporate credibility increases communication effectiveness and hence positively affects the consumers' evaluations of the extensions. A product brand typically targets customers alone while CB targets at a diverse range of internal and external stakeholders simultaneously including shareholders, customers, employees, community, government, environment, nonusers and so on (Hulberg, 2006). However, according to Rao et al. (2004), the major disadvantage of corporate-dominant strategy is its less flexibility in embracing different types of products.

This strategy limits a firm's ability to expand into a wider range of product categories and overstretching of a CB into separate product categories may lead to dilution of CB equity.

House of brands strategy is defined as the strategy in which different brand names (family brand and IB) that are different from the CB are used for different products/services of the company (Aaker and Joachimsthaler, 2000; Rajagopal and Sanchez, 2004). This branding strategy is also called the branded strategy (Olins, 1989). This strategy provides benefits of segmentation to companies. Each brand is positioned for a particular target market with a unique positioning proposition and hence creates its brand equity. Using this strategy, a company can launch various brands in the same product category targeted at different market segments. This helps the company to occupy more shelf space in retail. However, this strategy is costly as more funds are required for creating brand equity for each brand, separately.

Mixed branding strategy is the strategy in which CB and IB names are used together with varying visibilities for branding products/services (Gray and Smeltzer, 1985; Murphy, 1987; Laforet and Saunders, 1994). Olins (1989) has named it endorsed strategy, Aaker and Joachimsthaler (2000) and Berens *et al.* (2005) have named it sub-branding strategy, whereas Rajagopal and Sanchez (2004) call it brand endorsement strategy. Aaker and Joachimsthaler (2000) divide this strategy further into three categories. First, master brand as driver strategy when the CB is more prominently visible than IB. Second, sub-brand as co-driver strategy when two brands are given equal visibility prominence. Third, endorsement strategy when CB receives less emphasis than the IB. Endorsement strategy has further been classified by the authors as a strong endorsement, linked name and token approval. As the mixed branding strategy uses both CB and IB, it offers advantages and disadvantages of both monolithic and the house of brands strategies.

The three branding strategies can be plotted on a continuum, with solid strategy at one end, the house

of brands strategy at another end and mixed strategy between the other two. Further, as different branding strategies vary in their potential benefits and costs to the firm, these strategies may have a differential impact on the shareholder value of the firm. Thus, the important managerial question is – Which branding strategy is related to higher shareholder value? There are very few studies that address this question as discussed below.

Rao *et al.* (2004) find that unified branding strategy is associated with higher shareholder value. On the other hand, the house of brands and mixed strategies are associated with lower shareholder value. In contrast, Zyglidopoulos *et al.* (2006) reveal that firms following house of brands strategy have higher financial performance than firms following monolithic strategies. Another study by Hsu *et al.* (2010) is also noteworthy here which examines the impact of branding strategy type on shareholder value and risk. It studies five types of branding strategies including branded house, sub-branding, endorsed branding, the house of brands and hybrid strategy. It finds that sub-branding strategy outperforms all other strategies regarding returns, but at high levels of risk. On the other hand, the house of brands and endorsed strategies outperform in risk profiles. Hybrid strategy is found to be worst as it provides lower returns, but with higher levels of risk. Given the ambiguity in the existing literature relating the impact of branding strategies on the financial performance of firms, we conclude that there is a dire need for a more comprehensive study to resolve the conflict existing in the literature.

The conflicting findings of previous studies listed in the above paragraph may be attributed to the methodology used in each study. Rao *et al.* (2004) identify the branding strategy of a firm as either corporate branding or mixed branding or house of brands and have operationalised this as a categorical variable. However, this simplified classification excludes sub-branding and endorsed branding strategies, and hence obscures the actual variation in the branding

strategies. Zyglidopoulos *et al.* (2006) measure branding strategy as a continuous variable, based on the information available in annual reports only. However, annual reports do not provide adequate information for accurate assessment of branding strategies of companies. Further, previous studies are based on data, collectively, for B2B and B2C companies. As already explained, although branding is important for both B2B and B2C companies, different branding strategies may be appropriate for these companies to increase shareholder wealth, owing to their widely different consumer bases.

To resolve the conflict existing in the literature, the present study reinvestigates the relationship between branding strategy and shareholder value of firms by using a more comprehensive methodology and by analysing data for B2B and B2C companies, separately.

