INTRODUCTION

Special Issue on the Marketing/Finance Interface

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Many special issues begin with a recognition of the growth that has taken place in a topic area, over the last 20 years or so. Specifically, JBR special editors describe an increase in the quality and quantity of articles published on a particular topic area (e.g., Interpersonal Buyer Behavior, The Role of Affect in Marketing). It is certainly true that research in finance has made tremendous strides in the last 30 years. The work of financial scholars has had an important impact on financial practice, perhaps most visibly in the option pricing area. At the same time, certain kinds of finance professors can command very large salaries on Wall Street. In other words, the work of some finance professors has tangible value in the marketplace.

Published research in marketing has proliferated, both in terms of quantity and in terms of quality. Nonetheless, there has not been a big explosion in the amount of work done at the interface of these two disciplines. To a large degree, finance and marketing remain as separate or isolated fields of study.

One of the goals of the Journal of Business Research is to recognize the intricate relationships between the many areas of business activity. Under “Aims and Scope,” both marketing and finance are specifically listed as important business activities that receive regular evaluation in JBR. Thus, this special issue is of interest because it combines two areas that often are kept separate in the journal itself. In March 1998, there were seven members of the JBR Editorial Board who are listed as specializing in the areas of “Finance and Accounting.” By way of contrast, there are 49 Review Board Members who have a special focus on “Marketing” and 42 more who have a specialty in “Buyer Behavior,” which can be viewed as a sub-discipline of marketing.

In this issue, we attempt to link these two somewhat disparate areas. On the surface, there should be many links. Finance evolved from economics, and finance can be viewed as a kind of applied economics. Similarly, marketing is an applied social science, as the field of academic marketing traces its history back to the mother disciplines of economics, sociology, and psychology. Since the 1960s, psychology has been the dominant force that drives marketing research, while economics’ origin has been ignored in most circles. Again, the editorial board of JBR reflects this fact, as a large contingent of board members specialize in “Buyer Behavior,” often with a psychological bent but rarely with a purely economic focus.

In the 1990s, some marketing scholars have begun to turn to economics for inspiration, especially with regard to research on strategy. Industrial organization economics is especially useful for explaining the kinds of strategic decisions that managers make, as are game theory and transactions cost theory. Thus, at a time when some marketing scholars are returning to their “economics” roots, it makes sense to publish a special issue that highlights the interface between marketing and finance.

In an academic setting, marketing and finance professors rarely interact. They seem to live in two worlds that overlap only in indirect ways. The same condition exists in a business setting. This tendency to congregate in functional silos has been termed an “old management paradigm” (Locander and Goebel, 1997). Under this older view, the firm is viewed as consisting of discrete units. Each unit acts autonomously, and each pursues its own measure of performance (Zinkhan and Zinkhan, 1997). From a marketing perspective, managers frequently focus on customers or accounting profits, as the ultimate objective. In contrast, financial managers focus on shareholder wealth (Zinkhan and Zinkhan, 1997).

Recently, however, the two areas have moved closer together in practice, especially in firms that have begun to focus more intensely on managing to enhance economic value. In these approaches, all parts of the organization are “linked” into a common framework. The most well-known of these approaches is the “economic value added” approach (EVA) developed by Stern Stewart & Co. (Ehrbar, 1998). Based on pioneering work in organizational economics and agency cost
theory, EVA and other similar methods with slightly different titles focus on developing systems in the firm that allocate resources, including marketing, in optimal ways so as to earn returns exceeding a firm's required rate of return. In this special issue, we attempt to bridge the gap between these two core disciplines: marketing and finance. In many sciences, important work is done at the boundary between two disciplines. For instance, bio-chemists work at the boundary between biology and chemistry. For some reason, such cross-fertilization is more rare within the domain of business schools. Each functional group tends to concentrate on a single stakeholder group. Marketing managers focus on customers, while finance managers focus on stockholders and/or lenders. In business, cross-functional disciplines do not emerge as unified fields of study (Zinkhan and Zinkhan, 1994). A single issue of JBR cannot create a popular new sub-discipline; but we attempt to make a start here. For example, it is encouraging to us that we received more than 50 manuscripts for consideration in this special issue. Slowly, cross-disciplinary work is beginning to emerge; and this work is of high quality.

This special issue contains 11 articles. The first, by Zinkhan and Verbrugge, describes marketing and finance as two divergent, yet complementary, views of the firm. That is, scholars in these two disciplines do have very different views of the world. They live in different “thought worlds.” Financial managers concentrate on resource allocation and asset management. By way of contrast, marketers focus on consumer needs. Profits seem to be the main accounting variable that is of interest to marketers. Despite these divergent perspectives, there are also areas where marketing and finance complement each other. One obvious area of overlap involves the investigation of marketing variables (e.g., advertising expenses) and how these affect firm performance (e.g., stock price).

This is exactly the approach taken in the second article, where Graham and Frankenberger propose three major predictors of earnings and market value. Examples of Graham and Frankenberger’s predictors are advertising, R&D, and tangible assets. Firm performance is also the focus of the next five articles in the special issue.