RESEARCH FRAMEWORK

In the present study, the shareholder value is measured using Tobin's *Q*. Further, we measure branding strategies of companies as a continuous variable by content analysing the labels of brands for products and by content analysing websites of brands for services.

The branding strategy of a company is measured by the extent of visibility of the CB on the products/services of the company. Furthermore, we control for the impact of six variables, namely advertising expenditure, firm size, firm diversification, operating leverage, firm age and operating margin as these variables might affect the financial performance of the firm. The research framework of the study is shown in Figure 1.

Tobin's *Q*

Following Chung and Pruitt (1994), we measure Tobin's *Q* as

$$Q = (MVE + PS + Debt)/TA$$

where MVE is market value of equity – the product of the firm's share price and the number of shares outstanding; PS is the liquidating value of the firm's preference shares outstanding; debt is the value of the firm's short-term liabilities, net of short-term assets, plus the book value of long-term debt and TA is the book value of the total assets of the firm. A *q*-value greater than 1.0 indicates that the firm creates value for its shareholders, and *q* < 1 indicates that the firm destroys value for its shareholders.

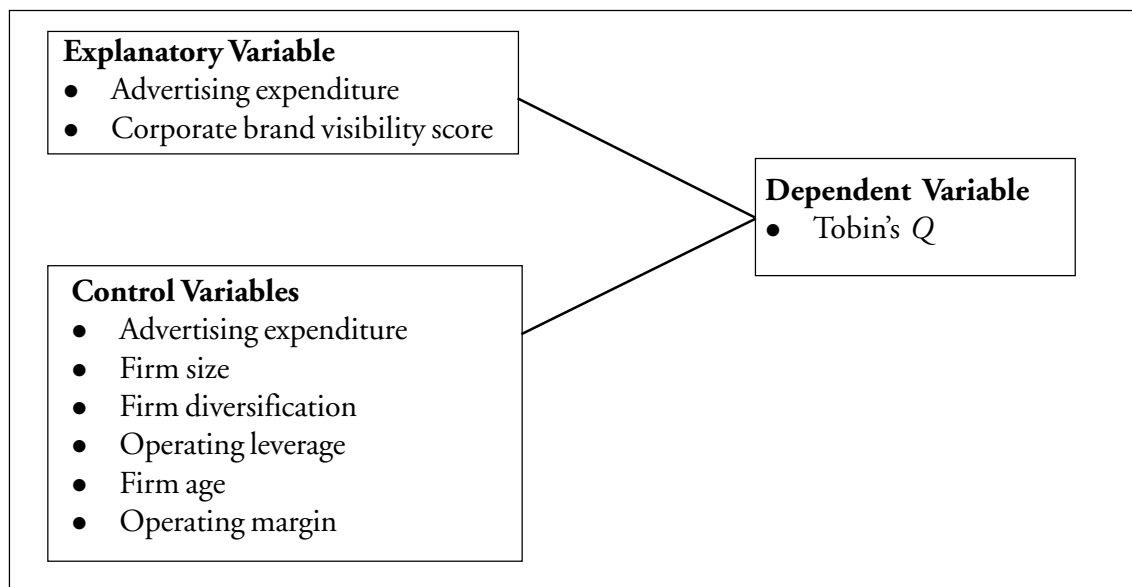


Figure 1: Conceptual framework of the study

Advertising Expenditure

We measure advertising expenditure as the ratio of advertising expenditure to total assets, and we expect that advertising has a positive effect on Tobin's Q for both B2B and B2C companies.

Control Variables

We have selected a comprehensive set of six firm and industry-level covariates as discussed below:

1. Firm Size: In general, bigger firms are thought to have the benefit of economies of scale and, therefore, a competitive advantage against competitors. However, previous research finds that firm size is negatively related to the financial performance of a firm (*Roberts and Dowling, 2002; Zygildopoulos et al., 2006*). Therefore, we expect firm size to hurt Tobin's Q . Following Morgan and Rego (2009), we operationalise firm size as the book value of total assets of the firm.

2. Firm Diversification: The impact of firm diversification on Tobin's Q has been found to be negative in most of the studies in the past (*Lang and Stulz, 1994; Desai and Jain, 1999*). We measure this variable as the number of industry segments in which firm operates and expect it to be negatively associated with Tobin's Q .

3. Operating Leverage: Past literature suggests that operating leverage of the firm is negatively related to Tobin's Q (*Smith and Watts, 1992; Rao et al., 2004*). Therefore, we measure it as the ratio of long-term debt to total assets of the firm and expect it to be negatively associated with Tobin's Q .

4. Firm Age: Age of the firm refers to how long a firm has been in business. With time, a firm may grow in its intangible value because of increased brand awareness and brand equity. However, at the same time, the firm may lag behind newly incorporated firms regarding technology. Therefore, we do not have a priori expectation of the sign of the association between firm age and Tobin's Q . However, we assume that over the lifetime of the firm, the firms collect a bouquet of brands, some presently relevant and others not so

relevant. However, as the firm is supporting all such brands in the market place, it has an adverse impact on the financial performance of the firm. Therefore, we expect firm age to have a negative impact on Tobin's Q .

5. Operating Margin: Higher operating margin of a firm suggests that the firm, for a given amount of assets and expenses, is earning higher profits and hence has higher intangible value (*Rao et al., 2004*). Therefore, we expect the operating margin to be positively related to Tobin's Q , and we measure it as the ratio of net income before depreciation to sales.

RESEARCH METHODOLOGY

Sample of Firms and Data

We begin with BSE 500 firms as on July 2013. Based on the examination of the products/services sold by the companies (using websites and annual reports), the companies were classified as B2B, B2C and both B2B and B2C companies. Only B2B and B2C companies were taken into account. Further, only those companies were included in the sample which operated in one and only one of the three sectors (*viz. Fast Moving Consumer Goods (FMCG)*, services or durables) and conglomerates, such as ITC Ltd., and were excluded from the sample to avoid data dilution. However, the sampled companies may have diversified portfolio within the sector and may have brands in multiple product categories, like P&G. For B2B and B2C companies, we sought the data relating to the selected dependent variable and the control variables (except for firm diversification) from Prowess database for three consecutive years (2010–2012). We use an average of 3-year data for each variable. After deleting firms with missing data on the selected variables, our final sample consists of a total of 73 B2B firms and 78 B2C firms.

Measurement of Branding Strategies

Rao et al. (2004) put forward that the type of branding strategy of a company can be inferred from the examination of all the brands of the firm. Following

Rao *et al.* (2004), in the present study, websites and annual reports of the sampled companies were visited to list the products and brands sold by each company. From this information, the number of industry segments in which the firm operates is counted and is referred to as firm diversification (control variable).

Then, content analysis of all the brands sold by a company is performed to know the visibility of CB on each product of the company. For FMCG and durables, product packaging has been content analysed by the visiting the various retail outlets, whereas for services, websites of the brands have been content analysed (as services do not have packaging). For the purpose of this study, CB and house brand were classified as one category – CB, because both CB and house brand are company names. Following Mann and Kaur (2013), a coding sheet was prepared for the purpose of content analysis (Table 2). The allocation of CB to different visibility styles was judgemental, taking into account all the factors that affect the relative prominence of the brand, such as its relative size, boldness, colour and position (*Laforet and Saunders, 1994, 2005 and 2007; Keller, 2008*). The two authors and one independent researcher were trained and served as coders. The coders separately coded the brands of sampled companies. Minimal differences were identified amongst the coding results of the three researchers and were resolved through discussion.

As given in the coding sheet, for every product, the CB displayed on the package/website was given a

Table 2: The coding sheet

Visibility Style	Score
The only brand type	9
Prominently visible	8
Balanced	7
Strong endorser	6
Weak endorser	5
Linked name	4
Token endorser	3
Only disclosed	2
Not disclosed	1

visibility score on the scale ranging from 1 to 9, 9 for CB being the only brand type, 8 for CB being prominently visible, 7 for the branding being the balanced type, 6 for a strong endorsement, 5 for weak endorsement, 4 for a linked name, 3 for a token endorser, 2 if CB is disclosed as a company name requirement only and 1 if the CB is not disclosed. For measuring the branding strategy of a company, an average of the visibility score of the CB is calculated for all brands of the company.