Kumar et al. conceive firm performance to be shareholder returns. They study 100 firms from 21 different industries in order to determine the effects of the cost of capital and a market return index. This article highlights one key difference between research in finance and marketing. While research in finance frequently examines patterns across a wide range of firms and industries, marketing research typically concentrates on the customers of one particular company. Because of this focus, marketing researchers often have a problem with generalizability. They wonder if the findings from this one industry apply to others. Often, this is a very difficult question to answer, especially within the confines of one particular study.

The fourth article, by Hozier and Schatzberg, uses an event study method to explore the stock market effect caused by a public announcement that an organization plans to terminate its ad agency. The event study methodology is based on the efficient market hypothesis, where stock prices rapidly absorb and reflect new information as soon as it becomes available (Verbrugge, 1997). To conduct an event study, the researcher identifies an event (e.g., the announcement of a new ad campaign). Next, the researcher defines an event window (i.e., the time in which a price reaction is expected to occur) and estimates abnormal stock price performance around the event. Finally, the statistical significance of the abnormal price movement is tested (Verbrugge, 1997). For more specific details about how to conduct an event study, see the Hozier and Schatzberg article in this issue, along with the Mathur and Mathur article.

The fifth article, by Hasan et al., investigates firm performance by considering asset and liability characteristics. Promotional expenditures is a key predictor variable. This study explores financial services by collecting data from 2,534 thrifts in the southeast U.S. This article highlights another possible area of overlap between finance and marketing—service industries. Banks, credit card companies, insurance firms, stock brokers, and other lending institutions are all examples of providers of financial services. Since the late 1970s, services marketing has emerged as a separate and distinct area of research in marketing. Those who are interested in services could learn a lot by collaborating with finance and insurance professors who specialize in the study of financial institutions—both at the retail and wholesale level. The financial aspects of service are rarely explored in marketing research. Finance professors have both theories and methods to offer those interested in services marketing.

The sixth article, by Gleason et al., broadens the focus by collecting data from retailers in 14 European countries. Again, it is a rare marketing article that studies so many countries at one time (see Zinkhan and Balazs, 1998). Here, Gleason et al. investigate the effect of culture and capital structure on pretax profit margins.

As hinted above, Mathur and Mathur use an event study method to investigate firm performance. These authors concentrate on green marketing—activities that are perceived to be environmentally friendly. For instance, a firm may announce a new product that contributes to environmental well-being (e.g., a book publisher could announce a new line of publications that are printed on recycled paper). Alternatively, a firm could announce a new advertising campaign that focuses on environmental issues. Mathur and Mathur find that neither environmental products nor environmental promotions enhance stock prices. Financial markets may view these kinds of activities as wasting a firm’s resources. Alternatively, they may believe that such marketing activities are generally not successful.

The eighth article, by Baldauf et al., represents a departure from the first seven in two respects: (1) its focus is not on firm performance; and (2) it uses an analytical, rather than an empirical, method. Assuming a duopolistic market structure, the authors show that leveraged and unleveraged firms...
have different pricing strategies for new products. Specifically, firms that take on debt charge lower prices at the time of product launch. However, in later periods, equity-financed firms charge lower prices for new products. The area of new products is a fast growing one for marketing researchers. Once again, finance researchers offer new perspectives.

The ninth article offers an international perspective by interviewing financial and marketing managers in the Netherlands. This is the only article in the special issue to use a traditional marketing technique—the survey method. The other articles focus on methods that are traditionally employed in finance (e.g., COMPSTAT data, event studies, analytical methods). de Ruyter and Wetzel find that two key variables determine the relationship between marketing and finance managers—resource dependence and procedural fairness.

The tenth article in this issue, by Kaufman et al., uses an analytical method to study the decision to franchise. In particular, the authors explore a way to relax the traditional assumption that organizations choose to franchise in order to maximize the long-term economic value of a firm. Instead, the authors propose that organizations pursue an alternative, accounting-based objective function.

The final article (by Evans and Green) is unique in that it spans three different disciplines: management, marketing, and finance. As a conceptual basis, the authors turn to Miles and Snow (1978) who specify that firms adopt one of three strategic archetypes—prospector, defender, or reactor. The sample consists of 97 firms that completed the Chapter 11 process in Atlanta Bankruptcy Court. Evans and Green report that external constituents pressure firms to avoid reactor strategies. Firms with prospector strategies and well defined marketing plans are most likely to emerge from the Chapter 11 proceedings.

In closing, we thank the many people who made this special issue possible. We extend a special thanks to Arch Woodside, who encouraged us to create this special issue. We also thank the many reviewers and authors. We thank Rise Brown, who kept track of the voluminous correspondence that resulted from 50 plus initial submissions. Echoing Hartman and Price (1995), we thank the readers of this issue. We encourage readers to pursue their professional interests in this area—they interests in research, practice, or teaching. The marketing/finance interface has a lot to offer to both disciplines. There is a potential for this interface to become, in the future, its own separate and recognized area of inquiry, rather than an anomaly which must be nurtured and raised within the confines of a special issue.

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