Data Analysis

The Ordinary Least Square (OLS) regression analysis (using SPSS 18) is used to estimate the relationship of branding strategy with the shareholder value. Two regression models are run – one for B2C companies and another for B2B companies. We estimate the following regression equation:

$$\text{Tobin's } Q = \alpha + \beta_1 \text{ visibility score of corporate brand} + \beta_2 \text{ advertising expenditure} + \beta_3 \text{ firm size} + \beta_4 \text{ firm diversification} + \beta_5 \text{ Operating leverage} + \beta_6 \text{ firm age} + \beta_7 \text{ operating margin} + e.$$

Regression Assumptions

Before starting with data analysis, we test normality of variables using Kolmogorov–Smirnov test and Shapiro–Wilk test (Appendix Table Ia). The variables which were found to be non-normal were transformed using appropriate transformation. Most of the normality test statistics after data transformation are found to be satisfactory (Appendix Table Ib). The transformations used for variables are given in Table 3. The other regression assumptions of linearity, homoscedasticity and multicollinearity are also satisfied.

RESULTS AND INTERPRETATION

Descriptive Statistics

Table 4 shows the descriptive statistics (before data transformation) and correlations among variables (after data transformation) for B2B and B2C firms. Most of the correlations are statistically significant different

Table 3: Data transformations used in the study

B2C Data		B2B Data	
Tobin's <i>Q</i>	Natural log	Tobin's <i>Q</i>	Natural log
CB visibility score ¹	None	CB visibility score ¹	None
Advertising expenditure	Natural log	Advertising expenditure	Natural log
Firm diversification ¹	None	Firm diversification ¹	None
Operating leverage	Square root	Firm age	Natural log
Firm age	Natural log	Operating margin	Natural log
Operating margin	Natural log		

¹Note: No transformation was performed for these variables as transformations did not improve their normality test statistics.

Table 4: Descriptives and correlation matrix for the variables

Mean(SD)	Variable	1	2	3	4	5	6	7	8
B2C Companies Data									
2.29(1.87)	1. Tobin's <i>Q</i>	1							
7.03(2.05)	2. CB visibility score	-.227(.05)	1						
.03(.04)	3. Advertising expenditure	.59(.00)	.18(.12)	1					
10.17(1.30)	4. Firm size	-.37(.00)	.12(.32)	-.24(.04)	1				
1.79(1.19)	5. Firm diversification	.07(.55)	-.04(.71)	-.01(.91)	-.03(.79)	1			
.12(.22)	6. Operating leverage	-.60(.00)	.11(.35)	-.35(.00)	.19(.09)	-.03(.81)	1		
35.40(25.93)	8. Firm age	.03(.77)	-.01(.91)	.16(.17)	.00(.99)	-.08(.50)	-.14(.24)	1	
.12(.22)	7. Operating margin	.17(.14)	.01(.92)	-.14(.22)	.04(.70)	.04(.74)	-.08(.48)	-.23(.04)	1
B2B Companies Data									
1.52(.89)	1. Tobin's <i>Q</i>	1							
9.0(.00)	2. CB visibility score	–	1						
.002(.003)	3. Advertising expenditure	.28(.02)	–	1					
10.61(1.42)	4. Firm size	-.21(.08)	–	-.31(.01)	1				
1.51(1.2)	5. Firm diversification	.10(.41)	–	.18(.13)	-.11(.36)	1			
.29(.21)	6. Operating leverage	-.32(.00)	–	-.34(.00)	.28(.02)	-.16(.16)	1		
31.74(24.18)	7. Firm age	-.08(.52)	–	.24(.04)	.06(.60)	.29(.01)	-.01(.93)	1	
.99(6.4)	8. Operating margin	.20(.09)	–	-.11(.37)	.23(.05)	-.19(.10)	.23(.05)	-.29(.01)	1

from zero. Further, CB visibility score is constant (9.0) in the case of B2B firms, and therefore its correlation with other variables is not reported.

Regression Models

B2C: The results of the B2C regression model with Tobin's *Q* as dependent variable, CB visibility as independent variable and six control variables are given in Table 5. The B2C firms have been classified into

three sectors, namely durables, services and FMCG. To incorporate sector effects, sector dummy is included in the regression model.

The regression findings reveal that CB visibility does not have any significant impact on Tobin's *Q* ($p > .05$). Advertising expenditure is found to have a significant positive effect on Tobin's *Q* ($p < .01$), such that Tobin's *Q* of a firm increases with increase in advertising

expenditure by the firm. Among other control variables, firm size ($p < .05$) and operating leverage ($p < .01$) are found to be negatively related to Tobin's Q , whereas operating margin has significant positive effect on Tobin's Q ($p < .05$).

B2B: CB visibility score is found to be constant for B2B companies. All these firms are using corporate branding strategy. As there is no variation in the CB visibility here, CB visibility is not included in the regression model. However, regression is run to know the impact of another marketing variable in the model – advertising expenditure – and to confirm the relationship of control variables with Tobin's Q .

As shown in Table 5, unlike B2C firms, advertising expenditure does not have any significant impact on Tobin's Q for B2B firms ($p > .05$). Further, similar to the case of B2C firms, operating leverage is found to be negatively related to Tobin's Q ($p < .05$), whereas operating margin is positively related to Tobin's Q ($p < .05$).

Thus, the results provide empirical evidence that B2B firms do not vary in their branding strategies. On the other hand, there is significant variation in the branding strategies of B2C companies. However, we further find that the branding strategy of a B2C firm is not associated with its shareholder value. Further, we find that advertising expenditure determines the value of Tobin's Q in the case of B2C companies, but not in the case of B2B companies. The findings are robust, after controlling for other variables that are known from financial theory to impact the firm value. The findings regarding the impact of control variables on Tobin's Q are also consistent with the previous literature.

Validation of Results

For validation of regression results, we conduct additional data analyses. In the above described analysis, we used Tobin's Q as the dependent variable. For validating our results, we run another regression using traditional accounting measure of return on assets

Table 5: OLS Regression Results

	Standardised Coefficients	Sig.
a. B2C companies data		
Advertising expenditure	.42	.00
Firm size	-.16	.04
Firm diversification	.04	.62
Operating leverage	-.39	.00
Firm age	-.03	.66
Operating margin	.22	.01
Durables dummy	-.22	.03
Services dummy	-.17	.11
CB visibility score	-.01	.92
Sample size	78	
R ²	.64	
F-ratio; df; p-value	13.38; 9, 68; .00	
b. B2B Companies Data		
Advertising expenditure	.17	.17
Firm size	-.14	.25
Firm diversification	.08	.49
Operating leverage	-.29	.02
Firm age	-.04	.73
Operating margin	.32	.01
Sample Size	73	
R ²	.24	
F-ratio; df; p-value	3.55; 6, 66; .00	

(ROA) as dependent variable. ROA is defined as the ratio of profit after tax to total assets. ROA reflects firms' efficiency in utilising total assets, holding constant the firms' financing policy. The regression results of the model with ROA as dependent variable reveal that CB visibility is not related to ROA for B2C firms. Further, advertising expenditure influences ROA for B2C firms, but not for B2B firms. Thus, this model supports the findings of the regression model with dependent variable as Tobin's Q . The findings related to the impact of control variables on ROA are also in line with the previous findings.

Further, so far, we have used visibility score of CB as the independent variable. Now, we run the regression

models for B2C firms (as branding strategy does not vary for B2B firms) with IB visibility score as the independent variable. IB visibility was also measured using the coding sheet given in Table 1. Here, the term IB stands for both family brand and IB. We find that IB visibility is neither related to Tobin's Q nor to ROA. However, advertising expenditure is significantly and positively related to Tobin's Q as well as ROA of B2C firms. Thus, these findings reconfirm that the firm's shareholder value as well as financial performance are not related to its branding strategy but are strongly related to the amount of money spent on advertising. The results remain the same even when we ran regression for the three sectors (durables, services and FMCG) separately.

DISCUSSION AND IMPLICATIONS

The findings of the study suggest that B2B companies are different from B2C companies when it comes to the financial impact of marketing-related variables like branding strategy and advertising expenditure. Advertising expenditure is found to be unrelated to shareholder value as well as ROA of B2B firms. But in the case of B2C firms, advertising expenditure has a significant positive influence on shareholder value, as well as ROA. Thus, the impact of advertising expenditure is not the same for B2B and B2C firms.

Further, our findings reveal that there is no variation in the branding strategies of B2B companies, as they are uniformly following corporate branding strategy. Previous research shows that companies tend to increase the visibility of CB when the purchase is associated with higher risk (*Gurhan-Canli and Batra, 2004; Anisimova, 2007*). The B2B sales are always bulk sales and involve huge sums of money; therefore, these are invariably high-risk purchases. Hence, these companies are only using their corporate names for branding purposes, and there is no variation in the branding strategies of these companies. Thus, our findings suggest that there are variables other than advertising expenditure and branding strategy that determine the stock performance of B2B firms.

On the other hand, there is quite significant variation in the branding strategies of B2C companies. Companies are mixing CB and IB types and are following varied branding strategies. Different B2C purchases vary in their inherent characteristics such that a soap purchase is less risky than the purchase of an automobile or an insurance policy (*Zeithaml, 1981; Mitra et al., 1999; Hem et al., 2003*). Due to these inherent differences in the characteristics of different types of B2C products and services, different types of branding strategies are used for different product categories (*Berry et al., 1988; Anisimova, 2007; Mann and Kaur, 2013*). Significantly, it is found that even the companies operating in the same business environment and selling same products differ in their branding strategies. These differences exist because of differences in the growth strategy and segmentation and positioning objectives of the companies (*Laforet and Saunders, 1999*). Thus, branding strategy of a B2C firm is a function of its business area, growth strategy, and segmentation and positioning objectives.

Furthermore, our regression results conclude that the branding strategy does not influence shareholder value of B2C companies. Findings suggest that advertising expenditure increases Tobin's Q and ROA. This suggests that the branding strategy of a B2C company does not drive its intangible value; rather, it is the advertising expenditure that influences its Tobin's Q and ROA. Based on these findings, we argue that visibility of a brand type does not matter. In other words, there does not exist an ideal branding strategy for achieving superior shareholder value. What matters is advertising, that is, how much the company spends to advertise its brands. Combining our findings with Laforet (2011) who finds that CB visibility does not influence consumer-purchase decision, we suggest that regardless of branding strategy, it is brand category dominance which plays a major role in influencing consumer-purchase decisions.

Our study contributes to the theory in at least four ways. First, the findings confirm that B2C companies

should be treated separately from B2B companies when studying marketing-related variables. The pooling of B2B and B2C data may provide misleading findings. Second, in line with previous research (*Joshi and Hanssens, 2010*), we find that advertising expenditure influences shareholder value. Our study extends the existing literature on the financial impact of advertising by finding that advertising-shareholder value relationship holds only for B2C companies, but not for B2B firms. Third, in contrast to previous studies (*Rao et al., 2004; Zyglidopoulos et al., 2006*), we operationalise branding strategy variable as a continuous variable. This methodology provides a more realistic picture about the branding strategy of the company. Finally, the type of branding strategy does not affect shareholder value of B2C companies. This suggests that the branding strategy of a company is a function of company's business sector, and segmentation and growth strategy, and does not drive firm's intangible value.

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LIMITATIONS OF THE STUDY AND FUTURE RESEARCH

Our research suffers from certain limitations that offer future research avenues. The sample of firms used in this study may not be sufficient for generalisation purposes. So, an examination of different samples of companies within and outside India would be worthwhile in establishing the generalisability of our findings. Further, our study finds that marketing related variables are not effective for B2B firms. So, it would be interesting to find the determinants of intangible value and performance of B2B firms. Furthermore, we find that advertising expenditure increases shareholder value and financial performance of companies. In this study, advertising expenditure is the overall amount of money spent on advertising. Future research may study the amounts spent on corporate advertising and products advertising, separately, and find their differential impact on shareholder value.

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Appendix

Table Ia: Tests of Normality

	Kolmogorov–Smirnov			Shapiro–Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
B2C Companies Data						
Tobin's <i>Q</i>	.212	78	.000	.736	78	.000
CB visibility score	.169	78	.000	.862	78	.000
Advertising expenditure	.233	78	.000	.697	78	.000
Firm size	.089	78	.198	.981	78	.290
Firm diversification	.310	78	.000	.698	78	.000
Operating leverage	.091	78	.170	.926	78	.000
Firm age	.221	78	.000	.849	78	.000
Operating margin	.258	78	.000	.691	78	.000
B2B Companies Data						
Tobin's <i>Q</i>	.168	73	.000	.835	73	.000
CB visibility score ¹	–	–	–	–	–	–
Advertising expenditure	.332	73	.000	.535	73	.000
Firm size	.055	73	.200*	.987	73	.635
Firm diversification	.471	73	.000	.491	73	.000
Operating leverage	.086	73	.200*	.952	73	.008
Firm age	.249	73	.000	.753	73	.000
Operating margin	.472	73	.000	.262	73	.000

¹CB visibility score is found to be constant for B2B companies.

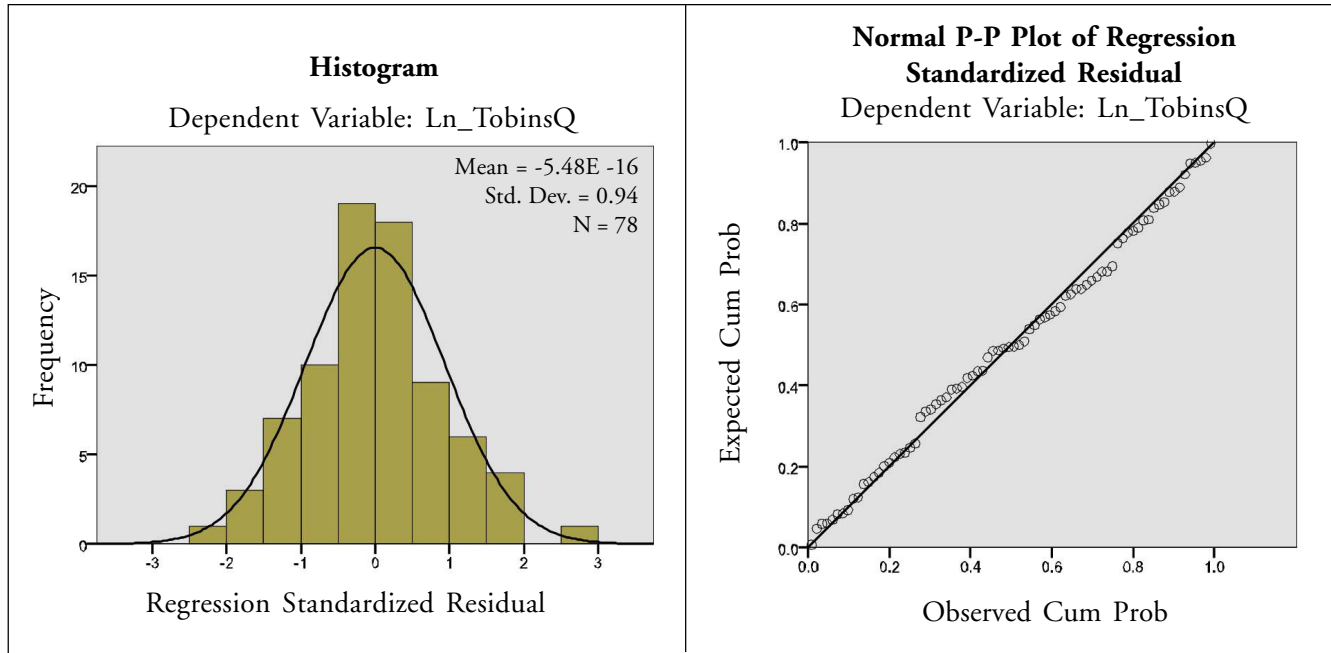
Table Ib: Tests of normality after transformation

	Kolmogorov–Smirnov			Shapiro–Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
B2B Companies Data						
Ln Tobin's <i>Q</i>	.104	78	.035	.979	78	.240*
Ln Advertising expenditure	.063	78	.200*	.968	78	.047*
SQRT operating leverage	.058	78	.200*	.989	78	.722*
Ln firm age	.093	78	.092*	.976	78	.150*
Ln operating margin	.081	78	.200*	.988	78	.684*
B2B Companies Data						
Ln Tobin's <i>Q</i>	.108	73	.034	.951	73	.007
Ln advertising expenditure	.059	73	.200*	.984	73	.495*
Ln firm age	.122	73	.009	.953	73	.008
Ln operating margin	.163	73	.000	.854	73	.000

*Null Hypothesis is accepted at 0.05 level(H_0 : Data is normal).

II. Normality of regression variate(Table 4)

B2C companies data



B2C companies data

